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NEW ERA PRC FUND

EXPLANATORY MEMORANDUM

Managed By
First State Investments (Hong Kong) Limited

2nd January 2007

WARNING: This Explanatory Memorandum contains information which is necessary for investors to form an informed decision in relation to the subscription for Units in the Fund and is the only document on which prospective investors to rely to make any investment decision. Investors should note that distribution of the Units in the Fund is subject to restrictions and that this Explanatory Memorandum is available only in English. NO Chinese version of this Explanatory Memorandum is available. Prospective investors who are not fully conversant in the English language should seek independent advice from professional financial advisers who are fully conversant in the English language before making any investment decision.

注意一本基金說明書載有投資者需要掌握用以作出投資決定的資料，同時亦是唯一一本投資者可依賴用以作出投資決定的文件。本基金的發售受若干限制，本基金說明書只有英文版本而沒有中文版本。如投資者不通曉英語，應於作出任何投資決定前向通曉英語的專業財務顧問尋求獨立的意見。

NEW ERA PRC FUND

(the “Fund”)

(a unit trust constituted pursuant to the laws of Hong Kong)

ADDENDUM

to

the Explanatory Memorandum of the Fund dated 2 January 2007

(the “Explanatory Memorandum”)

Important

If you are in any doubt about the contents of this document, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

This Addendum supplements and should be read together with the Explanatory Memorandum. This Addendum is authorised for distribution only when accompanied by the Explanatory Memorandum.

Words and expressions defined in the Explanatory Memorandum shall have the same meanings in this Addendum. All other provisions contained in the Explanatory Memorandum, unless inconsistent with the provisions set forth in this Addendum shall continue to apply.

Change of Auditor

Ernst & Young has resigned and PricewaterhouseCoopers has been appointed and consented to act as the auditor for the Fund with effect from 4 February 2008.

Dated: 17 March 2008

IMPORTANT INFORMATION FOR INVESTORS

Important – If you are in any doubt about the contents of this Explanatory Memorandum, you should seek independent financial advice.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this Explanatory Memorandum, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Explanatory Memorandum.

This Explanatory Memorandum comprises information relating to New Era PRC Fund (the “**Fund**”), which is a unit trust established under Hong Kong law by a trust deed dated 28 June 2001 between First State Investments (Hong Kong) Limited as manager (the “**Manager**”) and HSBC Institutional Trust Services (Asia) Limited as trustee (the “**Trustee**”).

The Manager accepts responsibility for the information contained in this Explanatory Memorandum as being accurate at the date of publication. However, neither the delivery of this Explanatory Memorandum nor the offer or issue of Units shall under any circumstances constitute a representation that the information contained in this Explanatory Memorandum is correct as of any time subsequent to such date. This Explanatory Memorandum may from time to time be updated. Intending applicants for Units should ask the Manager if any supplements to this Explanatory Memorandum or any later Explanatory Memorandum have been issued.

Distribution of this Explanatory Memorandum must be accompanied by a copy of the latest available annual report and accounts of the Fund and any subsequent interim report. Units are offered on the basis only of the information contained in this Explanatory Memorandum and (where applicable) the above mentioned annual reports and accounts and interim reports. Any information given or representations made by any dealer, salesman or other person and (in either case) not contained in this Explanatory Memorandum should be regarded as unauthorised and accordingly must not be relied upon.

WARNING: This Explanatory Memorandum contains information which is necessary for investors to form an informed decision in relation to the subscription for Units in the Fund is the only document on which prospective investors should rely to make any investment decision. Investors should note that distribution of the Units in the Fund is subject to restrictions and that this Explanatory Memorandum is available only in English. NO Chinese version of this Explanatory Memorandum is available. Prospective investors who are not fully conversant in the English language should seek independent advice from professional financial advisers who are fully conversant in the English language before making any investment decision.

注意—本基金說明書載有投資者需要掌握用以作出投資決定的資料，同時亦是唯一一本投資者可依賴用以作出投資決定的文件。本基金的發售受若干限制，本基金說明書只有英文版本而沒有中文版本。如投資者不通曉英語，應於作出任何投資決定前向通曉英語的專業財務顧問尋求獨立的意見。

The Fund has been authorised by the Securities and Futures Commission in Hong Kong subject to the condition that Units in the Fund are offered in Hong Kong only to institutional investors who are able to meet its minimum investment requirements and **are not offered for sale to or available for purchase by the general public**. In granting such authorisation the Securities and Futures Commission takes no responsibility for the financial soundness of the Fund or for the accuracy of any of the statements made or opinions expressed in this Explanatory Memorandum and does not imply that investment in the Fund is recommended by it. The Manager has sought listing of the Units on the Stock Exchange in order to meet the demands of institutional investors who need to invest in listed securities.

Units quoted in US dollars with a minimum board lot size of 10,000 Units have been admitted to listing on the Stock Exchange since 25 June 2002. No action has been taken to permit an offering of Units or the distribution of this Explanatory Memorandum in any jurisdiction other than Hong Kong where action would be required for such purposes. Accordingly, the Explanatory Memorandum may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised.

The Manager has the power to impose such restrictions as it may think necessary for the purpose of ensuring that Units are not acquired or held directly or beneficially (i) by any U.S. Person, as that term is defined by Regulation S under the United States Securities Act of 1933 (as amended) other than a U.S. Person who is both an “accredited investor” as defined in Regulation D under the U.S. Securities Act and a “qualified purchaser” or “Knowledgeable Employee” as defined in the U.S. Investment Company Act of 1940 (as amended) or the rules and regulations thereunder; or (ii) any person in breach of the law regulation or other requirements of any country or governmental authority.

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

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DIRECTORY OF PARTIES

Manager

FIRST STATE INVESTMENTS
(HONG KONG) LIMITED
6th Floor Three Exchange Square
8 Connaught Place, Central
Hong Kong

Directors of the Manager

Lindsay Robert MANN
LAU Kwok Kit, Martin
MA So Ping
HU Ka Lam
Robert Keith JAMES

Trustee and Registrar

HSBC INSTITUTIONAL TRUST SERVICES (ASIA) LIMITED
1 Queen's Road Central
Hong Kong

Auditors

Ernst & Young
18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

Legal Advisers to the Manager

DEACONS
Alexandra House
5th Floor
18 Chater Road
Central
Hong Kong

DEFINITIONS

For the purposes of this Explanatory Memorandum, the following expressions have the following meanings:–

“A\$”	means the lawful currency of Australia
“Business Day”	means a day (other than Saturday) on which banks in Hong Kong are open for normal banking business provided that where as a result of a Number 8 Typhoon Signal, Black Rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Registrar otherwise determine
“Dealing Day”	means each Business Day
“Fund”	means the New Era PRC Fund
“HK dollars” or “HK\$”	means the lawful currency of Hong Kong
“HSBC ITS”	HSBC Institutional Trust Services (Asia) Limited
“Issue Price”	means the price, calculated in the manner described under the heading “Calculation of Issue and Realisation Prices” below, at which Units will normally be issued
“Managed Fund”	means a unit trust, mutual fund corporation, open-ended investment company or other similar open-ended collective investment vehicle
“Manager”	means First State Investments (Hong Kong) Limited
“Net Asset Value”	means the net asset value of the Fund or, as the context may require, of a Unit, calculated in accordance with the Trust Deed
“PRC”	means the People’s Republic of China
“Realisation Price”	means the price, calculated in the manner described under the heading “Calculation of Issue and Realisation Prices” below, at which Units will normally be realised
“Registrar”	means HSBC Institutional Trust Services (Asia) Limited in its capacity as the registrar of the Fund
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Trust Deed”	means the trust deed between the Manager and the Trustee establishing the Fund
“Trustee”	means HSBC Institutional Trust Services (Asia) Limited in its capacity as the trustee of the Fund
“Unit”	means a unit in the Fund
“Unitholder”	means a person who is registered on the register of unitholders of the Fund as the holder of a Unit
“US dollars”, “US\$” and “cent”	means the currency of the United States of America
“U. S. Person”	means a person so defined by Regulation S under the United States Securities Act of 1933 (as amended)

INTRODUCTION

The NEW ERA PRC FUND is a unit trust constituted by a trust deed dated 28 June 2001 and made between First State Investments (Hong Kong) Limited as Manager and HSBC Institutional Trust Services (Asia) Limited as Trustee.

The investment objective of the New Era PRC Fund is to provide investors with capital growth over the medium to long term primarily by investing in Hong Kong listed Red Chips and H Shares, and securities listed on the stock markets of the PRC which are available to foreign investors. The Fund may also invest in securities of companies whose business is connected with the economy of the PRC which are listed on any other stock markets or traded in any other financial markets (or which the Manager expects to be listed on a stock market within a reasonable period after the acquisition of such securities) where the Manager considers such investment appropriate.

The Fund may also invest in the China A share market through the equity linked notes issued by institutions which have obtained the Qualified Foreign Institutional Investors ("QFII") status in China.

The Fund is denominated in US dollars.

The minimum initial investment is US\$100,000 (inclusive of any initial charge) (unless otherwise agreed by the Manager and notified to the Trustee in any particular case or generally).

The Manager is, at its discretion, entitled to impose an initial charge of 2 per cent. of the Issue Price per Unit issued. The Manager may waive the initial charge in part or in full and whether in respect of particular investors or generally.

INVESTMENT OBJECTIVE AND POLICY

Investment Objective and Policy

The investment objective of the New Era PRC Fund is to provide investors with capital growth over the medium to long term primarily by investing in Hong Kong listed Red Chips and H Shares, and securities listed on the stock markets of the PRC which are available to foreign investors. The Fund may also invest in securities of companies whose business is connected with the economy of the PRC which are listed on any other stock markets or traded in any other financial markets (or which the Manager expects to be listed on a stock market within a reasonable period after the acquisition of such securities) where the Manager considers such investment appropriate.

The Fund may also invest in the China A share market through the equity linked notes issued by institutions which have obtained the QFII status in China. The Fund may not invest more than 15 per cent. of its net assets in aggregate in warrants or equity linked notes.

Currency Denomination

The Fund is denominated in US dollars.

Risk Factors

Risks associated with investment in China

The Fund is subject to market fluctuations and to the risks inherent in all investments. The price of Units and the income from them may go down as well as up. As the Fund's investments will concentrate on securities and other investments based in or related to the PRC, investments made for the account of the Fund are likely to be subject to considerably more risks than investments made by other funds investing in developed markets. The attention of investors is drawn to the following risk factors which the Manager considers to be of particular importance and relevance to investment in the Fund.

Political Concerns

The value of the Fund's assets may be affected by uncertainties such as political developments, changes in government policies, taxation, currency repatriation restrictions and restrictions on foreign investment in China. The central government of the PRC is socialist and, while a liberal attitude towards foreign investment and capitalism prevails at present, a return to hard line communism and a backlash against and introduction of restrictions on foreign investment is a possibility. There can be no assurance that the PRC government will continue to pursue its economic reform policies or, if it does, that those policies will be successful. The reformist elements which now dominate PRC politics remain ideologically socialist and political factors may at any time outweigh economic policies and the encouragement of foreign investment. Investments in the Fund will be highly sensitive to any significant change in political, social or economic policy in the PRC and such sensitivity may for reasons specified above adversely affect the capital growth and the performance of the Fund.

Accounting standards

PRC companies do not all follow international accounting standards and there are a number of differences between international accounting standards and accounting practice in the PRC. Accounting, auditing and reporting standards in China may not provide the same degree of investor protection or information to investors as would generally apply in more established securities markets.

Changes in Legal Framework and Policies

A comprehensive national regulatory and legal framework for capital markets and joint stock companies has yet to be finalised. Certain matters of concern to foreign investors are not adequately dealt with or are only covered in a number of national and local laws and regulations. Furthermore, the legislative framework in China for the purchase and sale of investments and in relation to beneficial interests in those investments is relatively new and untested and there can be no assurance regarding how the courts or agencies in China will react to questions arising from the Fund's investments in China and arrangements contemplated in relation thereto. Following China's accession to the World Trade Organisation ("WTO"), it is now expected to implement changes to current legislation, regulations and business practices to comply with the WTO requirements. The changes may have both positive and negative consequences for listed securities and foreign investors.

Foreign Currency Markets

The Fund will have exposure to fluctuations in currency exchange rates where it invests in obligations denominated in currencies other than US dollars. The Fund may, in part, seek to offset the risks associated with such exposure through foreign exchange transactions. The markets in which foreign exchange transactions are effected are highly volatile, highly specialised and highly technical. Significant changes, including changes in liquidity and prices, can occur in such markets within very short periods of time, often within minutes. Foreign exchange trading risks include, but are not limited to, exchange rate risk, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment, or particular transactions in foreign currency.

Counterparty and Broker Credit Risk

Certain assets of the Fund may be exposed to the credit risk of the counterparties with which, or the dealers, brokers and exchanges through which, the Manager deals, whether the Manager engages in exchange-traded or off-exchange transactions. Assets on deposit with a broker may be subject to risk of loss in the event of the broker's bankruptcy or the bankruptcy of any clearing broker through which the broker executes and clears transactions on behalf of the Manager.

Liquidity Risk

Trading volume on the stock exchanges on which the Fund's investments are listed may be substantially less than the stock exchanges of the major markets, so that accumulation and disposal of holdings may be time consuming and may need to be conducted at unfavourable prices. Volatility of prices may be greater than in the major markets and this may result in considerable volatility in the value of the Fund's underlying investments. In addition, brokerage commissions, custody fees and other costs relating to investments in China may be higher than in the major markets.

Settlement Risk

There can be no guarantee of the operation or performance of settlement, clearing and registration of transactions in China. Where organised securities markets and banking and telecommunications systems are underdeveloped, concerns inevitably arise in relation to settlement, clearing and registration of transactions in securities where these are acquired other than as direct investments. Furthermore, due to the local postal and banking systems, no guarantee can be given that all entitlements attaching to quoted and over-the-counter traded securities acquired by the Fund, including those related to dividends, can be realised promptly.

Taxation

The currency policy and practice of the PRC tax authorities is to not levy income tax on the dividends and capital gains earned by investors in “B” shares, however tax officials admit that they are still considering the position in light of the “experimental nature” of “B” shares, however, there is a risk that this practice may change following the accession of China to the WTO and taxation regulations for PRC and non-PRC investors are unified.

Conflicts of Interest

The Manager may from time to time act as manager, investment manager or investment adviser or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of the Fund. It is, therefore, possible that the Manager may, in the course of business, have potential conflicts of interest with the Fund.

Investment in equity linked notes

Under the prevailing regulations in China, foreign investors can only invest in the China A share market through institutions that have obtained QFII status. As of the date of this Explanatory Memorandum, the Fund and the Manager are not QFIIs in China and as a consequence will not invest directly in the China A share market. It is likely that the Fund will invest in the China A share market through the equity linked notes issued by institutions which have obtained the QFII status in China.

Certain restrictions imposed by the Chinese government on QFIIs may have an adverse effect on the Fund’s liquidity and performance. QFIIs are subject to restrictions on the maximum stake which can be held in any one listed company, transaction sizes for QFIIs are large and there are lock-up restrictions on repatriation of capital invested by a QFII in China. These restrictions will impact on the terms of any equity linked notes acquired by the Fund.

Equity linked notes are subject to the terms and conditions imposed by their issuers. These terms may lead to delays in implementing the Manager’s investment strategy due to restrictions they may place on the issuer acquiring or disposing of the securities underlying the equity linked notes or on the implementation of redemptions and payment of redemption proceeds to a Fund. Investment in equity linked notes can be illiquid as there is no active market in equity linked notes. In order to meet redemption requests, a Fund relies upon the counterparty issuing the equity linked notes to quote a price to unwind any part of the equity linked notes. This price will reflect the market liquidity conditions and the size of the transaction.

Investment through equity linked notes may lead to a dilution of performance of the Fund when compared to a Fund investing directly in similar assets. In addition, when a Fund intends to invest in a particular security through equity linked notes, there is no guarantee that subsequent application monies for Shares in a Fund can be immediately invested in a particular security through equity linked notes. This may impact the performance of the Fund.

As a Fund will invest in equity linked notes, performance of the Fund may be adversely affected if the issuer of the equity linked notes defaults due to a credit or liquidity problem.

An investment in an equity linked note entitles the holder to certain cash payments calculated by reference to the shares to which the equity linked note is linked. It is not an investment directly in the shares themselves. An investment in the equity linked note does not entitle the holder to the beneficial interest in the shares nor to make any claim against the institution issuing the shares.

Valuation of the equity linked notes will be the probable realisation value which valuation shall be performed in accordance with the terms of the Trust Deed and therefore may be obtained from the issuer (in accordance with the terms of the equity linked notes), or independent third parties. Investors should note that different issuers of equity linked notes may have different terms for the equity linked notes and may have varying valuation

principles. Generally, valuation will be based on, among other factors, the closing price of the relevant China A shares underlying the equity linked notes. If the equity linked notes are not denominated in RMB, the value of the equity linked notes may also be subject to the foreign exchange conversion between RMB and the currency in which the equity linked notes are denominated. Valuation of the equity linked notes may also involve the imposition of any bid and offer spread or any other charges by the issuer. Valuation uncertainties such as foreign exchange conversion risk, bid and offer spread and other charges could have an adverse effect on the net asset value of a Fund.

INVESTMENT AND BORROWING RESTRICTIONS

Investment Restrictions

The Trust Deed imposes a number of restrictions and prohibitions on investment of the Fund. The following is a summary of the restrictions applicable to the Fund:–

- (1) not more than 10 per cent. of the Net Asset Value of the Fund may consist of securities (other than Government and other public securities) issued by a single issuer;
- (2) the Fund's holding of securities of a single class (other than Government and other public securities) may not exceed 10 per cent. of the nominal amount of the securities of the same class in issue;
- (3) not more than 15 per cent. of the Net Asset Value of the Fund may consist of securities of any company not listed or quoted on a stock exchange, over-the-counter market or other organized securities market which is open to the international public and on which such securities are regularly traded;
- (4) not more than 30 per cent. of the Net Asset Value of the Fund may consist of Government and other public securities of a single issue;
- (5) the Fund may be fully invested in Government and other public securities issued by a single issuer provided that it holds Government and other public securities of at least six different issues;
- (6) not more than 15 per cent. of the Net Asset Value of the Fund may consist of warrants and options, other than warrants and options held for hedging purposes;
- (7) the net aggregate value of the contract prices, whether payable to or by the Fund, under all outstanding futures contracts entered into for the account of the Fund (other than futures contracts entered into for hedging purposes), together with the aggregate value of investments falling within paragraph (8) below held by the Fund, may not exceed 20 per cent. of the Net Asset Value of the Fund;
- (8) not more than 20 per cent. of the Net Asset Value of the Fund may consist of physical commodities (including gold, silver, platinum or other bullion) and commodity based investments (other than securities issued by companies engaged in producing, processing or trading in commodities);
- (9) not more than 10 per cent. of the Net Asset Value of the Fund may consist of shares or units in Managed Funds provided that no investment may be made in a Managed Fund managed by the Manager or any of its connected persons if such investment would result in an increase in the overall total of the preliminary charge, manager's fee or other fees payable to the Manager or its connected persons which are borne by the Fund or investors in it.

In addition, the Manager shall not on behalf of the Fund:–

- (i) invest in a security of any class in any company or body if directors and officers of the Manager individually own more than 1/2 per cent. of the total nominal amount of all the issued securities of that class or collectively own more than 5 per cent. of those securities;
- (ii) invest in any type of real estate (including buildings) or interests in real estate (including options or rights but excluding shares in real estate companies and interests in real estate investment trusts that are listed on a stock exchange);
- (iii) make short sales if as a consequence the liability of the Fund to deliver securities would exceed 10 per cent. of the Net Asset Value of the Fund (and for this purpose securities sold short must be actively traded on a market where short selling is permitted);

- (iv) write uncovered options;
- (v) write a call option if the aggregate of the exercise prices of all such call options written on behalf of the Fund would exceed 25 per cent. of the Net Asset Value of the Fund;
- (vi) make a loan out of the Fund without the prior written consent of the Trustee except to the extent that the acquisition of an investment or the making of a deposit might constitute a loan;
- (vii) assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person in respect of borrowed money without the prior written consent of the Trustee;
- (viii) enter into any obligation on behalf of the Fund or acquire any asset for the account of the Fund which involves the assumption of any liability by the Trustee which is unlimited;
- (ix) apply any part of the Fund in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call is due to be made unless such call could be met in full out of cash or near cash forming part of the Fund which has not been appropriated and set aside for any other purposes and shall not be entitled without the consent of the Trustee to apply any part of the Fund in the acquisition of any other investment which is in the opinion of the Trustee likely to involve the Trustee in any liability (contingent or otherwise).

Borrowing Restrictions

The Manager may with the consent of the Trustee borrow up to 25 per cent. of the Net Asset Value of the Fund to acquire investments or for liquidity purposes to meet redemptions and other expenses of the Fund. The assets of the Fund may be charged or pledged as security for any such borrowings.

General

All the above investment and borrowing restrictions shall be measured by reference to the latest available Net Asset Value at the time the relevant investment or borrowing is made.

If any of the investment and borrowing restrictions are breached, the Manager shall as a priority objective take all steps necessary within a reasonable period of time to remedy the situation, having due regard to the interests of Unitholders. If any of the investment restrictions are exceeded as a result of changes in the value of the Fund's investments, reconstructions or amalgamations, payments out of the assets of the Fund or redemptions of Units, then for so long as such limits are exceeded the Manager will not acquire any further investments subject to the relevant restriction and will take all reasonable steps to restore the position so that the limits are no longer exceeded.

MANAGEMENT AND ADMINISTRATION

Manager

First State Investments (Hong Kong) Limited is the manager of the Fund with responsibility for the investment and re-investment of the Fund's assets. It was incorporated in Hong Kong on 22 December 1987 and is licensed with the Securities and Future Commission in Hong Kong to undertake regulated activities types 1 (dealing in securities), 4 (advising on securities) and 9 (asset management).

It is a wholly owned subsidiary of First State (Hong Kong) LLC incorporated in California, United States of America on 4 March 1997.

The Manager belongs to the Colonial First State Global Asset Management, the fund management arm of the Commonwealth Bank of Australia, which as a group has funds under management of US\$92.3 billion (A\$124.2b)* and is the largest fund manager in Australia with investment offices in Sydney, London, Edinburgh, Singapore, Hong Kong and Indonesia.

The Commonwealth Bank of Australia is an international financial services company listed on the Australian Stock Exchange and is the second largest bank in Australia. The group has total assets held and funds under management of US\$371.3 billion (A\$499.8b)*.

* Exchange rate of A\$1:US\$0.7429, total assets and funds under management are based on 30 June 2006 figures.

Trustee and Registrar

The Trustee and Registrar of the Fund is HSBC Institutional Trust Services (Asia) Limited, which is a registered trust company in Hong Kong. The Registrar shall keep and maintain the register of Unitholders in accordance with the terms of the Trust Deed.

HSBC Institutional Trust Services (Asia) Limited is incorporated in Hong Kong on 27 September 1974. It is an indirect wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited and its ultimate holding company is HSBC Holdings plc. It is registered as a trust Company under Section 77 of Trustee Ordinance and an approved trustee under the Mandatory Provident Fund Schemes Ordinance. Being registered as the approved trustee, it is subject to statutory regulation of the Mandatory Provident Fund Schemes Authority.

Under the Trust Deed, the Trustee is responsible for the safekeeping of the assets of the Fund. The Trustee may, however, appoint any person or persons to be custodian of such assets. The Trustee is required to exercise reasonable skill, care and diligence in the selection, appointment and monitoring of such persons and, during the term of their appointment, must satisfy itself as to the ongoing suitability of such persons to provide custodial services to the Fund, having regard to the market or markets for which such persons are appointed to act as custodian. The Trustee will remain responsible for the acts or omissions of such persons in the same manner as if such acts or omissions were those of the Trustee, except where such persons are appointed in respect of a market or markets which the Trustee has determined by notice to the Manager to be emerging markets. Notwithstanding the above, the Trustee will remain responsible for the acts or omissions of any associate of the Trustee appointed in respect of an emerging market.

ISSUE OF UNITS

Issues of Units

Units will be available for issue on each Dealing Day (being each Business Day). Subject as mentioned below, applications received by the Manager prior to 5:00 p.m. (Hong Kong time) on a Dealing Day will be dealt with on that Dealing Day. Applications received after such time or on a day which is not a Business Day will be carried forward and dealt with on the immediately following Dealing Day.

The Issue Price of Units on a Dealing Day will be calculated by reference to the Net Asset Value per Unit as at the close of business in the last relevant market to close on that Dealing Day.

The Manager, at its discretion, is entitled to an initial charge of 2% of the Issue Price per Unit.

Application procedure

Applications for Units should be made by completing the appropriate Application Form available from the Manager or such other documents as required or agreed by the Manager and sending it to the Manager, together with, as applicable, details of payment by telegraphic transfer (together with the remittance advice if available) or a cheque for the subscription monies and the initial charge (if applicable). The original of any application for initial investment should be forwarded to the Manager. Where the original Application Form for initial investment and/or other supporting documentation have been provided in advance to the Manager, application for subsequent investment will be accepted on the basis of a faxed Application Form or other form of instruction as previously agreed by the Manager. Neither the Manager, nor HSBC ITS shall be responsible to an applicant for any loss resulting from non-receipt of any application sent by facsimile.

Minimum Investment

The minimum initial investment is US\$100,000 (inclusive of any initial charge) (unless otherwise agreed by the Manager and notified to the Trustee in any particular case or generally). There is no minimum subsequent investment.

Payment Procedure

Payment should be made in one of the ways set out in the Application Form. Payments should be made in US dollars or in HK dollars, although payment in other freely convertible currencies may be accepted. Payment in any currency other than US dollars will be converted into US dollars and the proceeds of conversion (after deducting the costs of such conversion) will be applied in the subscription of Units. Conversion of currencies may involve some delay.

Payment in respect of Units subscribed for must be received in cleared funds prior to 5:00 p.m. (Hong Kong time) on the fourth Business Day after the relevant Dealing Day.

Investors should note that for payment by telegraphic transfer in US dollars to be received for value on a particular day, payment must be made for value in New York at least one New York business day preceding such day and for payment by telegraphic transfer in Hong Kong dollars to be received for value on a particular day, payment must be made for value in Hong Kong at least one Hong Kong business day preceding such day.

Subscriptions paid by US dollar cheque will not be processed until funds have cleared. Investors should be aware that if they pay by US dollar cheque, there may be delays in having their subscriptions processed. Therefore payment by US dollar cheques is not recommended.

If payment has not been received within the period set out above, an application may be cancelled and considered void or the Trustee (at its discretion) may enforce payment of the sum due. In the event that an application is cancelled, the Trustee is entitled to charge the applicant an administration charge to cover the administration costs involved in processing the application. The applicant may also be required to pay a cancellation fee (for the account of the Fund) in respect of each cancelled Unit of the amount (if any) by which the issue price of such cancelled Unit exceeds the realisation price of a Unit on the date of cancellation.

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

In Specie Payment

The Manager, with the approval of the Trustee, may make arrangements from time to time for the issue of Units in the Fund in exchange for securities falling within the terms of the investment policy and investment restrictions applicable to the Fund. In such circumstances, the number of Units to be issued shall be that number of Units that would have been issued for cash at the applicable prevailing Issue Price of the relevant Units against payment of a sum equal to the value of the securities transferred. In accepting subscription payments in specie or in kind, the Manager will use the same valuation procedures used in determining the Net Asset Value of the Fund when determining the value to be attributed to the relevant securities to be transferred or assigned or otherwise made available to a Fund.

General

Units issued by the Fund will be held for investors in registered form. Certificates will not be issued. A contract note will be issued upon acceptance of an investor's application and will be forwarded by ordinary post (at the risk of the person entitled thereto).

The Trust Deed provides that fractions of not less than one-hundredth of a Unit may be issued. Application monies representing smaller fractions of a Unit will be retained by the Fund.

The Manager has an absolute discretion to accept or reject in whole or in part any application for Units. In particular, the Manager may exercise this discretion if they believe the investor or potential investor has been engaged in, or intends to engage in market timing activities. In the event that an application is rejected, application monies will be returned without interest by cheque through the post at the risk of the person(s) entitled thereto.

Trading Arrangements

Dealing on the Stock Exchange commenced on 25 June 2002. Units are quoted in US dollars with a minimum board lot size of 10,000 Units. Investors may also deal directly with the Fund by following the procedures relating to the issue of Units set out above and in section entitled "Redemption of Units" below.

REDEMPTION OF UNITS

Subject as mentioned below, any Unitholder may redeem the Unitholder's Units on any Dealing Day (as defined below) in whole or in part provided that the Manager may refuse to accept a request for a partial redemption of less than 500 Units or if, as a result, the Unitholder would hold fewer than 500 Units and a Unitholder may only redeem his Units after cleared funds have been received in respect of such units. If an investor pays his subscription monies by US dollar cheque, there may be substantial delay in clearing the cheque.

Dealing Days are each Business Day.

Redemption Procedure

Save as mentioned above, a redemption request must be received by the Manager before 5:00 p.m. (Hong Kong time) on the relevant Dealing Day in order to be dealt with on that Dealing Day. Redemption requests received after such time will be carried forward and dealt with on the Dealing Day next following the relevant Dealing Day.

A redemption request must be given in writing or by facsimile and must specify the name of the Fund and the number and category (if applicable) of Units to be redeemed, the name(s) of the registered holder(s), and give payment instructions for the redemption proceeds. Unless otherwise agreed by the Trustee the original of any redemption request given by facsimile should be forwarded to the Manager. Neither the Manager nor HSBC ITS shall be responsible to a Unitholder for any loss resulting from non-receipt of any redemption request sent by facsimile.

Units redeemed on a Dealing Day will be redeemed at a price calculated by reference to the Net Asset Value per Unit as at the close of business in the last relevant market to close on that Dealing Day. **If at any time during the period from the time as at which the Realisation Price is calculated and the time at which redemption moneys are converted out of any other currency into the base currency of the Fund there is a devaluation or depreciation of that currency, the amount payable to any relevant redeeming Unitholder may be reduced as the Manager considers appropriate to take account of the effect of that devaluation or depreciation.**

No redemption charge will be levied by the Manager upon the redemption of Units by Unitholders.

Payment of Redemption Proceeds

Redemption proceeds will not be paid to any redeeming Unitholder until unless otherwise agreed by the Manager, the written original of the redemption request duly signed by the Unitholder has been received by the Manager. Redemption proceeds will only be paid to the redeeming Unitholder and requests for payment to be made to a third party nominated by a redeeming Unitholder will not be entertained.

Unless some other method of payment is agreed with the Manager, redemption proceeds will be paid to the redeeming Unitholder (or to the first-named of joint Unitholders) at the Unitholder's risk by cheque in the base currency of the Fund, normally within seven Business Days after the relevant Dealing Day and in any event within 4 weeks of the relevant Dealing Day or (if later) receipt by the Trustee of a properly documented request for redemption of Units. Subject as mentioned above, at the request of the redeeming Unitholder and provided relevant account details have been provided to the Manager, redemption proceeds will be paid in US dollars by telegraphic transfer (less the costs of effecting such telegraphic transfer).

Redemption proceeds can be paid in a currency other than the base currency of the Fund at the request and expense of the Unitholder.

No Payment of Redemption Proceeds by Distribution in Specie

The Manager proposes to effect all redemption payments in cash and will not effect redemption payments to any redeeming Unitholders in specie or in kind.

Restrictions on redemption

The Manager may suspend the redemption of Units or delay the payment of redemption proceeds during any periods in which the determination of the Net Asset Value of the Fund is suspended (for details see "Suspension of Calculation of Net Asset Value" below).

With a view to protecting the interests of Unitholders, the Manager is entitled, with the approval of the Trustee, to limit the number of Units redeemed on any Dealing Day (whether by sale to the Manager or by cancellation by the Trustee) to 10 per cent. of the total number of Units in issue. In this event, the limitation will apply pro rata so that all Unitholders wishing to redeem Units on that Dealing Day will redeem the same proportion of such Units, and Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, on the next Dealing Day. If requests for redemption are so carried forward, the Manager will inform the Unitholders concerned.

CALCULATION OF NET ASSET VALUE AND PUBLICATION OF PRICES

Calculation of Net Asset Value

The value of the net assets of the Fund will be determined as at the close of business in the last relevant market to close on each Dealing Day in accordance with the Trust Deed. The Trust Deed provides (inter alia) that:–

- (i) except in the case of any interest in a Managed Fund to which paragraph (ii) applies and subject as provided in paragraph (vi) below, all calculations based on the value of investments quoted, listed, traded or dealt in or any securities market shall be made by reference to the last traded price or (if no last traded price is available) midway between the latest available market dealing offered price and the latest available market dealing bid price on the principal stock exchange for such investments and in determining such prices the Manager and the Trustee shall be entitled to use and rely on electronic price feeds from such source or sources as they may from time to time determine, the prices obtained from such price feeds or other sources being deemed to be the last traded price;
- (ii) subject as provided in paragraphs (iii) and (vi) below, the value of each interest in any Managed Fund which is valued as at the same day as the Fund shall be the net asset value per unit or share in such Managed Fund as at that day or, if the Manager so determines, or if such Managed Fund is not valued as at the same day as the Fund, the value of such interest shall be the last available net asset value per unit or share in such Managed Fund;
- (iii) if no net asset value, bid and offer prices or price quotations are available as provided in paragraph (ii) above, the value of the relevant investment shall be determined from time to time in such manner as the Manager shall determine;
- (iv) the value of any investment which is not listed or ordinarily dealt in on a market shall be the initial value thereof equal to the amount expended out of the Fund in the acquisition of such investment (including in each case the amount of stamp duties, commissions and other acquisition expenses) provided that the Manager may with the approval of the Trustee and shall at the request of the Trustee cause a revaluation to be made by a professional person approved by the Trustee as qualified to value such investments;
- (v) cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager, any adjustment should be made to reflect the value thereof;
- (vi) notwithstanding the foregoing, the Manager may with the consent of the Trustee adjust the value of any investment or permit some other method of valuation to be used if, having regard to relevant circumstances, the Manager considers that such adjustment or use of such other method is required to reflect the fair value of the investment; and
- (vii) the value of any investment (whether of a security or cash) otherwise than in the currency of the Fund shall be converted into the currency of the Fund at the rate (whether official or otherwise) which the Manager shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange.

Suspension of Calculation of Net Asset Value

The Manager may, after giving notice to the Trustee, declare a suspension of the determination of the Net Asset Value of the Fund for the whole or any part of any period during which:

- (i) there is a closure of or the restriction or suspension of trading on any securities market on which a substantial part of the investments of the Fund is normally traded or a breakdown in any of the means normally employed by the Manager or the Trustee (as the case may be) in ascertaining the prices of investments or the Net Asset Value of the Fund or the Net Asset Value per Unit; or
- (ii) for any other reason the prices of investments of the Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained; or
- (iii) circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to realise any investments of the Fund or it is not possible to do so without seriously prejudicing the interests of Unitholders; or
- (iv) the remittance or repatriation of funds which will or may be involved in the redemption of, or in the payment for, the investments of the Fund or the issue or redemption of Units is delayed or cannot, in the opinion of the Manager, be carried out promptly at normal rates of exchange.

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

Whenever the Manager declares such a suspension it shall, as soon as may be practicable after any such declaration and at least once a month during the period of such suspension, publish a notice in the South China Morning Post and/or cause a notice to be given to Unitholders and to all those (whether Unitholders or not) whose applications to redeem Units shall have been affected by such suspension stating that such declaration has been made.

No Units may be redeemed during such a period of suspension.

Calculation of Issue and Realisation Prices

The Issue and Realisation Price of Units on a Dealing Day will be calculated by dividing the Net Asset Value of the Fund on that Dealing Day by the number of Units in issue on that Dealing Day prior to any issue or redemption being effected on that Dealing Day and, where the resulting amount is not an integral unit of the minimum unit of the base currency of the Fund, rounding the resulting amount up (in the case of the Issue Price) or down (in the case of the Realisation Price) to the nearest such integral unit. Any roundings will be retained for the benefit of the Fund.

Under the Trust Deed the Manager is given the power in determining the Issue Price to add, and in determining the Realisation Price to deduct, for the account of the Fund from the Net Asset Value per Unit (before making any rounding adjustment) an amount which it considers to be an appropriate allowance to reflect the spread between the bid and offer prices of investments and the duties, charges and brokerage expenses which would be incurred if the investments of the Fund were to be acquired (when calculating the Issue Price) or sold (when calculating the realisation price) at the values attributed to them.

Publication of Prices

The Issue and the Realisation Prices per Unit will be published daily in the South China Morning Post.

DISTRIBUTION POLICY

The Manager does not intend to declare dividends for the Fund. Income earned by the Fund will be reinvested in the Fund and reflected in the value of its Units.

CHARGES AND EXPENSES

Management Fees

The Manager is entitled to receive in arrears a monthly management fee from the Fund, accrued on and calculated as at each Dealing Day, at the rate of 1.50 per cent. per annum of the Net Asset Value of the Fund. The Manager may increase the rate of management fee payable in respect of the Fund up to or towards 2.25 per cent. per annum on giving not less than three months' written notice of such increase to the Trustee and the Unitholders.

The initial charge to which the Manager is entitled is described above under the heading "Issue of Units".

The Manager may share any fees it receives with distributors or agents procuring subscriptions and rebate to any investor(s) any fees it may receive in such manner as it considers appropriate. The Manager will pay the promotional costs in connection with the offer of Units financed out of the management fee it receives. The Manager and other companies within the Manager's group may with the consent of the Trustee deal with the Fund, both as principal and agent, and, subject as provided below, may retain any benefit which they receive as a result.

Trustee's Fees

HSBC ITS is entitled, in its respective capacities as Trustee and Registrar, to receive trustee, administration and registrar fees from the Fund. The trustee fee accrues daily and is calculated as at each Dealing Day as a percentage of the Net Asset Value of the Fund and is paid monthly in arrears in US\$. The rate at which the trustee fee currently accrues is 0.05 per cent. per annum of the Net Asset Value of the Fund. The Trustee is also entitled to charge a transaction fee of US\$15 on each purchase and sale of securities transaction done by the Manager on behalf of the Fund.

The Trustee may increase the rate of the trustee fee up to or towards 1.0 per cent. per annum on giving not less than three months' notice of such increase to the Manager and the Unitholders.

The Trustee is entitled to receive processing fees at rates agreed with the Manager. In its capacity as Registrar, HSBC ITS is entitled to receive an administration fee, which accrues daily and is calculated as at each Dealing Day, at the rate of 0.1 per cent. per annum of the Net Asset Value of the Fund, payable monthly in arrears, subject to a minimum of US\$1,000 per month.

The Trustee is also entitled to fees and costs in relation to the termination of the Fund at such rates as may be agreed between the Trustee and the Manager or, failing agreement, in accordance with the normal commercial rates of the Trustee at the time of such termination and such fee will be paid out of the Fund (as the case may be).

The Trustee and Registrar will also be entitled to be reimbursed by the Fund for all out-of-pocket expenses incurred in the course of its duties.

Other Charges and Expenses

The preliminary establishment expenses of the Fund, including the costs and expenses in obtaining authorisation and listing on the Stock Exchange of the Fund in Hong Kong, the preparation of this Explanatory Memorandum and all agreements referred to in this document, all initial legal and printing costs which amounted to approximately US\$150,000, have been borne by the Manager in full.

In addition, the Fund will bear all stamp duties, taxes, brokerage, commissions, foreign exchange costs, preliminary charges, bank charges and registration fees relating to the Fund and its investments, insurance and security costs, the fees and expenses of the auditors and custodians of the Fund's investments, the costs of any supplemental trust deeds and legal and certain other expenses incurred in the administration of the Fund (including but not limited to the preparation of annual returns and the holding of meetings of the Unitholders). The Fund is also responsible for the costs of preparing, printing and distributing all statements, accounts and reports and publishing the subscription and repurchase prices and for any costs incurred as a result of a change in law or the introduction of any new law (including any costs incurred as a result of compliance with any code relating to unit trusts, whether or not having the force of law).

Cash Rebates, Soft Commissions and Commissions Sharing

Neither the Manager nor any other company within the Manager's group will receive cash commissions or other rebates from brokers or dealers in respect of transactions for the account of the Fund.

The Manager and/or any company associated with it reserve the right to effect transactions by or through the agency of another person with whom the Manager and/or any company associated with it have an arrangement under which that party will from time to time provide to or procure for the Manager and/or any company associated with it goods, services or other benefits (such as research and advisory services, computer hardware associated with specialised software or research services and performance measures) the nature of which is such that their provision can reasonably be expected to benefit the Fund as a whole and may contribute to an improvement in the performance of the Fund or of the Manager and/or any company associated with it in providing services to the Fund and for which no direct payment is made but instead the Manager and/or any company associated with it undertakes to place business with that party. This may include situations where the dealing commission on a particular trade or series of trades is shared between one or more providers of execution and/or research services. In this case a portion of the commission paid by the Fund to the executing broker is used to purchase third-party research or execution services. Such arrangements may be entered into in order to allow maximum flexibility in the selection of execution counterparties, particularly where a research service provider does not also provide an execution service. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

TAXATION

The following statements regarding taxation are based on advice received by the Manager regarding the law and practice in force in Hong Kong at the date of this document.

During such period as the Fund is authorised by the Securities and Futures Commission in Hong Kong then, under present Hong Kong law and practice:–

- (a) The Fund is not expected to be subject to Hong Kong tax in respect of any of their authorised activities.
- (b) No tax will be payable by Unitholders in Hong Kong in respect of dividends or other income distributions of the Fund or in respect of any capital gains arising on a sale, realisation or other disposal of Units, except that Hong Kong profits tax may arise where such transactions form part of a trade, profession or business carried on in Hong Kong.

General

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

GENERAL INFORMATION

Accounts and Reports

The Fund's year end is 30 June in each year. Audited accounts are sent to Unitholders within four months of the end of each financial year. The Manager also sends half-yearly unaudited interim reports made up to the last Dealing Day in December each year to Unitholders within two months of the end of the period which they cover. Such reports will contain a statement of the value of the net assets of the Fund and the investments comprising its portfolio.

Trust Deed

The Fund was established under Hong Kong law by a trust deed made between the Manager and the Trustee. All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Trust Deed.

The Trust Deed contains provisions for the indemnification of the Trustee and the Manager and their relief from liability in certain circumstances. Unitholders and intending applicants are advised to consult the terms of the Trust Deed. In the event of any conflict between any of the provisions of this Explanatory Memorandum and the Trust Deed, the provisions of the Trust Deed prevail.

Modification of Trust Deed

The Trustee and the Manager may agree to modify the Trust Deed by supplemental deed provided that in the opinion of the Trustee such modification (i) is not materially prejudicial to the interests of Unitholders, does not operate to release to any material extent the Trustee, the Manager or any other person from any responsibility to the Unitholders and (with the exception of the costs of preparing and executing the relevant supplemental deed) does not increase the costs and charges payable out of the assets of the Fund or (ii) is necessary in order to comply with any fiscal, statutory or official requirement or (iii) is made to correct a manifest error. In all other cases modifications require the sanction of an extraordinary resolution of the Unitholders affected.

Any modifications to the Trust Deed, unless they are sanctioned by an extraordinary resolution of the Unitholders affected or in the opinion of the Trustee are not of material significance or are made to correct a manifest error, will be notified to the Unitholders as soon as practicable after they are made.

Meetings of Unitholders

The Trust Deed provides for meetings of Unitholders to be convened by the Trustee or the Manager upon at least 21 days' notice. The Trust Deed also provides that the Manager shall convene a meeting of the Unitholders upon the request in writing of Unitholders holding not less than one-tenth in value of all Units in issue. Notices of meetings of Unitholders will be posted to Unitholders.

Proxies may be appointed. The quorum at Unitholders' meetings is Unitholders present in person or by proxy holding not less than 10 per cent. (or, in relation to a resolution proposed as an extraordinary resolution, 25 per cent.) of the Units in issue. If a quorum is not present, the meeting will be adjourned for not less than 15 days. Separate notice of any adjourned meeting will be given, and at an adjourned meeting Unitholders whatever their number or the number of Units held by them will form a quorum.

An extraordinary resolution is required under the Trust Deed for certain purposes and is a resolution proposed as such and passed by a majority of 75 per cent. of the total number of votes cast.

The Trust Deed provides that at any meeting of Unitholders, on a show of hands, every Unitholder who (being an individual) is present in person or (being a partnership or corporation) is present by an authorised representative shall have one vote and, on a poll, every Unitholder who is present as aforesaid or by proxy shall have one vote for every Unit of which he is the holder.

Transfer of Units

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

Each instrument of transfer must relate to a single category of Units only. No Units may be transferred if, as a result, either the transferor or the transferee would hold Units having a value less than the minimum holding in the Fund.

Each Holder, by his purchase and acceptance of Units, agrees that he will not knowingly sell or transfer any Units to any U.S. Person other than a U.S. Person who is both an "accredited investor" as defined in Regulation D under the U.S. Securities Act of 1933 (as amended) and a qualified purchaser or a Knowledgeable Employee (within the meaning given to those terms under the U.S. Investment Company Act of 1940 (as amended) or the rules and regulations thereunder) and that any such sale or transfer will otherwise be in compliance with applicable United States federal and state securities laws.

Compulsory Redemption or Transfer of Units

The Manager has the power to impose such restrictions as it may think necessary for the purpose of ensuring that Units are not acquired or held directly or beneficially:

- (a) by any U.S Person other than a U.S. Person who is both an accredited investor under the U.S. Securities Act of 1933 (as amended) and a qualified purchaser or Knowledgeable Employee under the U.S. Investment Company Act of 1940, as amended.
- (b) in breach of the law, regulation or other requirements of any country or governmental authority; or
- (c) in circumstances which might result in the Manager, the Trustee or the Fund incurring any liability to taxation or suffering any other disadvantage which might not otherwise have been incurred or suffered or which might result in the Manager, the Trustee or the Fund becoming subject to any law or regulation to which they would otherwise not have become subject.

If the Manager becomes aware that any Units are owned directly or beneficially in contravention of any of (a) to (c) above (the "Restrictions"):

- (a) the Manager may give notice to such person requiring him to transfer such Units to a person who would not thereby be in contravention of any of the Restrictions; or
- (b) the Manager may give a request in writing for the redemption of such Units.

Any Unitholder who receives a notice pursuant to (a) above must transfer his Units within 10 days of the notice or satisfy the Manager that the Units are not held in contravention of any of the Restrictions, failing which he shall be deemed to have given a request in writing for the redemption of all his Units.

Any Unitholder who becomes aware that he holds or owns Units in contravention of any of the Restrictions must, unless he has already received a notice pursuant to (a) above, either transfer all his Units to a person who would not thereby be in contravention of any of the Restrictions or give a request in writing for the redemption of all his Units.

Termination of the Fund

The Fund shall continue for a period of 80 years from the date of the Trust Deed or until it is terminated in one of the ways set out below.

1. The Trustee may terminate the Fund if:–
 - (a) the Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved by the Trustee); or
 - (b) in the opinion of the Trustee, the Manager is incapable of performing its duties properly; or
 - (c) the Fund ceases to be authorised pursuant to the Securities Ordinance of Hong Kong or if any law is passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue the Fund; or
 - (d) the Manager ceases to manage the Fund and the Trustee fails to appoint a successor Manager within a period of 30 days; or
 - (e) if the Trustee wishes to retire as trustee of the Fund and the Manager fails to appoint a successor Trustee.
2. The Manager may terminate the Fund if:–
 - (a) the Fund ceases to be authorised pursuant to the Securities and Futures Ordinance of Hong Kong; or
 - (b) any law is passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable to continue the Fund; or
 - (c) at any time on or after 31 December 2003 the Net Asset Value of the Fund falls below US\$5,000,000.

Where the Fund is terminated as provided in paragraph 1 or 2 above, the party terminating the Fund must give at least three months' notice of termination to Unitholders.

Conflicts of Interest

The Manager and the Trustee may from time to time act as trustee, administrator, registrar, manager, custodian, investment manager or investment adviser or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of the Fund. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Fund. Each will, at all times, have regard in such event to its obligations to the Fund and will endeavour to ensure that such conflicts are resolved fairly. In any event, the Manager shall ensure that all investment opportunities will be fairly allocated.

Anti-Money Laundering Regulations

As part of the Registrar's, the Trustee's and the Manager's responsibility to prevent money laundering, they may require detailed verification of an investor's identity and the source of the payment of application monies. The Registrar, the Trustee and the Manager reserve the right to request such information as is necessary to verify the identity of an applicant and the source of the payment. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Registrar, the Trustee and/or the Manager may refuse to accept the application and the application moneys relating to such application.

Documents Available For Inspection

Copies of the Trust Deed are available for inspection free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) or for purchase on payment of a reasonable fee at the offices of the Manager, 6th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong.

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