

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 January 2020, as amended and supplemented from time to time (“**Explanatory Memorandum**”).

1 January 2020

NOTICE TO UNITHOLDERS

HAITONG MIDDLE KINGDOM FUND

Amendments to Reflect Requirements under the Revised Code on Unit Trusts and Mutual Funds

Dear Unitholders,

We are writing to inform you of certain changes to the Fund.

A. Background

The Fund is subject to the Code on Unit Trusts and Mutual Funds (“**Code**”) issued by the Securities and Futures Commission in Hong Kong (“**SFC**”). The Code has been revised. The Trust Deed is amended by way of a supplemental deed (“**Supplemental Deed**”) and the Explanatory Memorandum is amended by way of a revised Explanatory Memorandum to reflect the requirements under the revised Code.

B. Changes pursuant to the revised Code

The following key changes are made to the Trust Deed and/or the Explanatory Memorandum (where applicable) to reflect the requirements under the revised Code, with effect from 1 January 2020:

1. Trustee and Manager - additional obligations of the Trustee and the Manager under Chapters 4 and 5 respectively of the revised Code.
2. Investment Restrictions: Core Requirements - amendments to the core requirements of the investment limitations and prohibitions under Chapter 7 of the revised Code, including but not limited to amendments in relation to the following: spread of investments, commodities, restrictions on making loans, limitations on borrowing, financial derivative instruments, securities financing transactions and collateral etc.

A summary of the key revised investment restrictions/requirements pursuant to the revised Code are set out in Annexure A enclosed with this Notice.

The net derivative exposure of the Fund may be up to 50% of the Fund's latest available net asset value. The net derivative exposure is calculated in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time. In calculating the net derivative exposure, derivatives acquired for investment purposes that would generate incremental leverage at the portfolio level of the Fund are converted into their equivalent positions in their underlying assets.

3. **Other Amendments** – other amendments and enhancement of disclosures to reflect the requirements of the revised Code including the following:
 - (a) amendments to reflect the requirements under the revised Code on transactions with connected persons and soft dollars arrangements; and
 - (b) enhanced disclosures on arrangements in handling unclaimed proceeds of Unitholders where the Fund is terminated.

Please refer to the revised Explanatory Memorandum and the Supplemental Deed for further details.

C. Increase in trustee fee

With effect from 1 April 2020, the Trustee will increase the trustee fee with an additional fixed fee of US\$4,000 per annum for the Fund.

For the avoidance of doubt, the aggregate fees payable to the Trustee for the Fund shall not exceed the maximum of 0.5% per annum of the net asset value of the Fund as provided in the Trust Deed and stated in the Explanatory Memorandum.

D. Implication of changes

Save as disclosed in this Notice, the above changes will not result in any material change to the investment objective and risk profile of the Fund and there will be no increase in the fees payable out of the assets of the Fund as a result of the above changes. The above changes will also not result in a change in the manner in which the Fund currently operates or is being managed save as disclosed in this Notice.

E. Availability of documents

Copies of the Trust Deed together with all supplemental deeds (including the Supplemental Deed), the revised Explanatory Memorandum and updated 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 SFC.

F. 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

ANNEXURE A

SUMMARY OF KEY REVISED INVESTMENT RESTRICTIONS

The key amendments to the investment restrictions are as follows:

- (a) the aggregate value of the Fund's investments in, or exposure to, any single entity (other than Government and other public securities) through the following may not exceed 10% of its latest available Net Asset Value:
 - (i) investments in securities issued by that entity;
 - (ii) exposure to that entity through underlying assets of financial derivative instruments; and
 - (iii) net counterparty exposure to that entity arising from transactions of over-the-counter financial derivative instruments.
- (b) subject to the requirements under the revised Code, the aggregate value of the Fund's investments in, or exposure to, entities within the same group (i.e. generally, entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognized accounting standards) through the following may not exceed 20% of its latest available Net Asset Value:
 - (i) investments in securities issued by those entities;
 - (ii) exposure to those entities through underlying assets of financial derivative instruments; and
 - (iii) net counterparty exposure to those entities arising from transactions of over-the-counter financial derivative instruments.
- (c) the value of the Fund's cash deposits made with the same entity or entities within the same group may not exceed 20% of its latest available Net Asset Value provided that the 20% limit may be exceeded in certain circumstances specified in the revised Code.
- (d) the Fund may not invest in physical commodities unless otherwise approved by the SFC and disclosed in the investment policies of the Fund.
- (e) subject to the requirements under the revised Code, the Fund may not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements under the revised Code are not subject to the limitations in this paragraph.
- (f) the maximum borrowing of the Fund has been reduced to 10% of its latest available Net Asset Value. For the avoidance of doubt, sale and repurchase transactions in compliance with the requirements under the revised Code are not subject to the limitations in this paragraph.
- (g) the Fund may acquire financial derivative instruments for hedging purposes.
- (h) the Fund may also acquire financial derivative instruments for non-hedging purposes in accordance with its investment objective and policy subject to the limit that the Fund's net exposure relating to these financial derivative instruments ("**net derivative exposure**") does not exceed 50% of its latest available Net Asset Value.

Net derivative exposure shall be calculated in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time. For the avoidance of doubt, financial derivative instruments acquired for hedging purposes will not be counted towards the 50% limit so long as there is no residual derivative exposure arising from such hedging arrangement.

- (i) to limit the exposure to each counterparty, the Fund may receive collateral from such counterparty, provided that the collateral complies with the requirements in the revised Code.