

August 2024

STRICTLY PRIVATE AND CONFIDENTIAL

No: \_\_\_\_/\_\_\_\_

IMPORTANT: Investments involve risks, including the total loss of your investment. Honghu Global Active Allocation Fund (the “**Fund**”) and Honghu Active Allocation Fund (the “**Master Fund**”) are considered Complex Products under the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission and investors should exercise caution in relation to the Fund and the Master Fund. Investors are advised to consider their own investment objectives and circumstances in determining the suitability of an investment in the Fund and the Master Fund.

The Fund and the Master Fund may not be suitable for all investors. It is possible that the entire value of your investment could be lost.

The Fund and the Master Fund have not been authorised by the Securities and Futures Commission (“**SFC**”) pursuant to the Securities and Futures Ordinance (the “**SFO**”). The content of this document has not been reviewed or approved by the SFC and investors are advised to exercise caution in relation to the offer. The Fund and the Master Fund may not be suitable for all investors or for any particular investor or class of investors. Past performance information is not indicative of future performance.

Shares may only be offered or sold in Hong Kong to persons who are “professional investors” as defined in the SFO and any rules made under the SFO.

Derivatives products are highly volatile and are subject to certain key risks including leverage, counterparty and liquidity risks. Please refer to the “Risk Factors” section in the Private Placement Memorandum of the Fund for more information.

If you are in any doubt about the contents of the Private Placement Memorandum, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser for independent professional financial advice.

## **Honghu Global Active Allocation Fund**

**an exempted company incorporated with limited liability under the laws of  
the Cayman Islands with registration number OC-409237**

### **CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM**

Relating to the continuous offer of Shares to Non-US persons and US Tax-Exempt Investors only

**Honghu Capital Management Limited**  
(Manager)

**Shanghai Honghu Investment Management Co., Ltd.**  
(Investment Advisor)

**THESE ARE SPECULATIVE SECURITIES**

## IMPORTANT INFORMATION

This Private Placement Memorandum is distributed on a confidential basis in connection with a private placing of the Shares in the Fund, none of which will be issued to any person other than a person to whom a copy of this Private Placement Memorandum is provided. No person receiving a copy of this Private Placement Memorandum in any jurisdiction may treat the same as constituting an invitation to him, unless in the relevant jurisdiction such an invitation may lawfully be made to him without compliance with any registration or other legal requirements.

The Directors, whose names appear on page (xi), accept responsibility for the information contained in this Private Placement Memorandum. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Private Placement Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

The contents of this Private Placement Memorandum are not to be construed as a recommendation or advice to any prospective investor in relation to the subscription, purchase, holding or disposition of Shares and prospective investors should consult their professional advisers accordingly.

This Private Placement Memorandum is intended solely for the use of the person to whom it has been delivered for the purpose of evaluating a possible investment by the recipient in the Shares. It is not to be reproduced in any form or manner nor is it to be distributed or disclosed to any other persons (other than professional advisers of the prospective investor).

No person is authorised to give any information or make any representation or warranty, express or implied, not contained in this Private Placement Memorandum and, if given or made, any such information or representation or warranty, express or implied, may not be relied upon as having been authorised by any person.

### Reliance on Private Placement Memorandum

The Shares are offered solely on the basis of the information and representations contained in this Private Placement Memorandum and any further information given or representations made by any person may not be relied upon as having been authorised by the Fund or the Directors. Neither the delivery of this Private Placement Memorandum nor the allotment or issue of Shares creates, under any circumstances, any implication that there has been no change in the affairs of the Fund since the date of this Private Placement Memorandum.

### Registration in the Cayman Islands

The Fund is a "regulated mutual fund" for the purposes of the Mutual Funds Act (Revised) of the Cayman Islands (the "**Mutual Funds Act**"). The Fund is also a "regulated feeder fund" for the purposes of the Mutual Funds Act and accordingly Honghu Active Allocation Fund (the "**Master Fund**") is a "mutual fund" and a "master fund" for the purposes of the Mutual Funds Act. Both the Fund and the Master Fund are registered with the Cayman Islands Monetary Authority (the "**Monetary Authority**" or "**CIMA**") pursuant to section 4(3) of the Mutual Funds Act. Accordingly, each of the Fund and the Master Fund specifies that the minimum aggregate equity interest purchasable by a potential investor in the Fund or the Master Fund, as the case may be, is at least US\$100,000 or its equivalent in any other currency. Consequently, each of the Fund and the Master Fund qualifies for registration under that section without the need to be licensed or administered by a licensed mutual fund administrator.

In connection with its registration under the Mutual Funds Act, the Fund has filed with the Monetary Authority a copy of this Private Placement Memorandum and certain details of this Private Placement Memorandum while the Master Fund has filed the prescribed information with the Monetary Authority, in each case, as required by the Mutual Funds Act. Each of the Fund and the Master Fund has also paid the

prescribed initial registration fee. Registration does not imply that the Monetary Authority or any other regulatory authority in the Cayman Islands has approved this Private Placement Memorandum or the offering of the Shares.

The Monetary Authority has supervisory and enforcement powers to ensure compliance with the Mutual Funds Act. Regulation under the Mutual Funds Act entails the filing of prescribed details and audited accounts. The Fund's and the Master Fund's continuing obligations under the Mutual Funds Act are: (i) to file with the Monetary Authority prescribed details of any changes to this Private Placement Memorandum, in the case of the Fund or the prescribed information submitted to the Monetary Authority in the case of the Master Fund; (ii) to file annually with the Monetary Authority accounts audited by an approved auditor and an annual return; and (iii) to pay the relevant prescribed annual fee.

As the Fund is registered as a "regulated mutual fund" and the Master Fund is registered as the "master fund" of a "regulated mutual fund", each of the Fund and the Master Fund are subject to the supervision of the Monetary Authority. At any time, the Monetary Authority may instruct the Fund and/or the Master Fund to have its accounts audited and to submit them to the Monetary Authority within a specified time. Failure to comply with any supervisory request by the Monetary Authority may result in substantial fines. The Monetary Authority has wide powers to take certain actions if certain events occur. For instance, it has wide powers to take action if it is satisfied that a regulated mutual fund or a master fund: (i) is or is likely to become unable to meet its obligations as they fall due; (ii) has contravened any provision under the Mutual Funds Act or of the Anti-Money Laundering Regulations (Revised); (iii) is carrying on or is attempting to carry on business or is winding up its business voluntarily in a manner that is prejudicial to its investors or creditors; (iv) is not being managed in a fit and proper manner; and (v) has persons appointed as director, manager or officer that is not a fit and proper person to hold the respective position. The powers of the Monetary Authority include, amongst others: (i) the power to require a Director and/or the Investment Manager to be replaced; (ii) the power to appoint a person, at the expense of the Fund and/or the Master Fund (as applicable) to advise the Fund and/or the Master Fund (as applicable) on the proper conduct of its affairs; (iii) the power to appoint a person, at the expense of the Fund or the Master Fund (as applicable), to assume control of the affairs of the Fund and/or the Master Fund (as applicable), including for the purpose of terminating the business of the Fund and/or the Master Fund; and (iv) the power to cancel or impose conditions on any mutual fund registration or master fund registration granted under the Mutual Funds Act. The Monetary Authority also has other remedies available to it including applying to the courts of the Cayman Islands for approval of other actions, and requiring the Fund and/or the Master Fund to re-organise its affairs in a manner specified by the Monetary Authority.

The Monetary Authority has a discretionary power to impose substantial administrative fines upon the Fund and the Master Fund in connection with any breaches by the Fund or the Master Fund (as applicable) of prescribed provisions of certain regulatory laws and regulations of the Cayman Islands including the Mutual Funds Act and the Anti-Money Laundering Regulations (Revised) of the Cayman Islands and upon any director or officer of the Fund and the Master Fund who either consented to or connived in the breach, or to whose neglect the breach is proved to be attributable. To the extent any such administrative fine is payable by the Fund or the Master Fund, the Fund or the Master Fund (as applicable) will bear the costs of such fine and any associated proceedings.

Neither the Fund nor the Master Fund will be subject to supervision in respect of its investment activities or the constitution of the Master Fund's portfolio by the Monetary Authority or any other governmental authority in the Cayman Islands, although the Monetary Authority does have power to investigate the activities of the Fund and the Master Fund in certain circumstances. Neither the Monetary Authority nor any other governmental authority in the Cayman Islands has commented upon or approved the terms or merits of this Private Placement Memorandum. There is no investment compensation scheme available to investors in the Cayman Islands.

The Master Fund is not hereby offering any securities and accordingly this Private Placement Memorandum is not to be regarded as having been authorised or issued by the Master Fund. The Master Fund does not have an offering document or equivalent document.

## Structure

The Fund is organised as a “feeder fund” and all or substantially all of the assets of the Fund (to the extent not retained in cash) will be invested in the participating shares of the Master Fund. The Master Fund is another exempted company incorporated with limited liability in the Cayman Islands under the Companies Act. Further feeder funds may also be established to invest in the Master Fund. It is not expected that any direct investments will be made in the Master Fund other than by such feeder funds.

## Data Protection

For the purposes of the Data Protection Act, the data controller in respect of any personal data provided in respect of Shareholders and their respective representatives, directors, officers, agents or beneficial owners in respect of whom personal data is provided in relation to the Fund and the Master Fund shall be the Fund and the Master Fund, as applicable. Personal data shall be processed in accordance with the Privacy Notice adopted in respect of the Data Protection Act as appended to the Subscription Agreement. The Privacy Notice sets out the purposes for which such personal data may be processed, the circumstances in which such data might be disclosed or transferred, Shareholders’ rights in respect of such data, as well as other matters.

The Fund and the Master Fund have engaged the Administrator to act as data processor, as defined in the Data Protection Act. Pursuant to the Administration Agreement, the Administrator, as data processor, is permitted to do the following, including but not limited to, processing personal data (as defined in the Data Protection Act) in order to provide services under the Administration Agreement and to carry out anti-money laundering checks and related actions, disclose or transfer the personal data to its affiliates, employees, agents, delegates, subcontractors, credit reference agencies, professional advisors or competent authorities for the provision of the services, and report tax or regulatory related information to competent bodies or authorities.

The Administrator, as data processor, shall, among others, only act on and process such personal data in accordance with the documented instructions of the Fund and the Master Fund, as applicable, unless otherwise prevented or required by applicable laws, ensure that all persons who have access to personal data have committed themselves to appropriate obligations of confidentiality; and upon termination of the Administration Agreement, the personal data shall, at the Fund’s and the Master Fund’s option, be destroyed or returned to the Fund and the Master Fund, as applicable, unless applicable laws prevent the return or deletion of such personal data.

## Confidentiality

Except as outlined in the Privacy Notice appended to the Subscription Agreement, any information forwarded to the Fund or the Master Fund by a potential investor will be treated on a confidential basis. If required to do so by law or regulation, the Fund or the Master Fund may pass on that information to a relevant third party. By subscribing for Shares, each subscriber is deemed to have consented to such release of confidential information pursuant to Section 3(1)(b) (or any amendment of that provision) of the Confidential Information Disclosure Act (Revised) of the Cayman Islands.

**A MUTUAL FUND LICENCE ISSUED OR A FUND REGISTERED BY THE CAYMAN ISLANDS MONETARY AUTHORITY DOES NOT CONSTITUTE AN OBLIGATION OF THE MONETARY AUTHORITY TO ANY INVESTOR AS TO THE PERFORMANCE OR CREDITWORTHINESS OF THE FUND.**

**FURTHERMORE, IN ISSUING SUCH A LICENCE OR IN REGISTERING A FUND, THE AUTHORITY SHALL NOT BE LIABLE FOR ANY LOSSES OR DEFAULT OF THE FUND OR**

**FOR THE CORRECTNESS OF ANY OPINIONS OR STATEMENTS EXPRESSED IN ANY PROSPECTUS OR OFFERING DOCUMENT.**

## Restrictions on Distribution

**Distribution in the European Economic Area and the United Kingdom:** In relation to each member state of the EEA and the United Kingdom (each a “**Relevant State**”) which has implemented the Alternative Investment Fund Managers Directive (Directive (2011/61/EU)) (the “**AIFMD**”) / as AIFMD forms part of local law of the Relevant State, this Private Placement Memorandum may only be distributed and Shares may only be offered or placed in a Relevant State to the extent that: (1) the Fund is permitted to be marketed to professional investors in the Relevant State in accordance with AIFMD (as implemented into the local law/ regulation/ as it forms part of local law of the Relevant State); or (2) this Private Placement Memorandum may otherwise be lawfully distributed and the Shares may otherwise be lawfully offered or placed in that Relevant State (including at the initiative of the investor).

In relation to each Relevant State which, at the date of this Private Placement Memorandum, has not implemented AIFMD, this Private Placement Memorandum may only be distributed and Shares may only be offered or placed to the extent that this Private Placement Memorandum may be lawfully distributed and the Shares may lawfully be offered or placed in that Relevant State (including at the initiative of the investor).

**Australia:** This Private Placement Memorandum is not a prospectus or product disclosure statement under the Corporations Act 2001 (Cth) (the “**Corporations Act**”) and does not constitute a recommendation to acquire, an invitation to apply for, an offer to apply for or buy, an offer to arrange the issue or sale of, or an offer for issue or sale of, any securities in Australia except as set out below. The Fund has not authorised nor taken any action to prepare or lodge with the Australian Securities & Investments Commission an Australian law-compliant prospectus or product disclosure statement. Accordingly, this Private Placement Memorandum may not be issued or distributed in Australia and the Shares may not be offered, issued, sold or distributed in Australia by the Manager, or any other person, under this Private Placement Memorandum other than by way of or pursuant to an offer or invitation that does not need disclosure to investors under Part 6D.2 or Part 7.9 of the Corporations Act or otherwise. This Private Placement Memorandum does not constitute or involve a recommendation to acquire, an offer or invitation for issue or sale, an offer or invitation to arrange the issue or sale, or an issue or sale, of Shares to a “retail client” (as defined in section 761G of the Corporations Act and applicable regulations) in Australia.

**Cayman Islands:** The Fund may not make an invitation to the public in the Cayman Islands to subscribe for the Shares unless the Fund is listed on the Cayman Islands Stock Exchange. As at the date of this Private Placement Memorandum, no such listing is anticipated to be made. For these purposes, “public” has the same meaning as “public in the Islands” as defined in the Mutual Funds Act. Apart from this restriction, persons resident, domiciled, established, incorporated or registered pursuant to the laws of the Cayman Islands may beneficially own the Shares.

**China:** This Private Placement Memorandum does not constitute a public offer of the Fund, whether by sale or subscription, in the People’s Republic of China (the “**PRC**”). The Fund is not being offered or sold directly or indirectly in the PRC to or for the benefit of, legal or natural persons of the PRC.

Further, no legal or natural persons of the PRC may directly or indirectly purchase any Shares or any beneficial interest therein without obtaining all prior PRC governmental approvals that are required, whether statutorily or otherwise. Persons who come into possession of this Private Placement Memorandum are required by the issuer and its representatives to observe these restrictions.

**Hong Kong:** WARNING: The contents of this Private Placement Memorandum have neither been reviewed nor endorsed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this Private Placement Memorandum, you should obtain independent professional advice. This Private Placement Memorandum has not been registered by the Registrar of Companies in Hong Kong. The Fund is a collective investment

scheme as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) but has not been authorised by the Securities and Futures Commission pursuant to the SFO. Accordingly, (i) the Shares may not be offered or sold in Hong Kong by means of any document other than to persons that are considered “professional investors” within the meaning of the SFO and any rules made thereunder or in other circumstances which do not result in such document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the “CWUMPO”) or which do not constitute an offer to the public within the meaning of the CWUMPO; and (ii) no person may issue, or have in its possession for the purpose of issue, any invitation, advertisement or other document relating to the Shares whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors”.

**India:** The Shares are not being offered to the Indian public for sale or subscription but are being privately placed with a limited number of sophisticated private and institutional investors. The Shares are not registered and/or approved by the Securities and Exchange Board of India, the Reserve Bank of India or any other governmental or regulatory authority in India. This Private Placement Memorandum is not and should not be deemed to be a “prospectus” as defined under the provisions of the Companies Act, 2013 of India (18 of 2013) and the same will not be filed with any regulatory authority in India. The Fund does not guarantee or promise to return any portion of the money invested towards the Shares by an investor and an investment in the Shares is subject to applicable risks associated with the investment in the Shares and shall not constitute a deposit within the meaning of the Banning of Unregulated Deposits Schemes Act, 2019. Pursuant to the Foreign Exchange Management Act, 1999 and the regulations issued thereunder, any investor resident in India may be required to obtain prior special permission of the Reserve Bank of India before making investments outside of India, including any investment in the Fund. The Fund has not obtained any approval from the Reserve Bank of India or any other regulatory authority in India and does not intend to do so, and hence any eligible investor who is a resident of India will be entirely responsible for determining its eligibility to invest in the Shares.

**Indonesia:** This Private Placement Memorandum does not constitute an offer to sell nor a solicitation to buy securities in Indonesia.

**Japan:** The Shares have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law no. 25 of 1948, as amended) and, accordingly, none of the Shares nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit, of any Japanese person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For this purpose, a “Japanese person” means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

**Malaysia:** No action has been, or will be, taken to comply with Malaysian laws for making available, offering for subscription or purchase, or issuing any invitation to subscribe for or purchase or sale of the shares in Malaysia or to any persons in Malaysia as the Shares are not intended by the issuer to be made available, or made the subject of an offer or invitation to subscribe or purchase, in Malaysia. Neither this Private Placement Memorandum nor any document or other material in connection with the Shares should be distributed, caused to be distributed or circulated in Malaysia. No person should make available or make any invitation or offer or invitation to sell or purchase the Shares in Malaysia unless such person takes the necessary action to comply with Malaysian laws.

**New Zealand:** This Private Placement Memorandum is not a product disclosure statement for the purposes of the Financial Markets Conduct Act 2013 of New Zealand (the “FMCA”) and does not contain all the information typically included in such offering documentation. This offer of Shares does not constitute a “regulated offer” for the purposes of the FMCA and, accordingly, there is neither a product disclosure



statement nor a register entry available in respect of the offer. Shares may only be offered in New Zealand in accordance with the FMCA and the Financial Markets Conduct Regulations 2014 of New Zealand.

**Philippines:** THE SECURITIES BEING OFFERED OR SOLD HEREIN HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES REGULATION CODE OF THE PHILIPPINES. ANY FUTURE OFFER OR SALE THEREOF IS SUBJECT TO REGISTRATION REQUIREMENTS UNDER THE CODE UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.

**Singapore:** The offer or invitation of the Shares of the Fund which is the subject of this Private Placement Memorandum does not relate to a collective investment scheme which is authorised under Section 286 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”) or recognised under Section 287 of the SFA. The Fund is not authorised or recognised by the Monetary Authority of Singapore (“MAS”) and Shares are not allowed to be offered to the retail public. Each of this Private Placement Memorandum and any other document or material issued in connection with the offer or sale is not a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. You should consider carefully whether the investment is suitable for you.

This Private Placement Memorandum has not been registered as a prospectus with MAS. Accordingly, this Private Placement Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Shares may not be circulated or distributed, nor may Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 304 of the SFA, (ii) to a relevant person pursuant to Section 305(1), or any person pursuant to Section 305(2), and in accordance with the conditions specified in Section 305 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Shares are subscribed or purchased under Section 305 by a relevant person which is:

- (A) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (B) a trust (where the) trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Shares pursuant to an offer made under Section 305 except:

- (1) to an institutional investor or to a relevant person defined in Section 305(5) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 305A(3)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 305A(5) of the SFA; or
- (5) as specified in Regulation 36 of the Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations 2005 of Singapore.

**South Korea:** Neither the Fund nor the Manager is making any representation with respect to the eligibility of any recipients of this Private Placement Memorandum to acquire the Shares under the laws of Korea, including but without limitation the Foreign Exchange Transaction Act and Regulations thereunder. The



Shares have not been registered under the Financial Investment Services and Capital Markets Act of Korea, and none of the Shares may be offered, sold or delivered, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to applicable laws and regulations of Korea.

**Taiwan:** The Shares may be made available outside Taiwan for purchase outside Taiwan by Taiwan resident investors, but may not be offered or sold in Taiwan.

**Thailand:** This Private Placement Memorandum has not been approved by the Securities and Exchange Commission of Thailand, which takes no responsibility for its contents. No offer to the public to purchase the Shares will be made in Thailand and this Private Placement Memorandum is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally.

**Switzerland:** The offer and marketing of Shares in Switzerland will be exclusively made to, and directed at, qualified investors (the "Qualified Investors"), as defined in Article 10 (3) of the Swiss Collective Investment Schemes Act ("CISA") in conjunction with Art. 4(4) of the Swiss Federal Act on Financial Services ("FinSA"), i.e. institutional clients, at the exclusion of professional clients with opting-out pursuant to Art. 5(3) FinSA ("Excluded Qualified Investors"). Accordingly, the Fund has not been and will not be registered with the Swiss Financial Market Supervisory Authority ("FINMA") and no representative or paying agent has been or will be appointed in Switzerland. This Private Placement Memorandum and/or any other offering materials relating to the Shares may be made available in Switzerland solely to Qualified Investors, at the exclusion of Excluded Qualified Investors.

**United Kingdom:** Subject always to the foregoing notice in respect of the EEA, this Private Placement Memorandum may be issued in the United Kingdom by the Manager to, and/or is directed at, only persons to or at whom it may lawfully be issued or directed at under the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 including persons who are authorised under the Financial Services and Markets Act 2000 ("FSMA"), certain persons having professional experience in matters relating to investments, high net worth companies, high net worth unincorporated associations or partnerships, or trustees of high value trusts or persons who qualify as certified sophisticated investors. The Shares are only available to such persons in the United Kingdom and this Private Placement Memorandum must not be relied or acted upon by any other persons in the United Kingdom.

In order to qualify as a certified sophisticated investor a person must: (a) have a certificate in writing or other legible form signed by an authorised person to the effect that he is sufficiently knowledgeable to understand the risks associated with a particular type of investment; and (b) have signed, within the last 12 months, a statement in a prescribed form declaring, amongst other things, that he qualifies as a sophisticated investor in relation to such investments. This Private Placement Memorandum is exempt from the general restriction in Section 21 of FSMA on the communication of invitations or inducements to engage in investment activity on the grounds that it is being issued to and/or directed at only the types of person referred to above. The content of this Private Placement Memorandum has not been approved by an authorised person and such approval is, save where this Private Placement Memorandum is directed at or issued to the types of person referred to above, required by Section 21 of FSMA. Acquiring Shares may expose an investor to a significant risk of losing all of the amount invested. The Fund is a limited liability company and any person who acquires Shares will not thereby be exposed to any significant risk of incurring additional liability. Any person who is in any doubt about investing in the Fund should consult an authorised person specialising in advising on such investments.

**United States:** The Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act") or the securities laws of any of the states of the United States. The Shares may not be offered, sold or delivered directly or indirectly in the United States or to or for the account or benefit of any "US Person" under Regulation S under the 1933 Act except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the 1933 Act and any applicable state laws. The Shares are being offered outside the United States pursuant to the exemption from registration under Regulation S under the 1933 Act and inside the United States in reliance on Regulation D promulgated under the 1933 Act and Section 4(a)(2) thereof.

The Fund has not been and will not be registered under the United States Investment Company Act of 1940, as amended (the “1940 Act”) since Shares will only be sold to US Persons who are "qualified purchasers", as defined in the 1940 Act. Each applicant for Shares that is a US Person will be required to certify that it is both an "accredited investor" and a "qualified purchaser", in each case as defined under applicable US federal securities laws.

There is no public market for the Shares and no such market is expected to develop in the future. The Shares offered hereby are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the 1933 Act and applicable state securities laws pursuant to registration or exemption therefrom. Prospective investors should be aware that they may be required to bear the financial risks of an investment in the Fund for an indefinite period of time.

Pursuant to an exemption from registration as a commodity pool operator set forth in United States Commodity Futures Trading Commission (the “CFTC”) Rule 4.13(a)(3), the Manager is not required to register, and is not registered, as a commodity pool operator under the United States Commodity Exchange Act, as amended (the “CEA”). The Fund may only accept subscriptions from US investors who are accredited investors, as defined in Regulation D under the 1933 Act, certain family trusts and certain persons affiliated with the Manager. At all times, the Fund will utilise commodity interest positions such that either (1) no more than 5% of its assets are used to establish commodity interest positions or (2) the aggregate net notional value of its commodity interest positions does not exceed 100% of the Fund's liquidation value.

Consequently, unlike a registered commodity pool operator, the Manager is not required to provide subscribers for Shares with a disclosure document or a certified annual report. This Private Placement Memorandum has not been, and is not required to be filed with the CFTC, and the CFTC has not reviewed or approved this Private Placement Memorandum or the offering of Shares.

The Manager intends to make an "exempt reporting adviser" filing with the US Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940, as amended, pursuant to which the Manager may be subject to SEC inspections as well as certain reporting requirements, recordkeeping and other obligations as determined from time to time by the SEC.

The Shares are suitable only for sophisticated investors who do not require immediate liquidity for their investments, for whom an investment in the Fund does not constitute a complete investment program and who fully understand and are able to bear the loss of their investment in the Fund. The Fund's investment program, by its nature, may be considered to involve a substantial degree of risk. Subscribers for Shares must represent that they are acquiring the Shares for investment.

Offering materials for the offering of the Shares have not been filed with or approved or disapproved by the SEC or any other state or federal regulatory authority, nor has any such regulatory authority passed upon or endorsed the merits of this offering or passed upon the accuracy or completeness of any offering materials. Any representation to the contrary is unlawful.

**Generally:** The distribution of this Private Placement Memorandum and the offering of Shares may be restricted in certain jurisdictions. The above information is for general guidance only, and it is the responsibility of any person or persons in possession of this Private Placement Memorandum and wishing to make application for Shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for Shares should inform themselves as to legal requirements also applying and any applicable exchange control regulations and applicable taxes in the countries of their citizenship, residence or domicile.

This Private Placement Memorandum does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it would be unlawful to make such offer or solicitation.

The Master Fund is not hereby offering any securities and accordingly this Private Placement Memorandum is not to be regarded as having been authorised or issued by the Master Fund. The Master Fund does not have an offering document or equivalent document.

### **Risk Factors**

**Investment in the Fund carries substantial risk. There can be no assurance that the Fund's or the Master Fund's investment objective will be achieved and investment results may vary substantially over time. Investment in the Fund is not intended to be a complete investment programme for any investor. Prospective investors should carefully consider whether an investment in the Shares is suitable for them in light of their circumstances and financial resources (see further under the section headed "Risk Factors"). If you are in any doubt about the contents of this Private Placement Memorandum you should consult your stockbroker, accountant or other professional adviser.**

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# DIRECTORY

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## HONGHU GLOBAL ACTIVE ALLOCATION FUND

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Cayman Islands

### *Sub-Administrator\**

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*\* Where indicated by an asterisk, the relevant entity, person or address serves the same functions in respect of, and applies to, the Master Fund.*

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# CONTENTS

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DIRECTORY .....	xi
DEFINITIONS .....	4
KEY TERMS .....	9
INVESTMENT OBJECTIVE, APPROACH AND RESTRICTIONS .....	15
MANAGEMENT AND ADMINISTRATION .....	20
THE FUND .....	21
THE MASTER FUND .....	22
DIRECTORS OF THE FUND AND THE MASTER FUND .....	23
MANAGER .....	27
INVESTMENT ADVISOR .....	29
ADMINISTRATOR .....	31
PRIME BROKER AND CUSTODIAN TO THE MASTER FUND .....	32
LEAD LEGAL COUNSEL TO THE MANAGER .....	33
LEGAL COUNSEL TO THE FUND AND THE MASTER FUND AS TO MATTERS OF CAYMAN ISLANDS LAW .....	34
SUBSCRIPTIONS .....	35
REDEMPTIONS .....	42
SUSPENSIONS AND SOFT WIND-DOWNS .....	46
NET ASSET VALUE .....	49
FEES AND EXPENSES .....	52
DIVIDEND POLICY .....	56
REPORTS AND FINANCIAL STATEMENTS .....	57
SOFT COMMISSION ARRANGEMENTS .....	58
CONFLICTS OF INTEREST .....	60
RISK FACTORS .....	63
TAXATION .....	90
ERISA AND RETIREMENT PLAN CONSIDERATIONS .....	95



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# DEFINITIONS

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In this Private Placement Memorandum the following capitalised terms have the following meanings (unless the context otherwise requires):

<b>“1933 Act”</b>	the United States Securities Act of 1933, as amended;
<b>“1940 Act”</b>	the United States Investment Company Act of 1940, as amended;
<b>“Administrator”</b>	MUFG Fund Services (Cayman) Limited or such other entity as may be appointed as the Administrator from time to time;
<b>“Advisers Act”</b>	the United States Investment Advisers Act of 1940, as amended;
<b>“AEOI”</b>	one or more of the following, as the context requires: <ol style="list-style-type: none"><li>1. sections 1471 to 1474 of the Code and any associated legislation, regulations or guidance, and any other similar legislation, regulations or guidance enacted in any other jurisdiction which seeks to implement similar financial account information reporting and/or withholding tax regimes;</li><li>2. the OECD Standard for Automatic Exchange of Financial Account Information in Tax Matters – the Common Reporting Standard and any associated guidance;</li><li>3. any intergovernmental agreement, treaty, regulation, guidance, standard or other agreement between the Cayman Islands (or any Cayman Islands government body) and any other jurisdiction (including any government bodies in such jurisdiction), entered into in order to comply with, facilitate, supplement or implement the legislation, regulations or guidance described in sub-paragraphs 1 and 2; and</li><li>4. any legislation, regulations or guidance in the Cayman Islands that give effect to the matters outlined in the preceding sub-paragraphs;</li></ol>
<b>“Articles”</b>	the Memorandum and Articles of Association of the Fund and/or the Master Fund, as the context requires, as amended and/or restated from time to time;
<b>“Auditor”</b>	Ernst & Young Ltd. or such other entity as may be appointed as the Auditor from time to time;
<b>“AIFM”</b>	an alternative investment fund manager, as defined under the AIFM Rules;
<b>“AIFMD”</b>	Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on alternative investment fund managers;



<b>“AIFM Rules”</b>	the provisions of: (i) Commission Delegated Regulation (EU) No 231/2013 and such regulation as it forms part of the domestic law of the United Kingdom; (ii) the Investment Funds Sourcebook of the FCA Rules; and (iii) the Alternative Investment Fund Managers Regulations 2013 of the United Kingdom, in each case as may be altered, amended, added to or cancelled from time to time;
<b>“Business Day”</b>	any day (other than Saturday and Sunday) on which banks are open for normal banking business in Hong Kong, Singapore, the United States and Cayman Islands and/or such date or dates as the Directors may from time to time determine provided that where, as a result of a Number 8 or higher Typhoon Signal, Black Rainstorm Warning or similar event, the period during which banks in Hong Kong are open on any day is reduced, such day is not a Business Day unless the Directors otherwise determine;
<b>“Calculation Period”</b>	a calculation period as defined on page 52;
<b>“CEA”</b>	the United States Commodity Exchange Act, as amended;
<b>“CFTC”</b>	the United States Commodity Futures Trading Commission;
<b>“Class”</b>	a class of Shares in the Fund designated by the Directors pursuant to the Articles;
<b>“Class A Shares”</b>	ordinary participating shares of par value US\$0.01 each in the Fund issued as Class A Shares;
<b>“Class M Shares”</b>	ordinary participating shares of par value US\$0.01 each in the Fund issued as Class M Shares;
<b>“Code”</b>	the United States Internal Revenue Code of 1986, as amended;
<b>“Companies Act”</b>	the Companies Act (Revised) of the Cayman Islands,;
<b>“Data Protection Act”</b>	the Data Protection Act (Revised) of the Cayman Islands,;
<b>“Directors”</b>	the members of the board of directors of the Fund and/or the Master Fund, as the context requires, for the time being and any duly constituted committee of the relevant board and any successors to such members as may be appointed from time to time;
<b>“Dodd-Frank Act”</b>	the United States Dodd-Frank Wall Street Reform and Consumer Protection Act, as amended;
<b>“ERISA”</b>	the United States Employee Retirement Income Security Act of 1974, as amended;
<b>“Fund”</b>	Honghu Global Active Allocation Fund, an exempted company incorporated with limited liability in the Cayman Islands under the Companies Act with registration number OC-409237;
<b>“High Water Mark”</b>	the highest Net Asset Value of the relevant Series (after payment of the Performance Fee) as at the last Valuation Day in any previous Calculation Period or, if higher, the Net Asset Value of the relevant Series immediately following the issue of such Series;

<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China;
<b>“IFRS”</b>	International Financial Reporting Standards issued by the International Accounting Standards Board;
<b>“Ineligible Applicant”</b>	an ineligible applicant as described on page 37;
<b>“Initial Offer Period”</b>	in relation to any Class, the period determined by the Directors during which Shares of that Class will be offered for subscription at the Subscription Price, which will commence at 9:00 am (Hong Kong time) on 16 August 2024 and will close at 5:00 pm (Hong Kong time) on 31 August 2024;
<b>“Investments”</b>	any investment or other asset of any description the acquisition of which is authorised by the Articles and/or this Private Placement Memorandum;
<b>“Investment Advisor”</b>	Shanghai Honghu Investment Management Co., Ltd. or any successor appointed by the Manager;
<b>“Management Fee”</b>	the fixed percentage of Net Asset Value of each Series within a Class payable to the Manager by the Master Fund pursuant to the Management Agreement, as described in the section headed <b>“Fees and Expenses”</b> ;
<b>“Management Share”</b>	a voting non-participating non-redeemable share of US\$1.00 par value in the capital of the Fund designated as a Management Share and having the rights provided for in the Articles;
<b>“Manager”</b>	Honghu Capital Management Limited, a company incorporated in Hong Kong with limited liability, or such other person as may be appointed as manager in relation to the assets of the Fund and the Master Fund from time to time;
<b>“Master Fund”</b>	Honghu Active Allocation Fund, an exempted company incorporated with limited liability in the Cayman Islands under the Companies Act with registration number OC-409236;
<b>“Minimum Holding”</b>	Shares with an aggregate Net Asset Value of not less than US\$100,000 in respect of the Class A Shares and US\$100,000 in respect of the Class M Shares or such lesser amount in the case of all Shares as the Directors may in their discretion determine;
<b>“Mutual Funds Act”</b>	the Mutual Funds Act (Revised) of the Cayman Islands;
<b>“NAV Calculation Policy”</b>	the pricing and valuation practices, policies and procedures to calculate the Net Asset Value that are established and maintained by the Fund and the Master Fund, as adopted, amended, revised and supplemented from time to time and as summarised in the section headed <b>“Net Asset Value”</b> below;
<b>“Net Asset Value”</b>	the net asset value of the Fund, a Series Account, a Series, a Class or the Master Fund, as the case may be, determined in accordance with the Articles and this Private Placement Memorandum;

<b>“Net Asset Value per Share”</b>	the Net Asset Value of the relevant Series divided by the number of Shares of that Series in issue or deemed to be in issue;
<b>“Non-United States Person”</b>	(a) a natural person who is not a resident of the United States, (b) a partnership, corporation or other entity, other than an entity organised principally for passive investment, organised under the laws of a non-US jurisdiction and which has its principal place of business in a non-US jurisdiction, (c) an estate or trust, the income of which is not subject to United States income tax regardless of source, (d) an entity organised principally for passive investment such as a pool, investment company or other similar entity, provided that units of participation in the entity held by persons who do not qualify as Non-United States Persons or otherwise as qualified eligible persons represent in the aggregate less than 10% of the beneficial interest in the entity and that such entity was not formed principally for the purpose of facilitating investment by persons which do not qualify as Non-United States Persons in a commodity pool with respect to which the commodity pool operator is exempt from certain requirements of Part 4 of the CFTC regulations by virtue of its participants being Non-United States Persons, and (e) a pension plan for employees, officers or principals of an entity organised and with its principal place of business outside the United States;
<b>“Performance Fee”</b>	the performance fee payable by the Master Fund to the Manager pursuant to the Management Agreement, as described in the section headed <b>“Fees and Expenses”</b> ;
<b>“Privacy Notice”</b>	the privacy notice adopted in respect of the Data Protection Act as appended to the Subscription Agreement;
<b>“Prime Broker and Custodian”</b>	China International Capital Corporation Limited and/or any other prime broker(s) and custodian(s) to the Master Fund;
<b>“Redemption Day”</b>	the first Business Day of each calendar month and/or such other day or days as the Directors may from time to time determine;
<b>“Redemption Fee”</b>	the redemption fee as defined on page 43;
<b>“Redemption Price”</b>	the price per Share at which Shares are redeemed calculated in the manner described on page 42;
<b>“Series”</b>	a series of Shares of a Class;
<b>“Series Account”</b>	a series account as defined on page 49;
<b>“SFC”</b>	the Securities and Futures Commission of Hong Kong;
<b>“SFO”</b>	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
<b>“Shareholder”</b>	a person recorded as a holder of Shares in the Fund’s register of members;

<b>“Shares”</b>	a non-voting participating redeemable share of US\$0.01 par value in the capital of the Fund, including Class A Shares and Class M Shares, being offered for subscription under the terms of this Private Offering Memorandum, and where the context requires, a non-voting participating redeemable share of US\$0.01 par value in the capital of the Fund generally;
<b>“Side Letter”</b>	a separate agreement or arrangement with a Shareholder as defined on page 65;
<b>“Soft Lock Period”</b>	in respect of Class A Shares, a period of six (6) calendar months from the date of issue of the relevant Class A Shares;
<b>“Subscription Agreement”</b>	an application to subscribe for Shares which shall be in such form as the Directors may determine from time to time;
<b>“Subscription Day”</b>	the first Business Day of each calendar month and/or such other day or days as the Directors may from time to time determine;
<b>“Subscription Price”</b>	the price of US\$1,000 per Share;
<b>“United States” or “US”</b>	the United States of America (including the states and District of Columbia) and any of its territories, possessions and other areas subject to its jurisdiction;
<b>“US Dollars” or “US\$”</b>	the currency of the United States;
<b>“US Person”</b>	any person falling within the definition of the term “United States Person” under Regulation S promulgated under the 1933 Act or a person other than a Non-United States Person;
<b>“US Tax-Exempt Investor”</b>	a United States person within the meaning of the Code that is exempt from payment of United States federal income tax;
<b>“Valuation Day”</b>	the last Business Day of each calendar month and/or such other day or days as the Directors may from time to time determine; and
<b>“Valuation Point”</b>	the close of business in the last market relevant to the Fund and the Master Fund to close on each Valuation Day or at such other times as the Directors may determine.

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# KEY TERMS

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*The following is a summary of the principal features of the Fund and the Master Fund and should be read in conjunction with the full text of this Private Placement Memorandum.*

## Structure

The Fund is an exempted company incorporated with limited liability in the Cayman Islands as an open-ended investment company and, as such, has power after the Initial Offer Period to issue and redeem Shares at the Subscription Price and Redemption Price, respectively.

The Fund is organised as a “feeder fund” and all or substantially all of the assets of the Fund (to the extent not retained in cash) will be invested in the participating shares of the Master Fund, an exempted company incorporated with limited liability in the Cayman Islands. Further feeder funds may also be created to invest in the Master Fund. It is not expected that any direct investments will be made in the Master Fund other than by such feeder funds.

All Shares are non-voting except in respect of separate class meetings and as otherwise set out in this Private Placement Memorandum and the Articles. The Management Shares (which are the voting shares) in the Fund and the management shares in the Master Fund are held by Honghu Capital Management Cayman Company Limited.

## Base currency

The base currency of the Fund and the Master Fund is the US Dollar. Shares in the Fund will be issued and redeemed in US Dollars.

The Fund may, from time to time, issue Classes of Shares which may be denominated in different currencies. The Fund may hedge its currency exposure for Classes of Shares denominated in a currency other than the US Dollar.

## Investment objective

The Fund will invest all or substantially all of its assets (to the extent not retained in cash) in the participating shares of the Master Fund.

The investment objective of the Master Fund is to achieve high long-term returns by engaging in investment and trading activities focused on securities of companies, bonds, commodities, and other financial instruments, while maintaining controllable risks. See the section headed “**Investment Objective, Approach and Restrictions**” for a full description of the Master Fund’s investment objective.

There is no assurance that the Master Fund will meet its investment objective. Moreover, an investment in the Shares could result in a complete loss of a Shareholder’s investment.

## Offer

The Fund’s authorised share capital is US\$50,000 which is made up of 100 Management Shares and 4,990,000 Shares.

Up to 4,990,000 Shares are available for issue.

Shares may be issued in different Classes. The Directors have initially designated two Classes, being: Class A Shares and Class M Shares which are being offered under the terms of this Private Placement Memorandum. At any time the Directors may designate additional Classes without notice

to, or the consent of, the Shareholders. The Directors may differentiate between Classes on various bases, including as to the operational currency of each Class, the level of fees payable in respect of each Class and the redemption or information rights in respect of each Class.

Class A Shares are generally open to subscription by investors who are not Ineligible Applicants.

Class M Shares may only be issued by the Fund to: (i) the Directors; (ii) the Manager, its shareholders or any of its directors or employees; (iii) any person connected with any such persons, including, without limitation, a trustee of a trust established by or for such persons; (iv) any company, partnership or other person or entity controlled by or which is the controller of any such persons; or (v) any nominee of any of the foregoing. The Directors will determine a person's eligibility to subscribe for Class M Shares.

#### **Initial offer**

Class A Shares and Class M Shares are available for subscription during the Initial Offer Period at a price of US\$1,000 per Share.

#### **Subsequent subscriptions**

Following the close of the Initial Offer Period, Shares will be available for subscription on each Subscription Day at the Subscription Price. Following the close of the Initial Offer Period, a new Series of Shares of each Class will be issued on each Subscription Day on which Shares of that Class are issued.

The Directors may at any time resolve to close the Fund, or close or re-open any Class of Shares to new subscriptions, whether temporarily or permanently, and on such basis and on such terms as they may, in their absolute discretion, determine.

#### **The Manager and the Investment Advisor**

The Manager of the Master Fund and the Fund is Honghu Capital Management Limited. Further details of the management arrangement are outlined in the section headed "**Manager**".

The Investment Advisor of the Master Fund and the Fund is Shanghai Honghu Investment Management Co., Ltd. Further details of the advisory arrangement are outlined in the section headed "**Investment Advisor**".

#### **Minimum investment**

Shares are subject to a minimum initial investment amount per applicant as follows:

- Class A Shares: US\$300,000; and
- Class M Shares: US\$100,000,

or such other amount as the Directors may generally, or in any particular case determine, provided that such other amount is not less than US\$100,000 or its equivalent in the relevant currency or such other amount as is consistent with the Fund being registered under section 4(3) of the Mutual Funds Act.

The minimum amount of additional subscription per Shareholder is as follows:

- Class A Shares: US\$50,000; and

- Class M Shares: US\$10,000,

or such other amount as the Directors may generally, or in any particular case, determine.

These requirements will not apply to direct or indirect subscriptions by the Manager or any of its directors, employees, shareholders, related entities or connected persons, provided that the minimum initial investment is not less than US\$100,000 or such other amount as is consistent with the Fund being registered under section 4(3) of the Mutual Funds Act.

The Minimum Holding is US\$100,000 in the case of Class A Shares, and US\$100,000 in the case of Class M Shares.

#### **Restrictions on sale and transfer**

The Shares may only be offered, sold or transferred to persons who are not Ineligible Applicants, as described in the section headed “**Subscriptions**” below.

It is not anticipated that there will be an active secondary market for the Shares and it is not expected that such a market will develop.

#### **Redemptions**

Subject as set out in this Private Placement Memorandum, Shares are redeemable at the option of the Shareholder on any Redemption Day after the date on which such Shares are issued.

A completed redemption request must be received by the Sub-Administrator at least ninety (90) calendar days (or such lesser period as the Directors may generally or in any particular case permit) prior to the relevant Redemption Day. Shares will be redeemed at the relevant Redemption Price.

#### **Partial redemptions**

A request for a partial redemption of Shares may be refused, or the holding compulsorily redeemed in its entirety, if, as a result of such partial redemption, the Net Asset Value of the Shares retained by the Shareholder would be less than the Minimum Holding. In the event of a partial redemption, Shares will be treated as redeemed on a “first in first out” basis (unless otherwise approved by the Directors).

#### **Redemption Fee**

Class A Shares that are redeemed during the relevant Soft Lock Period will be subject to a two per cent (2%) Redemption Fee (based on redemption proceeds) which will be deducted from such redemption proceeds before payment to the redeeming Shareholder.

The Redemption Fee will be retained by the Fund. The Directors may reduce or waive the payment of all or part of the Redemption Fee whether generally or in any particular case.

No redemption fee is payable on the redemption of Class M Shares.

#### **Management Fee**

Class A Shares are subject to a Management Fee of one-twelfth (1/12) of two per cent (2%) per month of the Net Asset Value of each Series attributable to the Class A Shares, calculated before deduction of that month’s Management Fee and before making any deduction for any accrued Performance Fee as at the last Valuation Day in each month.

The Management Fee will be payable to the Manager monthly in arrears.



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The Manager may, in its sole discretion, rebate, waive or otherwise vary (but not increase) the Management Fee payable in whole or in part, in respect of any particular Class or Series, or may rebate or waive the Management Fee payable in whole or in part for certain Shareholders, including in particular during any wind down of the Master Fund's business. Any such rebate may be applied in paying up additional Shares to be issued to the relevant Shareholder or may be paid in cash.

No Management Fee is charged on Class M Shares.

### **Performance Fee**

Class A Shares are subject to a Performance Fee for each Calculation Period equal to twenty per cent (20%) of the appreciation in the Net Asset Value of each Series attributable to Class A Shares above its High Water Mark.

The first Calculation Period for Class A Shares subscribed for during the Initial Offer Period will be the period commencing on the Business Day immediately following the close of the Initial Offer Period and ending on 31 December 2024. Thereafter, the Calculation Period will be a period of twelve (12) calendar months commencing on each 1 January.

In respect of Shares subscribed for after the Initial Offer Period, the first Calculation Period for each Series will be the period commencing on the Subscription Day on which the relevant Series is issued and ending on the following 31 December. Thereafter, the Calculation Period will be a period of twelve (12) calendar months commencing on each 1 January.

The Performance Fee will be accrued as at each Valuation Day and will be calculated in respect of each Series by reference to the Net Asset Value of such Series before deduction for any accrued Performance Fees.

The Performance Fee will normally be payable to the Manager in arrears as soon as reasonably practicable after the end of each Calculation Period. However, in the case of Shares redeemed during a Calculation Period, the accrued Performance Fee in respect of those Shares will be payable as soon as reasonably practicable after the relevant Redemption Day. Any such accrued Performance Fee will be calculated as though the relevant Redemption Day was the end of a Calculation Period.

The Manager may, in its sole discretion, rebate, waive or otherwise vary (but not increase) the Performance Fee payable in whole or in part, in respect of any particular Series or Class, or may rebate or waive the Performance Fee payable in whole or in part for certain Shareholders, including in particular during any wind down of the Master Fund's business. Any such rebate may be applied in paying up additional Shares to be issued to the relevant Shareholder or may be paid in cash.

No Performance Fee is charged on Class M Shares.

### **Expenses of the initial offer**

The total costs and expenses of establishing the Fund and those costs and expenses of establishing the Master Fund which are attributable to the Fund are not expected to be above US\$150,000, and will be borne by the Master Fund. The Fund will bear its proportional share of these expenses as an investor in the Master Fund. These costs and expenses will be amortised on a straight line basis over a period of up to five (5) years from the date on which the Master Fund commences business. The Directors may shorten the period over which such costs and expenses are amortised.

In the event that further feeder funds are established at a later stage, the Directors may make adjustments to the accounts, including apportioning or allocating costs and expenses of establishing the Master Fund and its feeder funds (or such portion thereof) to all shareholders (including Shareholders of the Fund) to ensure that all costs and expenses of establishing the Master Fund and its feeder funds as a whole are shared rateably among all investors.

**Other fees and expenses**

The Master Fund will pay the fees of the Administrator and of the Prime Broker and Custodian. The Fund and/or the Master Fund will bear all other ongoing operating costs and expenses.

**Dividend policy**

It is not envisaged that any income or gains will be distributed by the Fund by way of dividend. This does not preclude the Directors from declaring a dividend at any time in the future if they consider it appropriate to do so, subject to all applicable laws.

**Risk factors**

An investment in the Fund will entail considerable risks, due in part to the investment strategies and techniques that the Manager may use, the absence of regulatory oversight, the lack of a secondary market for the Shares, and the potential for a concentration of Investments in a limited number of securities. In addition, as the investment programme of the Master Fund develops and changes over time, an investment in the Fund (and indirectly the Master Fund) may be subject to additional and different risk factors. The Fund is suitable only for sophisticated individuals and institutional investors for whom an investment in the Fund does not constitute a significant portion of the investor's wealth and who fully understand and are capable of bearing the risks of such an investment, such as a total loss of its investment in the Fund. Prospective investors should read this Private Placement Memorandum carefully and be fully able to evaluate (together with such investors' financial advisers, if any) the potential merits, risks and conflicts of interest of an investment in the Fund (and indirectly the Master Fund) in the context of their overall financial circumstances.

Alternative investment programmes may not be suitable for many investors. Alternative investment programmes are subject to significant risks to which traditional investments are not. Among the risks which prospective investors should note are the following:

- the Shares are a speculative investment. There is no secondary market for the Shares, and none is expected to develop. There are restrictions on transferring and redeeming the Shares;
- the Fund and the Master Fund are both recently formed and have no operating history;
- the Master Fund's performance may be volatile;
- the Master Fund may use leverage. This may further amplify any losses.

The Fund and the Master Fund are subject to substantial expenses, costs and fees. These expenses, costs and fees, unless offset by investment gains, will cause the Net Asset Value of the Fund and the Master Fund to decline.

Investors should pay particular attention to the information and non-exhaustive list of the risks of investing in the Fund (and indirectly the Master Fund), and the limitations of risk monitoring and risk management set forth in the section headed “**Risk Factors**”.

**Conflicts of interest**

Investors should note that conflicts of interest will arise for the Manager, its affiliates and the Fund and/or the Master Fund with respect to the management of the assets and Investments of the Fund and the Master Fund. Please see the section headed “**Conflicts of Interest**” for further information.

**Taxation**

Under the current laws of the Cayman Islands, neither the Fund nor the Master Fund is subject to taxation in the Cayman Islands. Please refer to the section headed “**Taxation**” for further details.

Income and capital gains received by the Master Fund from sources outside the Cayman Islands may give rise to withholding or other taxes imposed by other jurisdictions.

**Prospective applicants for Shares should consult their own advisers as to the particular tax consequences of their proposed investment in the Fund.**

**Financial reports**

The Fund and the Master Fund will prepare their respective annual financial statements in accordance with the IFRS or such other generally accepted accounting standards determined by the Directors. Copies of the audited financial statements of the Fund, which will be made up to the end of each financial year, the first financial year ending on 31 December 2025, will be made available to Shareholders as soon as practicable and in any event within six (6) months after the end of the relevant financial year.

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# INVESTMENT OBJECTIVE, APPROACH AND RESTRICTIONS

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## Investment Objective

The investment objective of the Master Fund is to achieve high long-term returns by engaging in investment and trading activities focused on securities of companies, bonds, commodities, and other financial instruments, while maintaining controllable risks.

There is no assurance that the Master Fund will meet its investment objective. Moreover, an investment in the Shares could result in a complete loss of a Shareholder's investment.

## Investment Approach

The Master Fund will predominantly employ an active portfolio management approach combining top-down macro analysis for asset allocation and bottom-up fundamental research to select individual stocks of Greater China focused companies. The Master Fund may also invest in collective investment schemes.

The main strategy involves constructing long/short positions in individual equities, exchange-traded funds, commodities, listed warrants (exchange traded), listed equity options, and index options or futures, with a focus on securities that exhibit strong trading liquidity. The portfolio may include fixed income securities, equity-linked instruments such as convertible bonds, and other macro assets like currencies. The Master Fund may directly or indirectly invest in these instruments.

In addition to the aforementioned markets, the Master Fund will invest in other major global public markets that are highly liquid, with a primary focus on but not limited to Hong Kong, Singapore, the United Kingdom, and the United States.

The Master Fund may engage in various financial transactions for hedging and/or investment purposes, including, without limitation: short sales of securities which the Manager believes to be significantly overvalued or in order to reduce portfolio risk. The Master Fund may also utilize options, warrants, futures, swaps, forward contracts, or other derivatives to diversify holdings or establish positions based on the Manager's trading ideas as the market evolves.

## Other Securities and Assets

Notwithstanding the above, the Master Fund has maximum flexibility to invest in a wide range of instruments including, but not limited to, listed and unlisted equities, preferred stocks, convertible securities, equity-related instruments, debt securities and obligations (which may be below investment grade), currencies, commodities, futures (including index futures), options, warrants, swaps and other derivative instruments. Derivative instruments may be exchange-traded or traded over-the-counter ("OTC"). The Master Fund may also invest in collective investment schemes. The Master Fund may engage in short sales, margin trading, hedging and other investment strategies. The Master Fund may retain amounts in cash or cash equivalents (including money market funds) pending reinvestment, for use as collateral or as otherwise considered appropriate to the investment objective.

There are no limitations on the markets or instruments that may be incorporated into the Master Fund's portfolio, or the percentage of the Master Fund's assets that may be committed to any particular strategy type, region, market or instrument. By investing in the Fund, investors are relying on the discretionary judgment of the Manager, without being subject to any specific diversification, leverage or other trading policies.

## **Borrowing and Leverage**

When deemed appropriate, the Master Fund may employ borrowing and/or leverage for a variety of purposes including for managing liquidity, making investments, hedging exposure to market and credit risks and/or implementing the investment objective and approach. The Master Fund may undertake direct borrowing or leverage through borrowing cash, securities and other instruments including but not limited to the use of derivatives, securities margin, futures margin, margined option premiums, repurchase agreements, bank or dealer credit lines or the notional principal amounts of swap transactions. The Master Fund may pledge assets as security for borrowings.

Neither the Fund nor the Master Fund has imposed any restrictions on the extent to which borrowing or leverage may be employed although the Manager does not anticipate that borrowing or leverage will exceed 200% of the Net Asset Value of the Master Fund except on a short term basis. This expectation is not an investment restriction and may be changed without prior notice to Shareholders. The use of leverage by the Master Fund will increase the risk of an investment in the Fund.

The level of leverage is measured by the Manager as the level of leverage of the financial derivative instruments, which is measured by the commitment approach and is expressed as the market value of the equivalent position in the underlying assets of the financial derivative instruments (excluding financial derivative instrument positions for hedging purposes), plus the aggregate gross market value of all long and short position (including, for clarity, cash equity) except financial derivative instruments held by the Master Fund. This approach allows netting of certain financial derivative instrument positions (subject to specified conditions).

The Master Fund may also borrow for the purposes of satisfying redemption requests or paying expenses, if required.

As the Fund will invest all or substantially all of its assets (to the extent not retained in cash) in the participating shares of the Master Fund, it is not expected to employ any leverage itself.

## **Hedging**

Equity positions may be hedged through the use of single stock shorts, exchange-traded options, or exchange-traded index futures. Currency risk may be hedged through the use of spot transactions, currency forwards or options.

The Master Fund may invest in instruments other than those described above that the Manager believes provide value or are appropriate for hedging the exposure of the Master Fund, including, without limitation, preferred shares, ADRs and GDRs, exchange-traded and OTC options on indices or single stocks, government bonds or derivatives of these instruments, currencies, convertible bonds, swaps, corporate bonds, and contracts for differences.

Investors should note that the Master Fund will not hedge every position. In addition, hedges do not always work to limit losses and sometimes actually increase and amplify losses. There is no guarantee or assurance that the Master Fund's hedging program will limit or avoid losses.

## **Short Selling**

The Master Fund may sell securities short or engage in swap and/or contracts for differences transactions that replicate a short selling transaction. Short selling involves trading on margin or selling securities which are borrowed from a third party. There is also a risk that the securities borrowed in connection with a short sale must be returned to the lender of such securities on short notice. Pending the return of such securities, the Master Fund will be required to deposit with the lender as collateral the proceeds of the short sale plus additional cash or securities; the amount of the required deposit will be adjusted periodically to reflect any change in the market price of the security which the Master Fund is required to return to the lender (see further under the section headed "**Risk Factors**").

## Investment Restrictions and Guidelines

The Master Fund has adopted the following investment restrictions which are indicative of the Manager's approach to portfolio construction and risk management:

- the Master Fund may not hold more than 15% of the issued shares of any listed company.

The investment restrictions will apply as at the date of the relevant transaction or commitment to invest. Changes in the investment portfolio of the Master Fund do not have to be effected merely because the limit contained in such restriction is breached as a result of any appreciation or depreciation in value, or by reason of the receipt of any right, bonus or benefit in the nature of capital or of any scheme or arrangement for amalgamation, reconstruction or exchange or by reason of any other action affecting every holder of the relevant investment. The Manager is responsible for monitoring and ensuring compliance by the Master Fund with the investment restrictions and/or guidelines. In the event that an investment restriction is inadvertently breached, the Manager will take immediate corrective action to rectify the breach.

## Securities Lending and Reprehypothecation

The Master Fund may from time to time lend securities from its portfolio to brokers, dealers and financial institutions and receive collateral in cash or securities. The Master Fund will retain all rights of beneficial ownership as to the loan securities, including voting rights and rights to interest or other distributions, and will have the right to regain record ownership of loaned securities to exercise such beneficial rights. Such loans will be terminable at any time. The Master Fund will pay administrative, custodial and finders' fees to persons unaffiliated with the Master Fund in connection with the arranging of such loans.

The value of assets of the Master Fund that may be rehypothecated by the Prime Broker and Custodian is currently limited to 140% of the Master Fund's obligation to the Prime Broker and Custodian.

### Policies Regarding Securities Lending and Repurchase Transactions

Securities lending transactions will only be entered into:

- (a) if the Manager is satisfied that the borrower will provide sufficient assets as collateral for the borrowed securities of a value equivalent to or in excess of the borrowed securities and such collateral to be quality, liquid collateral; and
- (b) through the agency of a recognised clearing system or a financial institution acceptable to the Manager which engages in this type of transaction.

Further, details of securities lending, repurchase transactions or other similar over-the-counter arrangements are as follows:

- (a) all incremental income received from such securities lending, repurchase and similar over-the-counter transactions after deduction of any fees or commissions payable will be credited to the account of the Master Fund (and will not be shared with any operating party) and such income will be disclosed in its annual financial reports;
- (b) each counterparty (including a borrower for a securities lending transaction) will be an independent counterparty approved by the Manager and is expected to have a minimum credit of Baa or above (by Moody's or Standard & Poor's, or any other equivalent ratings by recognised credit rating agencies), or be a licensed corporation with the SFC or registered institution with the Hong Kong Monetary Authority when entering into such transactions;
- (c) any collateral taken will be in cash or liquid securities with value greater than or equal to the value of the securities lent or sold (as the case may be) and the collateral agent will review its value on a daily basis to ensure that it is at least of a value equivalent to the borrowed securities, and such collateral must meet the collateral policies described below;



- (d) the Master Fund may be engaged in such transactions for up to 100% of its assets; and
- (e) where any transaction has been arranged through the Prime Broker and Custodian or a connected person of the Prime Broker and Custodian or the Manager, such transactions shall be conducted at arm's length and executed on the best available terms, and the relevant entity shall be entitled to retain for its own use and benefit any fee or commission it receives on a commercial basis in connection with such arrangement. Such transactions with connected persons of the Prime Broker and Custodian or the Manager (including the fee retained by the Prime Broker and Custodian or the Manager or their connected persons) will be disclosed in the connected party transaction section of the Master Fund's annual financial reports.

Where securities are accepted as collateral, the Manager will have regard to any relevant considerations which include, but are not limited to:

- Liquidity – sufficiently liquid in order that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing;
- Valuation – mark to market daily;
- Issuer credit quality – of high credit quality; collateral on assets that exhibit high price volatility may be accepted only if suitable conservative haircuts are in place;
- Diversification – must be appropriately diversified so as to avoid concentrated exposure to any single issuer. The counterparty or other investment limit/exposure of the collateral as a percentage of the Master Fund's Net Asset Value must not contravene the investment restrictions or limitations set out in this Private Placement Memorandum;
- Correlation – correlation between the counterparty and the collateral received must be avoided;
- Management of operational and legal risks – there must be in existence appropriate systems, operational capabilities and legal expertise for proper collateral management;
- Independent custody – must be held by or to the order of the Prime Broker and Custodian;
- Enforceability – must be readily accessible/ enforceable by the Prime Broker and Custodian without further recourse to the counterparty; and
- Not available for secondary recourse – collateral cannot be applied for any purpose except for the purpose of being used as collateral.

## **Risk Management**

The Manager will employ an ongoing risk monitoring process in an attempt to preserve capital and minimise volatility. The Manager is responsible for the risk management of the Master Fund's Investments, and will regularly monitor, review and manage Investments with a focus on, among other things: gross and net market, sector, and overall portfolio exposures; the volatility of positions; position liquidity and the premium required for less liquid positions; a re-examination of position profits and losses; risk factor models and proprietary risk management tools; and the use of derivatives and short sales for hedging purposes.

## **Amendments to the Investment Programme**

As circumstances change over time, the Directors, in consultation with the Manager, may amend, supplement or add to the investment objective, investment strategy, investment philosophy, investment process and investment guidelines (if any) set out above. Provided that the Directors reasonably expect that the changes will not have a material adverse effect on Shareholders (and subject to compliance with the



conditions set out in the section headed “**General and Statutory Information**”), the Directors may implement these changes at any time and with immediate effect, in whole or in part, without obtaining Shareholders’ approval. The Fund will inform the Shareholders as soon as practicable of any material change to the Master Fund’s investment programme.

**Even with Manager’s best efforts and commitment, the Master Fund’s investment program entails substantial risks. There is no assurance that the Master Fund will meet its investment objective. Investors should consider the Fund as a supplement to an overall investment programme and should invest only if they are willing to undertake the risks involved. By investing in the Fund, investors are relying on the discretionary judgment of the Manager. Please refer to the section headed “Risk Factors” for further information.**



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## THE FUND

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The Fund is an exempted company incorporated with limited liability in the Cayman Islands under the Companies Act on 19 April 2024 with registration number OC-409237. The duration of the Fund is not limited. The authorised share capital of the Fund is US\$50,000 divided into 100 Management Shares of US\$1.00 each and 4,990,000 Shares with par value of US\$0.01 each.

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## THE MASTER FUND

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The Master Fund is an exempted company incorporated with limited liability in the Cayman Islands under the Companies Act on 19 April 2024 with registration number OC-409236. The Master Fund has elected to be classified as a disregarded entity for US federal income tax purposes. The Fund will invest all or substantially all of its assets through the Master Fund in a “master-feeder” arrangement.

Trading is currently being conducted at the Master Fund level only, although the Manager may trade through specially created subsidiaries of the Master Fund or other vehicles to which Investments may be held or transferred, in the sole discretion of the Directors, in consultation with the Manager, in the future. The Directors have delegated their investment discretion over the Master Fund’s assets to the Manager pursuant to the terms of the Management Agreement, which has, in turn, appointed the Investment Advisor to advise the Manager in respect of the investments of the Master Fund and the Fund on a non-discretionary basis, in pursuit of the investment objective and in accordance with the investment approach and restrictions described in this Private Placement Memorandum, subject to the overall control and supervision of the Directors and the Manager.

References throughout this Private Placement Memorandum to the Fund’s investment policies, strategies, restrictions, risks, trading and other related activities include references to the Master Fund or vehicles controlled by the same, unless the context otherwise requires.

Unless otherwise specifically stated in this Private Placement Memorandum, subscriptions, redemptions, calculation of net asset value and other corporate mechanics taking place at the Master Fund level will generally be effected in a manner equivalent to those taking place at the Fund level (as more specifically set out in this Private Placement Memorandum and the Articles), save that any fees or expenses charged at the Fund level will not also be charged at the Master Fund level.

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# DIRECTORS OF THE FUND AND THE MASTER FUND

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## Directors' Functions

The Directors are responsible for the overall management and control of the Fund and the Master Fund. The Directors will review the operations and investment performance of the Fund and the Master Fund at regular meetings. For this purpose, the Directors will receive periodic reports from the Manager detailing the performance of the Master Fund and providing an analysis of its investment portfolio. The Manager and the Administrator will provide such other information and/or other reports as may from time to time be reasonably required by the Directors for the purpose of such meetings.

## Directors of the Fund and the Master Fund

The present Directors of the Fund and the Master Fund are Wentao LIANG and Christopher DAY, whose biographies appear below. Each of the Directors of the Fund and the Master Fund is registered as a director under the provisions of the Directors Registration and Licensing Act (Revised) of the Cayman Islands.

- **Wentao LIANG**

Dr Liang Wentao graduated from the Economics and Management School of Tsinghua University in 2003 with a PhD degree in corporate finance. He holds a Master degree in Management from Guanghua School of Management of Peking University and a Bachelor degree in Biophysics from Nankai University. He is the founder of Shanghai Honghu Investment Management Co., Limited and the Manager and has served as the Chief Investment Officer and fund manager of Honghu Funds and Honghu-chongyu Funds since 2010. The Honghu Fund which was managed by Dr Liang was awarded "Best Greater China Fund Under US\$500m" and "Best Macro Fund" in 2017 by HFM Week. Prior to founding Honghu Shanghai, Dr Liang served as the deputy general manager for Prime Capital Management (Shanghai) Limited and the fund manager for Honghu Trusts for three years. During the period, Honghu Trust Series 1 managed by Dr Liang have ranked 1<sup>st</sup> among the 12 products established at the same time within the same category. In 2010, Dr Liang was awarded the "Golden Bull award". From 2002 to 2006, Dr Liang served as the fund manager for Fund Kehui and Stable Growth Fund in E Fund Management Co., Ltd ("E Fund"), where he was in charge of the research department. Dr Liang was awarded "Best Performing Fund Manager" and "Best Research Award" by E Fund for his excellent performance in fund management. The Fund Kehui which was managed by Dr Liang ranked the 1<sup>st</sup> (2004-2006) in all the 54 close-ended funds in China, and was awarded "Golden Bull Close-ended Fund" in 2004, 2005 and 2006, The Stable Growth Fund which was also managed by Dr Liang was awarded "Golden Bull Continuous Winning Fund" in 2005.

- **Christopher DAY**

Christopher Day has over 30 years of experience in the asset management industry with a skillset from backgrounds in fund governance, investment banking and prime brokerage services for investment managers and fund structures. Christopher has considerable experience in the operation of Cayman, Irish, Luxembourg, UK and Channel Islands funds and has board fund experience across a number of asset classes including traditional, alternative, equity, credit, fixed income, private equity, infrastructure and real estate. He is a Managing Director within Carne's London office and acts as a non-executive director for a number of alternative and traditional funds.

Carne Group is the largest independent fund management company in the world. Carne is trusted by the world's leading asset managers, insurance companies, pension funds and wealth managers to manage their governance, compliance, regulatory and substance requirements. Established in 2004,

Carne employs more than 650 people in 9 countries across the globe and is a governance and substance provider for asset managers with more than \$1Tn AuM.

Christopher joined Carne in 2009 from a senior role with Deutsche Bank's management and consulting team in London and Hong Kong. Christopher operated within the firm's alternative funds business, working with clients managing equities, OTC products, FX and fixed income. As part of Deutsche Bank's Global Markets Equity Division, Christopher was responsible for consulting, sales, financing, clearing, controls, margin, legal and credit. He also liaised closely with managers' service providers, including administrators, custodians and vendors.

Prior to joining Deutsche Bank, Christopher worked at Bankers Trust, NatWest Markets, Prudential Bache Securities and Credit Suisse Buckmaster & Moore Securities.

Christopher resides in London and is approved as a professional director with the Cayman Islands Monetary Authority under the Directors Registration and Licensing Act. His CIMA director identification number is 2078204.

For the purposes of this Private Placement Memorandum, the address of the Directors of the Fund and the Master Fund is the registered office of the Fund.

### **Directors' Interests**

The interests of the Directors and their interests in companies associated with the management, administration, promotion and marketing of the Fund and the Shares are set out below:

- (A) Wentao LIANG is a director and a shareholder of the Manager. The Manager receives a Management Fee and may receive a Performance Fee in respect of its services as Manager of the Fund and the Master Fund.
- (B) The Fund and the Master Fund have entered into a Director Service Agreement with Christopher DAY pursuant to which Christopher DAY has agreed to act as a Director of the Fund and the Master Fund. Under the terms of the agreement, the Fund and the Master Fund have agreed to indemnify Christopher DAY against any liability except where the same results from his gross negligence, fraud or wilful default. There are no other existing or proposed service agreements between the Fund or the Master Fund and any of the Directors.
- (C) No shareholding qualification for Directors is required under Cayman Islands law. The Directors or companies of which they are officers or employees, including the Manager, may, however, subscribe for Shares in the Fund. Their application for Shares will rank *pari passu* with all other subscription applications.
- (D) Save as disclosed herein, no Director has any interest, direct or indirect, in the promotion of or in any assets which are proposed to be acquired, disposed of by or leased to the Fund or the Master Fund and no Director has a material interest in any contract or arrangement entered into by the Fund or the Master Fund which is unusual in nature or conditions or significant in relation to the business of the Fund or the Master Fund, nor has any Director had such an interest since the Fund or the Master Fund were incorporated. Further, no loans or guarantees have been provided by the Fund or the Master Fund to, or for the benefit of, any of the Directors.
- (E) No Director has: (i) any unspent convictions in relation to indictable offences; or (ii) been bankrupt or the subject of an involuntary arrangement, or has had a receiver appointed to any asset of such Director; or (iii) been a director of any company which, while he was a director with an executive function or within twelve (12) months after he ceased to be a director with an executive function, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangements, or made any composition or arrangements with its creditors generally or with any class of its creditors; or (iv) been a partner of any partnership, which while he was a partner or within twelve (12) months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver

appointed to any partnership asset; or (v) had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or (vi) been disqualified by a court from acting as a director or from acting in the management or conduct of the affairs of any company.

### **Directors' Remuneration**

The remuneration of the Directors is determined by a resolution of the Directors. The Directors are currently entitled to receive an annual fixed fee from each of the Fund and the Master Fund in respect of the provision of their services as Directors of the Fund and the Master Fund, which is set in accordance with customary market rates in accordance with the relevant director services agreement. Wentao LIANG has, however, waived his entitlement to Directors' fees until further notice. The Directors may be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Fund or the Master Fund or in connection with the business of the Fund or the Master Fund.

### **Transactions with Directors**

- (A) A Director may be a party to, or otherwise interested in, any transaction or arrangement with the Fund or in which the Fund is otherwise interested. The Director will not be liable to account to the Fund for any profit such director derives from such a transaction or arrangement provided the nature and extent of any material interest has been disclosed to the other Directors in the manner set out in the Articles.
- (B) Before engaging in any activity which may create potential conflicts of interest, such as assuming a senior management role of another entity with which the Fund transacts or may transact, a Director shall : (i) review the nature and extent of the potential conflicts of interest and consider whether the conflicts of interest could be avoided; (ii) seek the approval of all of the other Directors for such activities in the relevant meeting of the Directors following the procedure set out in the Articles; and (iii) where the Director's objectivity or ability to properly fulfil duties to the Fund may be otherwise compromised, to recuse themselves at the earliest opportunity from, and refrain from deliberating and abstain from voting on the relevant matter in the meeting of the Directors (notwithstanding that these may be permitted under the Articles), to ensure that such activity will not create a conflict of interest, or that any conflict is properly managed and controlled.
- (C) A Director who has an interest in any particular business to be considered at a meeting of the Directors may be counted for the purpose of determining whether the meeting is duly constituted and may vote at such meeting provided that the interest has been disclosed in the manner set out in the Articles.
- (D) Save as disclosed in this Private Placement Memorandum, no Director has any interest, direct or indirect, in the promotion of, or in any assets which are proposed to be acquired, disposed of by or leased to, the Fund. Save as disclosed in this Private Placement Memorandum, no Director has a material interest in any contract or arrangement entered into by the Fund which is unusual in nature or conditions or significant in relation to the business of the Fund, nor has any Director had such an interest since the Fund was incorporated.

### **Change of Directors**

The Fund is registered as a "regulated mutual fund" with the Monetary Authority pursuant to section 4(3) of the Mutual Funds Act. The Fund may, by resolution of the holders of the Management Shares, appoint or remove any person as a Director in accordance with its Articles.

### **Retirement of Directors**

There is no provision for the retirement of Directors on their attaining a certain age and the Articles do not provide for retirement of Directors by rotation.



## **Indemnity**

The Directors and other officers for the time being and from time to time of the Fund and the personal representatives of the same shall be indemnified and secured harmless out of the assets and funds of the Fund against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities of whatsoever nature and howsoever arising incurred or sustained by such person otherwise than by reason of such person's own Gross Negligence (as defined in the Articles) or wilful default in or about the conduct of the Fund's business or affairs or in the execution or discharge of such person's duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such person in defending (whether successfully or otherwise) any civil proceedings concerning the Fund, its business or its affairs in any court whether in the Cayman Islands or elsewhere

The Directors and other officers of the Master Fund are entitled to be indemnified by the Master Fund on the same basis.

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# MANAGER

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Honghu Capital Management Limited has been appointed as the Manager to manage and invest the assets of the Fund and the Master Fund. The Manager was incorporated in Hong Kong on 3 June 2014 with business registration number 63416553. The Manager is licensed by the SFC for Type 9 (asset management) regulated activity with CE number BED002.

The Manager is not currently registered as an investment adviser with the United States Securities and Exchange Commission (the “SEC”) under the Advisers Act although it may register as an investment adviser in the future. The Manager may make an “exempt reporting adviser” filing with the SEC pursuant to which the Manager may be subject to SEC inspections as well as certain reporting requirements, recordkeeping and other obligations as determined from time to time by the SEC.

The Manager intends to claim exemptions from the requirements that it registers with the CFTC as a commodity pool operator pursuant to the CEA.

The Manager (and/or its directors, employees, shareholders, related entities and connected persons) may subscribe, directly or indirectly, for Shares.

The Master Fund has authorised the Manager to disclose information relating to the Master Fund’s portfolio to potential investors in the Fund, subject to such investors agreeing not to disclose such information to any third party.

The director of the Manager is Wentao LIANG. His biography appears on the section headed “**Directors of the Fund and the Master Fund**” above. For the purposes of this Private Placement Memorandum, the address of the director of the Manager is the registered office of the Fund.

## Management Agreement

Pursuant to the Management Agreement, the Manager will, subject to the overall control and supervision of the Directors, act as discretionary investment manager of the Fund and the Master Fund and will perform such duties as are customarily performed by a discretionary investment manager of an open-ended investment company, or as may be agreed from time to time between the Fund and the Master Fund and the Manager.

Pursuant to the terms of the Management Agreement, the Manager is not liable in respect of any act or omission of:

- any person, firm or company through whom transactions in Investments are effected for the account of the Fund and the Master Fund;
- the Prime Broker and Custodian;
- any party having custody or possession of the Fund’s and the Master Fund’s assets and Investments from time to time; or
- any clearance or settlement system.

The Manager is not liable to the Fund or the Master Fund for any act or omission in the course of or in connection with the services rendered by it under the Management Agreement; or any loss or damage which the Fund or the Master Fund may sustain or suffer as the result of, or in the course of, the discharge by the Manager of its duties under or pursuant to the Management Agreement, in the absence of gross negligence, wilful default or actual fraud on the part of the Manager. However, the Manager remains liable for the acts or omissions of any person to whom it has delegated any of its functions, powers and duties under the Management Agreement.

In addition, the Fund and the Master Fund have agreed to indemnify and keep indemnified the Manager and the directors, officers and employees of the Manager from and against any and all liabilities, obligations, losses, damages, suits and expenses (each a “**Loss**”) which may be incurred by or asserted against the Manager in its capacity as Manager. However, such indemnity excludes Losses resulting from the gross negligence, wilful default or actual fraud of the person seeking to rely on this indemnity and excludes expenses incurred by the Manager for which it is responsible under the Management Agreement.

The Management Agreement may be terminated by one party giving to the other parties not less than ninety (90) days’ written notice. In addition, the Management Agreement may be terminated immediately by notice in writing by any party in such other circumstances as specified in the Management Agreement. The Management Agreement is governed by the laws of Hong Kong.

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# INVESTMENT ADVISOR

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Shanghai Honghu Investment Management Co., Ltd. has been appointed as the Investment Advisor of the Master Fund and the Fund. The Investment Advisor was registered with the Asset Management Association of China (“AMAC”) on 1 April 2014, as a private securities investment fund manager with registration number P1000395.

The Investment Advisor performs its services for the Manager pursuant to an investment advisory agreement entered into among the Master Fund, the Fund, the Manager and the Investment Advisor (the “**Investment Advisory Agreement**”). The Investment Advisor is appointed by the Manager on a non-exclusive basis to advise the Manager in respect of the investments of the Master Fund and the Fund on a non-discretionary basis in pursuit of the investment objective and subject to the investment restrictions and the overall control and supervision of the Directors and the Manager.

The Investment Advisor is not currently registered as an investment adviser with the SEC under the Advisers Act as a result of qualifying for an exemption from registration therefrom. The Investment Advisor may make an "exempt reporting adviser" filing with the SEC pursuant to which the Investment Advisor may be subject to SEC inspections as well as certain reporting requirements, recordkeeping and other obligations as determined from time to time by the SEC.

The Investment Advisor intends to claim exemptions from the requirements that it registers with the CFTC as a commodity pool operator and as a commodity trading advisor pursuant to the CEA.

The Investment Advisor and any of its directors, employees or related entities may invest in the Fund and/or the Master Fund through the direct or indirect acquisition of the Shares of the Fund.

Each of the Fund and the Master Fund has authorised the Investment Advisor to disclose information relating to the investments of the Master Fund and the Fund and the performance to potential investors in the Fund or the Master Fund (as the case may be), subject to such investors agreeing not to disclose such information to any third party.

The director of the Investment Advisor is Wentao LIANG. His biography appears on the section headed “**Directors of the Fund and the Master Fund**” above. For the purposes of this Private Placement Memorandum, the address of the director of the Investment Advisor is the registered office of the Fund.

## Investment Advisory Agreement

Pursuant to the Investment Advisory Agreement, the Investment Advisor will, subject to the overall control and supervision of the Directors and the Manager, advise the Manager in respect of the Investments of the Master Fund on a non-discretionary basis in pursuit of the investment objective and investment approach of the Master Fund described in this Private Placement Memorandum, and subject to the investment restrictions of the Master Fund described in this Private Placement Memorandum, if any.

The Investment Advisor may delegate any of its functions, powers, and duties under the Investment Advisory Agreement to any person subject to and on the basis of the provisions of the Investment Advisory Agreement. The Investment Advisor remains liable for the acts or omissions of any person to whom it has delegated any of its functions, powers and duties under the Investment Advisory Agreement.

Save as provided above, pursuant to the terms of the Investment Advisory Agreement, the Investment Advisor is not liable in respect of any act or omission of:

- any person, firm or company through whom transactions in investments are effected for the account of the Fund and the Master Fund;
- the Prime Broker and Custodian;

- any party having custody or possession of the assets and investments of the Fund and the Master Fund from time to time; or
- any clearance or settlement system.

The Investment Advisor is not liable for any loss to the Manager, the Fund or the Master Fund howsoever arising except to the extent that such loss is due to the Investment Advisor's gross negligence, wilful default or fraud. No warranty is given by the Investment Advisor as to the performance or profitability of the Investments or any part of them or the achievement of any specific or general result.

Each of the Fund and the Master Fund agrees to indemnify and keep indemnified the Investment Advisor and the directors, officers and employees of the Investment Advisor from and against any and all liabilities, obligations, losses, damages, claims, costs, suits and expenses (each an "**Investment Advisor Loss**") which may be incurred by or asserted against the Investment Advisor in its capacity as Investment Advisor of the Fund and/or the Master Fund. However, such indemnity excludes Investment Advisor Losses resulting from the gross negligence, wilful default or fraud of the person seeking to rely on this indemnity and excludes expenses incurred by the Investment Advisor for which it is responsible under the Investment Advisory Agreement.

The Manager pays to the Investment Advisor a fee as may be agreed between the parties from time to time. The fee is payable out of the Management Fee received by the Manager and will not constitute an additional charge to investors.

The Investment Advisory Agreement may be terminated by either (i) the parties' mutual agreement in writing or (ii) one party giving to the other parties not less than ninety (90) days' written notice. In addition, the Investment Advisory Agreement may be terminated immediately by notice in writing by any party in such other circumstances as specified in the Investment Advisory Agreement. The Investment Advisory Agreement is governed by the laws of Hong Kong.

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# ADMINISTRATOR

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Each of the Fund and Master Fund has appointed MUFG Fund Services (Cayman) Limited as the Administrator to provide administrative services to the Fund and the Master Fund, pursuant to an administration agreement entered into between the Administrator, the Fund and the Master Fund (the “**Administration Agreement**”).

Pursuant to the Administration Agreement, the Administrator provides services to the Fund and Master Fund including maintaining the register of investors of each of the Fund and the Master Fund, receiving and processing subscription and redemption agreements or applications, submitting to investors a statement of their holdings in the Fund upon request, calculation of Net Asset Value, maintenance of accounting reports, preparation of financial statements for audit purposes upon request and liaison with auditors.

The Administration Agreement also provides for indemnification of the Administrator and its directors, officers, delegates and employees against any liability, actions, proceedings, claims, demands, costs or expenses whatsoever (other than those resulting from wilful default or actual fraud on its part or on the part of its directors, officers, delegates or employees) which may be imposed on, incurred by or asserted against the Administrator in performing its obligations or duties thereunder. The Administration Agreement may be terminated by the Fund, the Master Fund or the Administrator upon 90 days’ written notice. Under the Administration Agreement, the Administrator has delegated certain services to MUFG Fund Services (Singapore) Pte. Ltd (the “**Sub-Administrator**”).

The Administrator is a service provider of the Fund and of the Master Fund and, as such, bears no responsibility for the content of this Private Placement Memorandum (other than the description under this section), the investments of the Master Fund, the performance of the Master Fund or any other fund in which it invests nor any matter other than as specified in the Administration Agreement.

The Directors and the Manager, and not the Administrator, are responsible for determining that the Shares of the Fund are marketed and sold in compliance with all applicable securities, tax and other laws. Furthermore, the Administrator shall bear no responsibility for the compliance by the Fund and its investors with securities, tax, and other laws applicable to them.

The Administrator will not be responsible for ensuring that the investment transactions comply with the investment objectives and policies set forth in the Private Placement Memorandum. Additionally, the Manager of the Fund and not the Administrator are responsible for monitoring of investment restrictions of the Master Fund (if any).

The Administrator shall be entitled to rely upon prices received from a reputable pricing service. In certain circumstances, the Administrator shall be entitled to rely without inquiry upon the valuations submitted to it by the Manager and shall have no responsibility to determine the accuracy or otherwise thereof.

The Administrator is compensated for its services pursuant to the Administration Agreement. The fees and charges of the Administrator are subject to variation and renegotiation from time to time.

The Administration Agreement is governed by the laws of the Cayman Islands.

Each of the Fund and the Master Fund may, in its discretion and without prior notice to or the approval of Shareholders, change the administration arrangements described above including, but not limited to, the appointment of an alternative administrator.

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# PRIME BROKER AND CUSTODIAN TO THE MASTER FUND

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The Master Fund has appointed China International Capital Corporation Limited as a Prime Broker and Custodian.

As the first joint venture investment bank in China, China International Capital Corporation Limited ([3908.HK](#) [601995.SH](#)) (“CICC”) has completed numerous pioneering businesses through the best practices worldwide as well as solid professional knowledge. CICC has been a dedicated part of Chinese economic reform and development and have been growing with its clients. CICC’s mission is to establish China's first world-class investment bank and to become a core participant in the future financial system.

CICC has been devoted to providing high-quality added value financial services since its establishment in 1995. Based on research power, CICC has built a comprehensive business scope to offer investment banking, equity, fixed-income, wealth management and investment management services. CICC has won awards such as “Asian Bank of the Year”, “China’s Best Investment Bank”, “Best Sales Service Team”, “The Most Influential Research Institute”, “Best CSR Reputations” etc. because of its deep professional knowledge of economy, industries and legislations as well as excellent customer services.



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## LEAD LEGAL COUNSEL TO THE MANAGER

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Jun He Law Offices is appointed as lead and Hong Kong legal counsel to the Manager in connection with the preparation of this Private Placement Memorandum. Jun He Law Offices may continue to serve in such capacity in the future, but has not assumed any obligation to update this Private Placement Memorandum. Jun He Law Offices may advise the Manager in matters relating to the operation of the Fund on an ongoing basis. Jun He Law Offices does not represent, and has not represented, the prospective investors of the Fund or the Master Fund in the course of the establishment of the Fund or the Master Fund (as the case may be), the negotiation of its business terms, the offering of the Shares or in respect of its ongoing operations. Prospective investors must recognise that, as they have had no representation in the establishment process, the terms of the Fund relating to themselves and the Shares have not been negotiated at arm's length.

Jun He Law Offices' engagement by the Manager in respect of the Fund and the Master Fund is limited to the specific matters in relation to which it is consulted by the Manager. There may exist facts or circumstances that could have a bearing on the Fund's (or the Manager's) financial condition or operations with respect to which Jun He Law Offices has not been consulted. Jun He Law Offices therefore expressly disclaims any responsibility for those matters. Specifically, Jun He Law Offices does not undertake to monitor the compliance of the Fund, the Master Fund, the Directors, or the Manager and its affiliates with the investment programme, valuation procedures and other guidelines set forth in this Private Placement Memorandum, nor does it monitor compliance with applicable laws. In preparing this Private Placement Memorandum, Jun He Law Offices relied upon information furnished to it by the Fund and/or the Manager. Jun He Law Offices has not investigated or verified the accuracy and completeness of information set out in this Private Placement Memorandum concerning among other things, the Fund, the Manager, the Fund's service providers and their affiliates and personnel.

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# LEGAL COUNSEL TO THE FUND AND THE MASTER FUND AS TO MATTERS OF CAYMAN ISLANDS LAW

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Ogier acts as Cayman Islands legal counsel to the Fund and the Master Fund. In connection with the Fund's offering of Shares and subsequent advice to the Fund and the Master Fund, Ogier will not be representing Shareholders. No independent legal counsel has been retained to represent the Shareholders. Ogier's representation of the Fund and the Master Fund is limited to specific matters as to which it has been consulted by the Fund and the Master Fund. There may exist other matters that could have a bearing on the Fund and the Master Fund as to which Ogier has not been consulted. In addition, Ogier does not undertake to monitor compliance by the Manager and its affiliates with the investment programme, valuation procedures and other guidelines set forth herein, nor does Ogier monitor ongoing compliance with applicable laws. In connection with the preparation of this Private Placement Memorandum, Ogier's responsibility is limited to matters of Cayman Islands law and it does not accept responsibility in relation to any other matters referred to or disclosed in this Private Placement Memorandum. In the course of advising the Fund and the Master Fund, there are times when the interests of Shareholders may differ from those of the Fund and the Master Fund. Ogier does not represent the Shareholders' interests in resolving these issues. In reviewing this Private Placement Memorandum, Ogier has relied upon information furnished to it by the Fund and the Master Fund and has not investigated or verified the accuracy and completeness of information set forth herein concerning the Fund and the Master Fund.

## **Changes in Service Providers**

The Directors, in their sole discretion, may change, remove and/or appoint such service providers to the Fund and the Master Fund and/or change any of the services that such service providers provide as they deem appropriate from time to time, without notice to the Shareholders.

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# SUBSCRIPTIONS

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## Offer

Up to 4,990,000 Shares are available for issue. No part of the initial offer has been underwritten or guaranteed.

Shares are available for subscription in two Classes: Class A Shares and Class M Shares.

Class A Shares are generally open to subscription by investors who are not Ineligible Applicants.

Class M Shares may only be issued by the Fund to: (i) the Directors; (ii) the Manager, its shareholders or any of its directors or employees; (iii) any person connected with any such persons, including, without limitation, a trustee of a trust established by or for such persons; (iv) any company, partnership or other person or entity controlled by or which is the controller of any such persons; or (v) any nominee of any of the foregoing. The Directors will determine a person's eligibility to subscribe for Class M Shares.

Except as set out in the section headed “**Variation of Rights Attaching to a Class or Series**” or “**Change of Directors**”, the holders of Shares have no right to vote. The Management Shares, which are the voting shares in the Fund, are held by Honghu Capital Management Cayman Company Limited.

The Directors may, from time to time, issue one or more additional Classes of Shares with different terms and/or of a different denomination in their absolute discretion.

The Directors may in their sole discretion accept or reject applications for any Class of Shares.

The Directors may at any time resolve to close the Fund, or close or re-open any Class of Shares to new subscriptions, whether temporarily or permanently, and on such basis and on such terms as they may in their absolute discretion determine.

## Initial Offer Period

Class A Shares and Class M Shares may be subscribed for during the Initial Offer Period at a price of US\$1,000 per Share. The first Series of Class A Shares and Class M Shares will be issued on the Business Day immediately following the close of the Initial Offer Period at US\$1,000. No part of the initial offer has been underwritten or guaranteed.

## Subsequent Subscriptions

Following the close of the Initial Offer Period, Shares will be available for subscription at the Subscription Price on each Subscription Day. A new Series of Shares of each Class will be issued on each Subscription Day on which Shares of that Class are issued.

## Procedure

Applicants for Shares during the Initial Offer Period must complete a subscription application and send it by e-mail as a scanned e-mail attachment to the Sub-Administrator at its e-mail address as set out in the subscription application. Subscription applications (and any supporting/requisite documentation) must be sent so as to be received by no later than 5:00 pm (Hong Kong time) on the [last Business Day] of the Initial Offer Period. Cash subscription monies must be sent by wire transfer, net of bank charges, so that cleared funds are received in the Fund's account by the same time.

After the Initial Offer Period, applicants for Shares and Shareholders wishing to apply for additional Shares must complete a subscription application and send it by e-mail as a scanned e-mail attachment to the Sub-Administrator at its e-mail address as set out in the subscription application. Subscription applications (and

any supporting/requisite documentation) must be sent so as to be received by no later than 5:00 pm (Hong Kong time) on a Business Day which is at least three (3) Business Days (or such lesser period the Directors may permit) preceding the relevant Subscription Day. Cash subscription monies must be sent by wire transfer, net of bank charges, so that cleared funds are received in the Fund's account by no later than 5:00 pm (Hong Kong time) on the Business Day immediately preceding the relevant Subscription Day.

Neither the Fund nor the Sub-Administrator accepts any responsibility for any loss arising from any mis-delivery, non-receipt or illegibility by the Sub-Administrator of any subscription application sent by e-mail.

Applications for Shares will not be dealt with and Shares will not be issued until the Sub-Administrator has received the completed subscription application, all documents required for the purposes of verifying the identity of the applicant and source of the applicant's funds, and notification that cleared funds have been received. If the completed subscription application, any such documentation, information, notification or cleared funds is not received by the applicable time referred to above, unless the Directors decide otherwise, the subscription application will be held over to the relevant Subscription Day following receipt of the outstanding documentation, information and/or notification, as the case may be. Shares will then be treated as issued at the Subscription Price on that Subscription Day. Subject to this, Shares are deemed to be issued on the Business Day immediately following the close of the Initial Offer Period and subsequently on the relevant Subscription Day.

Fractions of a Share will, if necessary, be issued to 6 decimal places. Subscription monies representing smaller fractions of Shares will be retained by the Fund.

All subscription monies must originate from an account held in the name of the applicant. No third party payment will be permitted. Interest on subscription monies will accrue to the Fund.

The Fund and/or the Administrator on its behalf may reject any application in whole or part and without giving any reason for doing so. In the event of an application being rejected, the amount paid on application or the balance thereof, as the case may be, will be returned (without interest) as soon as practicable in US Dollars at the risk and cost of the applicant.

Once a completed subscription application has been received by the Sub-Administrator it is irrevocable. The Sub-Administrator will acknowledge receipt of subscription applications on behalf of the Fund, and in the event no acknowledgement is received from the Sub-Administrator within five (5) Business Days of submitting the subscription application, the applicant should assume that the subscription application has not been received and they should contact the Sub-Administrator to ascertain the status of their subscription application. By signing the subscription application, the applicant agrees that neither the Fund nor the Sub-Administrator accepts any liability in respect of any losses for documents sent but in respect of which no acknowledgement is received. Notwithstanding the method of communication, the Fund and/or the Sub-Administrator reserve the right to ask for the production of original documents or other information to authenticate the communication. In the case of mis-receipt or corruption of any message, the applicant will be required to re-send the documents. Applicants must use the subscription application provided by the Sub-Administrator in respect of any subscription for Shares. Applicants should also note that messages sent via e-mail must contain a duly signed document as an attachment.

Written confirmation detailing the Shares which have been issued will be sent to successful applicants as soon as practicable after the last day of the Initial Offer Period or the relevant Subscription Day, as the case may be.

Where a subscription for Shares is accepted, the Shares will be treated as having been issued with effect from the Business Day immediately following the close of the Initial Offer Period and thereafter, on the relevant Subscription Day, as the case may be, notwithstanding that the name of the subscriber for those Shares may not be entered in the Fund's register of members until after the close of the Initial Offer Period and thereafter, the relevant Subscription Day, as the case may be. The subscription monies paid by a subscriber for Shares will accordingly be subject to investment risk in the Fund from the Business Day immediately following the close of the Initial Offer Period and thereafter, the relevant Subscription Day, as the case may be, if not earlier, as otherwise disclosed in this Private Placement Memorandum.

Although Shares will be issued on the Business Day immediately following the close of the Initial Offer Period and subsequently on the relevant Subscription Day, all subscription monies are immediately deposited into the Fund and retained in custodial status, without accruing interest. Prior to issuing Shares, the Administrator may, upon the Fund's instruction, release funds to the Master Fund to ensure that investment in the Master Fund by the Fund can be effected on the Business Day immediately following the close of the Initial Offer Period or the relevant Subscription Day, as the case may be. In the event that the Fund is wound up before the Shares are issued, the subscriber will become an unsecured creditor of the Fund in the context of any insolvency proceedings.

### **Minimum Investment**

Shares are subject to a minimum initial investment amount per applicant as follows:

- Class A Shares: US\$300,000; and
- Class M Shares: US\$100,000,

or such other amount as the Directors may generally or in any particular case determine, provided that for so long as the Fund is registered under section 4(3) of the Mutual Funds Act, the minimum initial investment amount cannot be less than US\$100,000 (or its equivalent in the relevant operational currency).

The minimum amount of additional subscription per Shareholder is as follows:

- Class A Shares: US\$50,000; and
- Class M Shares: US\$10,000,

or such other amount as the Directors may generally, or in any particular case, determine.

These requirements will not apply to direct or indirect subscriptions by the Manager or any of its directors, employees, shareholders, related entities or connected persons, provided that for so long as the Fund is registered under section 4(3) of the Mutual Funds Act, the minimum initial investment cannot be less than US\$100,000 (or its equivalent in the relevant operational currency).

The Minimum Holding is US\$100,000 in the case of Class A Shares and US\$100,000 in the case of Class M Shares.

### **Ineligible Applicants**

Each applicant for Shares will be required to represent and warrant to the Fund that, amongst other things, it is able to acquire and hold Shares without violating applicable laws.

The Shares may not be offered, issued or transferred to any person in circumstances which, in the opinion of the Directors, might result in the Fund incurring any liability to taxation or suffering any other pecuniary disadvantage which the Fund might not otherwise incur or suffer, or would result in the Fund being required to register under any applicable United States securities laws.

Shares may generally not be issued or transferred to any US Person, except that the Directors may authorise the issue or transfer of Shares to or for the account of a US Person provided that:

- such US Person is a US Tax-Exempt Investor and certifies that it is both an "accredited investor" and a "qualified purchaser", in each case as defined under United States federal securities laws;
- such issue or transfer does not result in a violation of the 1933 Act, the 1940 Act, the CEA or the securities laws of any of the states of the United States;

- such issue or transfer will not require the Fund to register under the 1940 Act or the United States Securities Exchange Act of 1934, as amended (the “**1934 Act**”), or to file a Private Placement Memorandum with the CFTC or the United States National Futures Association pursuant to regulations under the CEA;
- such issue or transfer will not cause any assets of the Fund to be “plan assets” for the purposes of ERISA, Section 4975 of the Code or otherwise subject the Fund to any other law or regulation specifically applicable to governmental, church or non-US plans (“**Similar Laws**”); and
- such issue or transfer will not result in any adverse regulatory or tax consequences to the Fund or its Shareholders as a whole.

Each applicant for, and transferee of, Shares who is a US Person will be required to provide such representations, warranties or documentation as may be required to ensure that these requirements are met prior to the issue or the registration of any transfer of Shares. If a transferee is not already a Shareholder, it will be required to complete the appropriate subscription application.

Each applicant for Shares will be required to warrant that it has the knowledge, expertise and experience in financial matters to evaluate the risks of investing in the Fund, is aware of the risks inherent in investing in the assets in which the Master Fund will invest and the method by which these assets will be held and/or traded, and can bear the loss of its entire investment in the Fund. Any transferee of Shares will be required to warrant in like terms before any transfer is registered.

Subject as mentioned above and under the section headed “**General and Statutory Information**” below, Shares are freely transferable.

### **Form of Shares**

All the Shares will be registered Shares and will only be issued in registered form, meaning that a Shareholder’s entitlement will be evidenced by an entry in the Fund’s register of members, as maintained by the Administrator, and not by a share certificate.

Unless otherwise specifically stated herein, subscriptions, redemptions, calculation of net asset value and other corporate mechanics taking place at the Master Fund level will generally be effected in a manner equivalent to those taking place at the Fund level (as more specifically set out above in this Private Placement Memorandum and the Articles), save that any fees or expenses charged at the Fund level will not also be charged at the Master Fund level.

### **Suspension**

The Directors may declare a suspension of the issue of Shares in certain circumstances as described under the section headed “**General and Statutory Information**”. No Shares will be issued during any such period of suspension.

### **Designated AML Officers**

In accordance with the Anti-Money Laundering Regulations of the Cayman Islands and guidance issued by the Monetary Authority, the Fund and the Master Fund are required to appoint and have each appointed natural persons to serve as its Anti-Money Laundering Compliance Officer, Money Laundering Reporting Officer and Deputy Money Laundering Reporting Officer (the “**AML Officers**”). To obtain further information in respect of the AML Officers, please contact the Directors at the registered office of the Fund using the contact information contained in this Private Placement Memorandum.

### **Anti-Money Laundering**

To ensure compliance with applicable statutory requirements relating to anti-money laundering and anti-terrorism initiatives, the Fund, or the Administrator on the Fund’s behalf, will require such information and

documentation as it considers necessary to verify the identity, address and/or source of funds of all prospective investors and certain beneficial owners. Depending on the circumstances of each application and the anti-money laundering policies and procedures of the Administrator, a detailed verification might not always be required. Where permitted, and subject to certain conditions, the Fund may also delegate the maintenance of its anti-money laundering procedures (including the acquisition of due diligence information) to a suitable person.

The Fund, and the Administrator on the Fund's behalf, reserve the right to request such information as is necessary to verify the identity, address and source of funds of a prospective investor or a transferee and the identity of their beneficial owners/controllers (where applicable).

Where the circumstances permit, the Fund, or the Administrator on the Fund's behalf, may be satisfied that full due diligence may not be required at subscription where an exemption applies under the Anti-Money Laundering Regulations (Revised) of the Cayman Islands, as amended and revised from time to time or any other applicable law. However, detailed verification information may be required prior to the payment of any proceeds from or any transfer of an interest in Shares.

In the event of delay or failure on the part of the subscriber in producing any information required for verification purposes, the Fund, or the Administrator on the Fund's behalf, may refuse to accept the application, refuse to register the relevant transfer, or if the application has already occurred, may suspend or redeem the Shares, in which case any funds received will be returned without interest to the account from which they were originally debited.

The Fund, and the Administrator on the Fund's behalf, also reserve the right to refuse to make any redemption or dividend payment to a Shareholder if the Directors or the Administrator suspect or are advised that the payment of redemption or dividend proceeds to such Shareholder may be non-compliant with applicable laws or regulations, or if such refusal is considered necessary or appropriate to ensure the compliance by the Fund or the Administrator with any applicable laws or regulations.

The Monetary Authority has a discretionary power to impose substantial administrative fines upon the Fund in connection with any breaches by the Fund of prescribed provisions of the Anti-Money Laundering Regulations (As Revised) of the Cayman Islands, as amended and revised from time to time, and upon any director or officer of the Fund who either consented to or connived in the breach, or to whose neglect the breach is proved to be attributable. To the extent any such administrative fine is payable by the Fund, the Fund will bear the costs of such fine and any associated proceedings.

If any person resident in the Cayman Islands knows or suspects or has reasonable grounds for knowing or suspecting that another person is engaged in criminal conduct or is involved with terrorism or terrorist financing and property and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector, or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to (i) the Financial Reporting Authority of the Cayman Islands ("FRA") or a nominated officer (appointed in accordance with the Proceeds of Crime Act (Revised) of the Cayman Islands), if the disclosure relates to criminal conduct or money laundering, or (ii) the FRA or a police constable or a nominated officer, pursuant to the Terrorism Act (Revised) of the Cayman Islands, if the disclosure relates to involvement with terrorism or terrorist financing and terrorist property; and such a report shall not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment of law or otherwise.

By subscribing, applicants consent to the disclosure by the Fund, the Manager and the Administrator and their respective delegates, agents and affiliates, of any information about them to government agencies, regulators and other relevant persons upon request in connection with money laundering and similar matters both in the Cayman Islands and in other jurisdictions.

Each applicant for Shares will be required to acknowledge that the Master Fund, the Fund and the Administrator will be held harmless against any loss arising from a failure to process his or her application for Shares or redemption request if such information and documentation as has been requested by the Administrator has not been provided by the applicant.



As a regulated mutual fund in the Cayman Islands, the Master Fund is also subject to the same legislation and regulations aimed at the prevention of money laundering and terrorism that are applicable to the Fund. The Master Fund will discharge its anti-money laundering obligations by implementing procedures substantially similar to the Fund.

## **Sanctions**

The Fund and the Master Fund is each subject to laws which restrict it from dealing with persons that are located or domiciled in sanctioned jurisdictions. Accordingly, the Fund will require the subscribers for Shares to represent and warrant, on a continuing basis, that it is not, and that to the best of its knowledge or belief its beneficial owners, controllers or authorised persons ("**Related Persons**") (if any) are not; (i) in contravention of any applicable laws and regulations, including anti-money laundering regulations or conventions; (ii) acting on behalf of terrorist or terrorist organisations, including those persons or entities that are included on the List of Specially Designated Nationals and Blocked Persons maintained by the United States Treasury Department's Office of Foreign Assets Control ("**OFAC**") website or on any lists or resolutions issued by the United Nations ("**UN**") (whether through the Security Council or otherwise), the European Union ("**EU**") or the United Kingdom ("**UK**") (as the latter are extended by the UK government to the Cayman Islands by virtue of Order in Council passed by the United Kingdom government, as such lists may be amended from time to time ("**Sanctions List**") and/or Cayman Islands legislation, (ii) directly or indirectly affiliated with any country, territory, individual or entity named on an OFAC list or prohibited by any OFAC sanctions programmes or on any Sanctions Lists, (iii) acting on behalf of an entity which is operationally based or domiciled in a country or territory in relation to which sanctions imposed by the UN, OFAC, the EU, the UK and/or the Cayman Islands apply, or (iii) otherwise subject to sanctions imposed by the UN, OFAC, the EU, the UK (including as the latter are extended by the UK government to the Cayman Islands by virtue of Order in Council passed by the United Kingdom government) or the Cayman Islands (collectively, a "**Sanctions Subject**").

Where the subscriber or a Related Person is or becomes a Sanctions Subject, the Fund may be required immediately and without notice to the subscriber to cease any further dealings with the subscriber and/or the subscriber's interest in the Fund until the subscriber or the relevant Related Person (as applicable) ceases to be a Sanctions Subject, or a licence is obtained under applicable law to continue such dealings (a "**Sanctioned Persons Event**"). The Fund, the Directors, the Administrator and the Manager shall have no liability whatsoever for any liabilities, costs, expenses, damages and/or losses (including but not limited to any direct, indirect or consequential losses, loss of profit, loss of revenue, loss of reputation and all interest, penalties and legal costs and all other professional costs and expenses) incurred by the subscriber as a result of a Sanctioned Persons Event.

In addition, should any investment made on behalf of the Fund subsequently become subject to applicable sanctions, the Fund may immediately and without notice to the subscriber cease any further dealings with that investment until the applicable sanctions are lifted or a licence is obtained under applicable law to continue such dealings.

## **Participating shares in the Master Fund**

The Fund has subscribed for participating shares in the Master Fund following the close of the Initial Offer Period, and thereafter will subscribe for participating shares in the Master Fund at such times as the Directors may determine. Such subscriptions will be made at the net asset value per share of the Master Fund.

## **“New Issue” Securities**

The Master Fund may, from time to time, purchase New Issue securities. A New Issue is an initial public offering of an equity security which is subject to the applicable rules of the United States Financial Industry Regulatory Authority, Inc. (the "**FINRA Rules**"), as amended from time to time, and includes any initial public offering of an equity security as defined in Section 3(a)(11) of the 1934 Act. Under the FINRA Rules, brokers may not sell such securities to an account of a private investment fund if the fund has investors who are “Restricted Persons”, which includes persons employed by or affiliated with a broker and portfolio managers of hedge funds and other registered and unregistered investment advisory firms, or

“Covered Investors”, which includes certain persons who are affiliated with certain companies that are current, former or prospective investment banking clients of the broker, unless the fund has a mechanism in place that excludes or restricts such Restricted Persons and/or Covered Investors from receiving allocations of profits and losses from New Issues. To enable the Master Fund to participate in New Issues, the Fund may create a new Class of Shares for Restricted Persons and Covered Investors and will compel the exchange of Shares held by such Shareholders for Shares of the new Class. The profits and losses from New Issues will generally be allocated to investors in the Fund who are not Restricted Persons or Covered Investors. The Fund may, however, avail itself of a “de minimis” exemption pursuant to which a portion of any profits and losses from New Issues may be allocated to Restricted Persons and Covered Investors, as applicable.

The Fund reserves the right to compulsorily exchange Shares in the event that a Shareholder becomes ineligible to participate in New Issues due to a change in the Shareholder’s status, any changes to the FINRA Rules or as otherwise required by law or regulation.

### **Information Disclosure**

Each applicant will be required to acknowledge that in connection with the services provided to the Fund, its personal data may be transferred and/or stored in various jurisdictions in which the Administrator and/or its affiliates have a presence, including to jurisdictions that may not offer a level of personal data protection equivalent to the applicant’s country of residence. Each applicant will also be required to acknowledge in the subscription application that the Fund, the Administrator and/or the Manager may disclose the applicant’s personal data to each other, to any affiliate, to any other service provider to the Fund (including banks and/or brokers), to any investment vehicle (including its administrator) in which the Fund may invest or to any regulatory body in any applicable jurisdiction to which any of the Fund, the Administrator and/or the Manager is or may be subject. This includes copies of the applicant’s subscription application/documents and any information concerning the applicant in their respective possession, whether provided by the applicant to the Fund, the Administrator and/or the Manager or otherwise, including details of that applicant’s existing holdings (if any) in the Fund, historical and pending transactions in the Shares and the values thereof, and any such disclosure, use, storage or transfer will not be treated as a breach of any restriction upon the disclosure, use, storage or transfer of information imposed on any such person by law or otherwise.

The Fund, the Master Fund, or any of their Directors or agents domiciled in the Cayman Islands, may be compelled to provide information, subject to a request for information made by a regulatory or governmental authority or agency under applicable law; e.g. by the Monetary Authority, either for itself or for a recognised overseas regulatory authority, under the Monetary Authority Act (As Revised), or by the Tax Information Authority, under the Tax Information Authority Act (As Revised) and associated regulations, agreements, arrangements and memoranda of understanding. Disclosure of confidential information under such laws will not be regarded as a breach of any duty of confidentiality and, in certain circumstances, the Fund, the Master Fund and any of their Directors or agents, may be prohibited from disclosing that the request has been made.

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# REDEMPTIONS

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Subject as set out in this Private Placement Memorandum, Shares are redeemable at the option of the Shareholder on any Redemption Day after the date on which such Shares are issued.

The completed redemption request must be given by e-mail as a scanned e-mail attachment to the Sub-Administrator at its e-mail address set out on the redemption request by no later than 5:00 pm (Hong Kong time) on a Business Day which is at least ninety (90) calendar days (or such lesser period as the Directors may generally or in any particular case permit) prior to the relevant Redemption Day along with any other requisite documentation. Redemption requests received after this time will be held over until the following Redemption Day and Shares will be redeemed at the relevant Redemption Price applicable on that Redemption Day. Original copies do not need to be sent to the Sub-Administrator unless requested by the Sub-Administrator or the Fund.

Once a completed redemption request has been received by the Sub-Administrator it is irrevocable. The Sub-Administrator will acknowledge receipt of any redemption request on behalf of the Fund, and in the event no acknowledgement is received from the Sub-Administrator within five (5) Business Days of submitting the redemption request, the Shareholder should contact the Sub-Administrator to ascertain the status of their redemption request. No redemption proceeds will be paid to the redeeming shareholder until the Sub-Administrator has received the redemption request signed by the Shareholder or an authorised signatory of the Shareholder. Neither the Fund nor the Sub-Administrator will be responsible for any loss caused by any mis-delivery, non-receipt or illegibility of redemption request sent by e-mail. Neither the Fund nor the Sub-Administrator will be liable for any loss caused by acting on a redemption request sent by e-mail provided the Fund or the Sub-Administrator, as the case may be, reasonably believed that the e-mail originated from a properly authorised person. E-mails sent to the Sub-Administrator will only be effective when actually received by the Sub-Administrator.

If a redeeming Shareholder owns Shares of more than one Series, Shares will be redeemed on a “first in first out” basis (unless otherwise approved by the Directors) for the purpose of determining the Redemption Price. Accordingly, Shares of the earliest issued Series held by the Shareholder will be redeemed first and at the Redemption Price of Shares of such Series until the redeeming Shareholder no longer owns any Shares of such Series.

The Fund may refuse to accept a redemption request if it is not accompanied by such additional information as the Fund, the Administrator or the Sub-Administrator may reasonably require. This power may, for example and without limitation, be exercised where proper information has not been provided for anti-money laundering verification purposes as described under the section headed “**Subscriptions**”. Neither the Fund nor the Administrator nor the Sub-Administrator will have any liability for any loss arising as a result of any failure to, or delay in, processing a redemption request if such documentation has not been provided.

A redemption request, once given, is irrevocable save with the consent of the Directors (which the Directors may withhold without giving any reason for doing so).

A contract note showing the details of the redemption will be sent to the redeeming shareholder as soon as practicable after the relevant Redemption Day. A redeeming Shareholder cannot assume its successful redemption until it receives a contract note from the Administrator.

Sections 8 and 19(3) of the Electronic Transactions Act (Revised) of the Cayman Islands will not apply to any redemption requests.

## **Redemption Price**

The Redemption Price per Share will be equal to the Net Asset Value per Share as at the Valuation Day corresponding to the relevant Redemption Day.

## **Partial Redemptions**

A request for a partial redemption of Shares may be refused, or the holding compulsorily redeemed in its entirety, if, as a result of such partial redemption, the Net Asset Value of the Shares retained by the Shareholder would be less than the Minimum Holding. In the event of a partial redemption, Shares will be treated as redeemed on a “first in first out” basis (unless otherwise approved by the Directors).

## **Partial Withholding Requirements**

The Directors of the Fund may reduce the proceeds of any redemption request, including but not limited to a compulsory redemption in respect of, and/or any distribution payable to, any Shareholder to the extent that the Fund and/or the Master Fund is required by any applicable law and/or by agreement with any government division or department to withhold in respect of a payment of redemption proceeds, and/or any other distribution to such Shareholder or otherwise withhold any amount in respect of such Shareholder.

## **Redemption Fee**

Class A Shares that are redeemed during the relevant Soft Lock Period will be subject to a two per cent (2%) Redemption Fee (based on redemption proceeds) which will be deducted from such redemption proceeds before payment to the redeeming Shareholder.

The Redemption Fee will be retained by the Fund. The Directors may reduce or waive the payment of all or part of the Redemption Fee whether generally or in any particular case.

The Redemption Fee is not payable in the event of a consolidation of a Series of Shares (or the compulsory redemption and issuance of Shares arising from the consolidation of such Series). The Redemption Fee will be determined by reference to the time when the Shares were originally issued.

No redemption fee is payable on the redemption of Class M Shares.

## **Settlement**

Payment of redemption proceeds will normally be made within thirty (30) calendar days of the later of: (1) the day the calculation of the Redemption Price is finalised; and (2) the date on which the Sub-Administrator has received the redemption request and such other documentation as may be required. All bank charges will be deducted from the redemption proceeds. Payment will be made in US Dollars by direct transfer to the account in the name of the Shareholder from which the subscription proceeds originated, or with the approval of the Directors, to another account in the name of the Shareholder, at the Shareholder's risk and cost. No redemption proceeds will be paid to third parties.

In accordance with the Articles, the Fund may delay all or part payment of the Redemption Price to a redeemed Shareholder if on any Redemption Day, assets of the Fund are invested in one or more investments which the Fund is unable to realise or distribute, or the Directors consider that there exist circumstances in which it would not be in the interest of the Fund and/or a redeemed Shareholder to realise or distribute one or more investments in the short term.

Shares will be treated as having been redeemed with effect from the relevant Redemption Day irrespective of whether or not a Shareholder has been removed from the register of members or the Redemption Price has been determined or remitted. Accordingly, on and from the relevant Redemption Day, Shareholders in their capacity as such will not be entitled to or be capable of exercising any rights arising under the Articles with respect to Shares being redeemed (including any right to receive notice of, attend or vote at any meeting of the Fund) save the right to receive the Redemption Price and any dividend which has been declared prior to the relevant Redemption Day but not yet paid (in each case with respect to the Shares being redeemed). Such Shareholders will be treated as creditors of the Fund with respect to the Redemption Price and will rank accordingly in the priority of the Fund's creditors.

The Directors may in certain circumstances reduce the redemption proceeds payable to a Shareholder by the amount of any withholding or other tax borne by the Fund or the Master Fund that the Directors determine

is attributable to such Shareholder, including in respect of any withholding tax as described under the sections headed “**Risk Factors – AEOI and Compliance with US Withholding Requirements**” and “**Taxation – AEOI and Similar Measures**”.

### **Suspension**

The Directors may declare a suspension, delay or postponement of the redemption of Shares in certain circumstances as described under the section headed “**General and Statutory Information**”. No Shares will be redeemed during any such period of suspension.

### **Compulsory Redemption and Transfer**

The Fund may compulsorily redeem all Shares held by or for the benefit of a Shareholder, or cause to compulsorily transfer such Shares to a non-Ineligible Applicant, if the Directors determine that the Shares are held by or for the benefit of any Shareholder who is or becomes an Ineligible Applicant as described under the section headed “**Subscriptions**”.

The Directors are also entitled to compulsorily redeem Shares owned directly or beneficially by any person or persons who or which, by virtue of the holding concerned, gives rise to a breach of any applicable laws or requirement in any jurisdiction or may, either alone or together with other Shareholders, in the sole and conclusive opinion of the Directors:

- prejudice the tax status or residence of the Fund or its Shareholders as a whole;
- cause the Fund or its Shareholders as a whole to suffer any pecuniary, fiscal, legal, taxation or material administrative or regulatory disadvantages; or
- cause the Fund or its Shareholders as a whole to be required to comply with any registration or filing requirements in any jurisdiction with which it would not otherwise be required to comply.

The Directors may also compulsorily redeem Shares generally where:

- the aggregate amount invested in the Fund or the small number of Shareholders with outstanding Shares at any time does not justify or support the continued trading and existence of the Fund; or
- in any other circumstances in which the Directors determine in their discretion that such compulsory redemption is in the best interests of the Fund.

The Fund may also compulsorily redeem all Shares held by a Shareholder if the Net Asset Value of the Shares held by the Shareholder is less than the relevant Minimum Holding, and in certain other circumstances as described under the section headed “**General and Statutory Information**”.

The Directors will give thirty (30) calendar days’ prior notice to the relevant Shareholder in writing regarding the compulsory redemption, unless it may, in the opinion of the Directors, prejudice the Fund or its Shareholders or otherwise cause the Fund or its Shareholders to suffer any disadvantages, in which case the Directors will give such period of notice as it deems practicable.

### **Deferred Redemptions**

In the event that redemption requests are received for the redemption of Shares representing in aggregate more than 25%, or such higher percentage as the Directors determine, of the Net Asset Value of the Fund, the Fund may reduce the requests rateably and *pro rata* amongst all Shareholders seeking to redeem Shares on the relevant Redemption Day and to carry out only sufficient redemptions which, in aggregate, amount to 25%, or such higher percentage as the Directors determine, of the Net Asset Value of the Fund.

Shares which are not redeemed but which would otherwise have been redeemed will be redeemed on the next Redemption Day, subject to any further deferral if the deferred requests themselves exceed 25%, or

such higher percentage as the Directors determine, of the Net Asset Value of the Fund. No priority will be given to deferred redemptions. Notwithstanding this, if the original redemption request is not satisfied in full by the 4<sup>th</sup> Redemption Day following the Redemption Day in respect of the original redemption request, the Fund will satisfy the remaining part of the original redemption request in full on the 5<sup>th</sup> Redemption Day following the Redemption Day in respect of the original redemption request.

Shares will be redeemed at the Redemption Price prevailing on the Redemption Day on which they are redeemed subject to such deductions, adjustments and withholdings as permitted under this Private Placement Memorandum.

### **Participating shares in the Master Fund**

The Fund may redeem participating shares in the Master Fund, at such times as the Directors may determine, at the net asset value per share of the Master Fund.

### **Anti-Money Laundering**

Investors should note that the Directors may refuse to process a redemption request if it is not accompanied by such additional information as they, or the Administrator and the Sub-Administrator on their behalf, may reasonably require. This power may, without limitation to the generality of the foregoing, be exercised where proper information has not been provided for money laundering verification purposes as described under the section headed “**Subscriptions**”.



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# SUSPENSIONS AND SOFT WIND-DOWNS

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## **Suspension of Net Asset Value calculations and of the issue and redemption of Shares and of the payment of redemption proceeds**

The Directors may declare a suspension, delay or postponement of the determination on any Valuation Day of the Net Asset Value of the Fund and/or the Net Asset Value of the Master Fund and/or a suspension, delay or postponement of the issue and/or redemption of Shares and/or a suspension, delay or postponement of the payment of redemption proceeds during:

- any period (other than ordinary holiday or customary weekend closings) when any market is closed which is the main market for a significant part of the Fund's or the Master Fund's investments, or when trading thereon is restricted or suspended;
- any period when any emergency exists as a result of which disposal by the Fund or the Master Fund of investments which constitute a substantial portion of its assets is not practically feasible;
- any period when for any reason the prices of a material portion of the investments of the Fund or the Master Fund cannot be reasonably, promptly or accurately ascertained;
- any period when due to conditions of market turmoil or market illiquidity it is not possible, in the opinion of the Directors, to determine the fair value of the assets of the Fund or the Master Fund;
- any period when remittance of monies which will, or may be, involved in the realisation of, or in the payment for, a substantial portion of the investments of the Fund or the Master Fund cannot, in the opinion of the Directors, be carried out at normal rates of exchange;
- any period when proceeds of the sale or redemption of Shares cannot be transmitted to or from the Fund's account or when proceeds of redemption of participating shares in the Master Fund cannot be transmitted to or from the Master Fund's account;
- any period when, due to a breakdown in the systems usually employed to determine the Net Asset Value of the Fund or the Master Fund or for any other reason, the Net Asset Value of the Fund or the Master Fund cannot be ascertained in a prompt or accurate manner;
- any period when the business operations of the Manager or the Administrator in respect of the Fund or the Master Fund are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riot, strikes or acts of God;
- in the case of the Fund, any period when the issue or redemption of participating shares in the Master Fund is suspended; or
- any period after the passing of a resolution to wind-up the Fund,

each of these circumstances being a **"Suspension Event"**.

No Shares will be issued or redeemed on any Subscription Day or Redemption Day, as the case may be, when the Directors have suspended the issue or redemption, as the case may be, or the determination of the Net Asset Value is suspended. The payment of any redemption proceeds may also be postponed or suspended during a period when the Directors have suspended the payment of redemption proceeds or the redemption or the determination of the Net Asset Value of the affected Shares. In such a case, a Shareholder may withdraw his application for Shares or redemption request provided that a withdrawal notice is actually received by the Administrator before the suspension is terminated.

Unless withdrawn, applications for Shares and redemption requests will be acted upon on the first Subscription Day or Redemption Day, as applicable, after the suspension is lifted at the Subscription Price or Redemption Price, as applicable, prevailing on that Subscription Day or Redemption Day, as the case may be.

Notice of the suspension and its termination will be given to all persons who have applied for or requested redemption of Shares. Where possible, all reasonable steps will be taken to bring any period of suspension to an end as soon as possible.

It is anticipated that any suspension would ordinarily be temporary. However, there may be situations in which the circumstances giving rise to the suspension continue to be present for a considerable period of time with the result that the Directors, in consultation with the Manager, consider it appropriate to keep the suspension in place indefinitely.

### **Soft Wind-Downs**

In certain circumstances, even where a suspension has not been declared, the Directors may, in consultation with the Manager, make a determination that the investment strategy should no longer be continued. During any such period of suspension or having made such determination that the investment strategy should no longer be continued, the Manager may recommend to the Directors that the Fund and the Master Fund be managed with the objective of returning the Fund's and the Master Fund's assets to Shareholders in an orderly manner (an "**Orderly Realisation**").

The Directors may, in such circumstances, resolve to effect an Orderly Realisation should they determine that doing so is in the best interests of the Shareholders. Such an Orderly Realization will not constitute a dissolution or winding up of the Fund or the Master Fund for any purposes, but rather only the continued management of the Fund's and the Master Fund's portfolio so as to reduce such portfolio to cash (to the extent reasonably practicable, as advised by the Manager) and return such cash, as well as all other assets of the Fund and the Master Fund, to the Shareholders including by way of a compulsory redemption.

The Directors will promptly communicate to Shareholders any resolution to proceed with an Orderly Realisation of the Fund. During an Orderly Realisation, the Manager may, in consultation with the Directors, take such steps as are considered appropriate in the best interests of the Shareholders to effect the Orderly Realisation. The Directors, in consultation with the Manager, will establish what they consider to be a reasonable time by which the Orderly Realisation should be effected (the "**Realisation Period**").

Any resolution to undertake an Orderly Realisation, and the process by which this is undertaken, will be deemed to be integral to the business of the Fund and the Master Fund and may be carried out without recourse to a formal process of liquidation under the Companies Act or any other applicable bankruptcy or insolvency regime. The Directors, in consultation with the Manager, may resolve to cease the Orderly Realisation within the Realisation Period and recommence active trading if the circumstances permit a lifting of any applicable suspension or, where no suspension is in effect, if the circumstances are such that the investment strategy can then be continued.

### **Use of Special Purpose Vehicles**

The Manager may, in the future, trade through specially created subsidiaries or other vehicles of the Master Fund or other vehicles to which Investments (or a portion thereof) may be transferred, including a special purpose vehicle, liquidating trust or liquidating account ("**Special Vehicles**"). Such Special Vehicles may be established in order to hold particular Investments upon the occurrence of a Suspension Event or in the event of a restructure of the Master Fund's Investments.

The consent of Shareholders is not required in order to establish or trade through such Special Vehicles. In the event that a Special Vehicle is established, Shareholders will bear reduced fees in respect of the interest held in the Special Vehicle that will be determined by reference to the actual costs associated with managing the investments in the Special Vehicle. Performance Fee will not be payable in respect of any Investments managed in a Special Vehicle.



In relation to Shareholders who, after the establishment of a Special Vehicle to which is transferred an Investment, submit a redemption request, the Directors may, in their sole discretion, determine to make distributions in-kind in the form of shares or interests in Special Vehicles through which such Investments are held, where this can be reasonably accomplished, in lieu of paying redemption proceeds in cash. However, in-kind distributions of underlying Investments themselves will not be made. If such a Special Vehicle is used:

- if Investments are transferred to such a Special Vehicle, the interests in such a vehicle (in the form of equity) may be distributed to a redeeming Shareholder in lieu of cash redemption proceeds;
- interests in the Special Vehicle will not be redeemable at the option of the holder of such interests;
- payment to the holder of such interests of redemption proceeds in cash (or a portion thereof) may be delayed until the Investment can be liquidated;
- the holder of such interests will not be charged any Management Fee or Performance Fee in respect of such interests; and
- the amount otherwise due to the holders of such interests on redemption will be increased or decreased to reflect the performance of Investments held by the relevant Special Vehicle through to the date on which the liquidation of such Investments is effected.

Where an Investment has been transferred to a Special Vehicle and all or a portion of such an Investment is or becomes referable to redemption requests from Shareholders, the Manager may determine to purchase for the Master Fund such an Investment back from the Special Vehicle. In such cases, the proceeds relating to such a purchase will be used to fund redemptions of redeeming Shareholders, including in respect of redemptions of their holdings of equity interests in such Special Vehicle. Prior to making such a purchase, the Manager will take steps to ensure that a fair value for the relevant Investment can be obtained (including from reputable market counterparts), and that the consideration paid by the Manager reflects such fair value.

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## NET ASSET VALUE

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The Directors have delegated responsibility for the valuation of the Fund's and Master Fund's assets and the calculation of the Net Asset Value of the Fund, the Net Asset Value per Share of each Series of Shares, the Net Asset Value of the Master Fund and the Net Asset Value per share of the Master Fund to the Administrator, which will be calculated by the Administrator as at the Valuation Point, provided that certain discretions will retain with the Manager. Notwithstanding such delegation, the Directors have ultimate responsibility for oversight of the valuation process and review and approve, at least annually, the NAV Calculation Policy, including any pricing models or determination methods used to value assets lacking directly observable prices in markets accessible to the Fund and/or Master Fund (“**Hard to Value Assets**”). The Net Asset Value of the Fund and of the Master Fund will be equal to the value of their respective total assets less their respective total liabilities.

In respect of each Series of each Class of Shares, a separate Series account (a “**Series Account**”) will be established in the books of the Fund. An amount equal to the proceeds of issue of each Share will be credited to the relevant Series Account. Any increase or decrease in the Net Asset Value of the portfolio of assets of the Fund attributable to the Shares will be allocated to the relevant Series Account based on the opening gross asset value plus or minus any net capital movement during the month for that Series of Shares. There will then be allocated to each Series Account the “designated Series Adjustments” being those costs, pre-paid expenses, losses, dividends, profits, gains and income which the Directors determine relate to a single Series of Shares.

Each Series of each Class of Shares will typically have a different Net Asset Value per Share. Any Management Fees and Performance Fee calculated in respect of a Series will be deducted from the gross asset value of that Series. Fees and expenses which relate to a particular Series will be charged against that Series when calculating its Net Asset Value. Other fees and expenses will be allocated pro rata between the Series in accordance with their respective opening gross asset values plus or minus net capital movement during the month or by such other method as the Directors consider equitable.

In this section, “**fair value**” refers to the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants in the principal or most advantageous market applicable to such investment.

Assets will be valued in accordance with the following principles:

- any security which is listed or quoted on any securities exchange or similar electronic system and regularly traded thereon will be valued at its last traded price or last closing price as at the Valuation Point or, if no trades occurred on such day, at the mid of the closing bid and offer price on the relevant Valuation Day, and where prices are available on more than one exchange or system for a particular security the price will be the last traded price or at the mid of the closing bid and offer price, as the case may be, on the exchange which constitutes the main market for such security or the one which the Manager determines provides the fairest criteria in ascribing a value to such security;
- any security which is not listed or quoted on any securities exchange or similar electronic system or if, being so listed or quoted, is not regularly traded thereon or in respect of which no prices as described above are available will be valued at its fair value as at the Valuation Point, as determined by the Manager, having regard to its cost price, the price at which any recent transaction in the security may have been effected and such other factors as the Manager deems relevant in considering a positive or negative adjustment to the valuation;
- the value of each unit, share or interest in any collective investment scheme which is valued as at the same day as the Fund shall be the net asset value per unit, share or other interest in such collective investment scheme calculated as at that day, or if such collective investment scheme is not valued as at the same day as the Fund, shall be the last published net asset value per unit, share or other interest in such collective investment scheme;

- investments, other than securities, which are dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued as at the Valuation Point by reference to the most recent official settlement price quoted by that clearing house, exchange or financial institution. If there is no such price or, if no official settlement price is quoted, at the mid of the closing bid and offer price on the relevant Valuation Day, provided that where such investments are dealt in or traded on more than one market, the Manager may determine which market prevails;
- investments, other than securities, including OTC derivative contracts, which are not dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued by reference to the valuation obtained from an independent pricing source, but where no such valuation is available for a particular investment, the investment will be valued by comparing the latest available valuation provided by the relevant counterparty against the valuation provided by such other counterparties as the Manager deems appropriate, and in the event that the valuations provided respectively by the relevant counterparty and the other counterparties differ to an extent that the Manager considers to be material, the investment will be valued on the basis of the average of all of the valuations but otherwise will be valued on the basis of the valuation provided by the relevant counterparty;
- participating shares in the Master Fund will be valued at the Net Asset Value per share of the relevant class calculated by the Administrator as at the relevant Valuation Day;
- the value of any cash on hand or on deposit, bills, demand notes, accounts receivable, prepaid expenses, cash dividends and interest declared or accrued and not yet received should be deemed to be the full amount thereof unless the Manager determines that any such deposit, bill, demand note or account receivable is not worth the full amount thereof in which event the value thereof, will be deemed to be such value as the Manager deems to be the fair value thereof; and
- any value (whether of a security or cash) otherwise than in US Dollars will be converted into US Dollars at the rate (whether official or otherwise) which the Manager deems appropriate to the circumstances having regard, inter alia, to any premium or discount which they consider may be relevant and to costs of exchange.

The foregoing valuations are subject to adjustment by the Manager, where the Manager, determines, in its discretion, that such valuation does not reflect the then current fair value of any such asset or liability.

The involvement of the Manager in valuing Hard to Value Assets and in connection with management exceptions is an integral part of the Fund's and the Master Fund's NAV Calculation Policy. This is because there are certain circumstances in which the Manager is a party to information regarding the Fund's and/or Master Fund's assets which is not generally available or because there is no publicly available information upon which the Administrator may rely in calculating the net asset value of a certain asset. This is particularly the case with respect to Hard to Value Assets in respect of which subjective assumptions may be key to mark to model valuation.

The Directors may permit any other method of valuation to be used if they consider that such method of valuation better reflects value generally or in particular markets or market conditions and is in accordance with IFRS, provided that where such deviations from the NAV Calculation Policy shall have an effect on Net Asset Value, such deviations shall be disclosed to the Shareholders and agreed with the Directors in advance of the determination or production of the Net Asset Value and the Net Asset Value per Share of each Class and each Series within that Class.

The annual accounts of the Fund and the Master Fund will be drawn up in accordance with, and the NAV Calculation Policy shall be based upon, IFRS. However, the above valuation policies may not necessarily comply with IFRS. To the extent that the NAV Calculation Policy deviates from IFRS, the Directors may make necessary adjustments in the annual financial statements in order to comply with IFRS. If relevant a reconciliation note may be included in the annual financial statements to reconcile values shown in the annual accounts determined under IFRS to those arrived at by applying the NAV Calculation Policy.

The Net Asset Value per Share on any Valuation Day will be calculated by dividing the Net Asset Value of the relevant Series Account by the number of Shares of the relevant Series in issue as at the close of business on that Valuation Day, the resulting amount being rounded to 6 decimal places.

Subject to the discretions set out above, the Directors have delegated to the Administrator the calculation of the Net Asset Value of the Fund and the Net Asset Value per Share of each Series of Shares, and the calculation of the Net Asset Value of the Master Fund and the Net Asset Value per share of the Master Fund. In making these calculations, the Administrator will follow the NAV Calculation Policy as set out above. For the purpose of these calculations, the Administrator will, and will be entitled to, rely on, and will not be responsible for the accuracy of, financial data furnished to it by the Master Fund's Prime Broker and Custodian, market makers and/or independent third party pricing services. The Administrator may also use and rely on industry standard financial models or other financial models approved by the Manager, in pricing any of the Master Fund's securities or other assets. If and to the extent that the Manager is responsible for or otherwise involved in the pricing of any of the Master Fund's portfolio securities or other assets, the Administrator may accept, use and rely on such prices in determining the Net Asset Value of the Fund, the Net Asset Value per Share of each Series of Shares, and the Net Asset Value of the Master Fund and the Net Asset Value per share of the Master Fund and must take steps that are reasonable and proportionate to the risk of material error or bias to verify the facts on which the prices are determined and the appropriateness of the provided price to the extent reasonably possible.

To the extent the Net Asset Value (or any part thereof) is calculated other than by the Administrator then, notwithstanding that such valuation may have been conducted in accordance with the NAV Calculation Policy then in effect, the Monetary Authority may require the Fund and/or the Master Fund to have such valuation verified by an auditor or other independent third party.

Certain of the Fund's and/or the Master Fund's assets and liabilities may not have readily observable market prices and the valuation of such assets may rely on quoted prices in inactive markets or models that have observable inputs. Certain other categories of assets (principally level 3 assets) may lack any readily available market information and, accordingly, the valuation of such assets may rely substantially on models and significant unobservable inputs including assumptions from market participants. As such assets are not actively traded, their value can only be estimated using a combination of complex market prices, mathematical models and subjective assumptions.

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# FEES AND EXPENSES

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## Management Fee

Class A Shares are subject to a Management Fee of one-twelfth (1/12) of two per cent (2%) per month of the Net Asset Value of each Series attributable to the Class A Shares, calculated before deduction of that month's Management Fee and before making any deduction for any accrued Performance Fee as at the last Valuation Day in each month.

The Management Fee will be payable to the Manager monthly in arrears.

The Manager may, in its sole discretion, waive, rebate or otherwise vary (but not increase) the Management Fee payable in whole or in part, in respect of any particular Class or Series, or may rebate or waive the Management Fee payable in whole or in part for certain Shareholders, including in particular during any wind down of the Master Fund's business. Any such rebate may be applied in paying up additional Shares to be issued to the relevant Shareholder or may be paid in cash.

No Management Fee is charged on Class M Shares.

## Performance Fee

Class A Shares are subject to a Performance Fee for each Calculation Period equal to twenty per cent (20%) of the appreciation in the Net Asset Value of each Series attributable to Class A Shares above its High Water Mark.

The first Calculation Period for Shares subscribed during the Initial Offer Period will be the period commencing on the Business Day immediately following the close of the Initial Offer Period and ending on 31 December 2024. Thereafter, the Calculation Period will be a period of twelve (12) calendar months commencing on each 1 January.

In respect of Shares subscribed for after the Initial Offer Period, the first Calculation Period for each Series will be the period commencing on the Subscription Day on which the relevant Series is issued and ending on the following 31 December. Thereafter, the Calculation Period will be a period of twelve (12) calendar months commencing on each 1 January.

The Performance Fee will be accrued as at each Valuation Day and will be calculated in respect of each Series by reference to the Net Asset Value of such Series before deduction for any accrued Performance Fees.

The Performance Fee will normally be payable to the Manager in arrears as soon as reasonably practicable after the end of each Calculation Period. However, in the case of Shares redeemed during a Calculation Period, the accrued Performance Fee in respect of those Shares will be payable as soon as reasonably practicable after the relevant Redemption Day. Any such accrued Performance Fee will be calculated as though the relevant Redemption Day was the end of a Calculation Period. In the event of a partial redemption, Shares will be treated as redeemed on a "first in first out" basis (unless otherwise approved by the Directors).

If the Management Agreement is terminated during a Calculation Period, the Performance Fee in respect of the then current Calculation Period will be calculated and paid as though the date of termination were the end of the relevant Calculation Period.

For the purposes of calculating the Performance Fee, a transfer of Shares as a consequence of an acquisition in the secondary market will be treated as if it were a redemption of such Shares by the transferor and a subscription for such Shares by the transferee on the date of the transfer. The Performance Fee payable by the transferor will be calculated as though the day of transfer was the end of a Calculation Period.

As soon as practicable after the last Valuation Day in each Calculation Period, the Shares of each Series of Class A Shares, whose performance has given rise to a Performance Fee in respect of the relevant Calculation Period may be consolidated into a single Series of Class A Shares, being the oldest Series of the Class A Shares in respect of which a Performance Fee is payable for the relevant Calculation Period (the “**Initial Series**”). The High Water Mark for all Shares of the consolidated Series will be the Net Asset Value per Share of the Initial Series as at the last Valuation Day in the relevant Calculation Period, after payment of the Performance Fee. Such consolidation takes place by way of the compulsory redemption of Shares of the Series to be consolidated and an issue of an appropriate number of Shares of the Initial Series. The consolidation may result in the number of Shares held by a Shareholder changing, but the value of the Shareholder’s investment will not change due to the consolidation.

The Manager may, in its sole discretion, waive, rebate, or otherwise vary (but not increase) the Performance Fee payable in whole or in part, in respect of any particular Series or Class, or may rebate or waive the Performance Fee payable in whole or in part for certain Shareholders, including in particular during any wind down of the Master Fund’s business. Any such rebate may be applied in paying up additional Shares to be issued to the relevant Shareholder or may be paid in cash.

No Performance Fee is charged on Class M Shares.

### **Fund**

The Management Fees and Performance Fees are only paid by the Master Fund. No separate management or performance fees will be payable by the Fund in respect of the services performed by the Manager.

### **Investment Advisor**

The Manager pays to the Investment Advisor a fee as may be agreed between the parties from time to time in accordance with the Investment Advisory Agreement. The fee is payable out of the Management Fee received by the and will not constitute an additional charge to investors.

### **Administrator**

The Administrator is compensated for its services pursuant to the Administration Agreement. The Administrator is also entitled to be reimbursed for all out-of-pocket expenses properly incurred by it in the performance of its duties in accordance with the Administration Agreement. The Administrator will be responsible for any fees payable to the Sub-Administrator for services provided in respect of the Fund and the Master Fund. The Administrator and the Master Fund may renegotiate and vary the fees and charges of the Administrator from time to time.

### **Prime Broker and Custodian to the Master Fund**

The Prime Broker and Custodian will receive such fees as may be agreed between the Master Fund and the Prime Broker and Custodian from time to time. The fees charged by the Prime Broker and Custodian for prime brokerage services will not exceed normal commercial rates and will be based on a combination of transaction charges and interest costs. The Prime Broker and Custodian will charge interest on debit balances at a rate to be agreed with the Master Fund. The level of fees may change by agreement between the Master Fund and the Prime Broker and Custodian and no maximum amount has been agreed between the Master Fund and the Prime Broker and Custodian. The Prime Broker and Custodian will not generally receive any separate fees for its custodial services.

### **Auditor**

The Auditor will be paid an annual service fee at the rates that are agreed from time to time with the Fund and the Master Fund on normal commercial terms.

### **Expenses of the Initial Offer**

The Master Fund is responsible for paying the preliminary expenses of, and incidental to, the offer of Shares during the Initial Offer Period. These preliminary expenses include, among other things, expenses relating to the establishment of the Fund and the Master Fund in the Cayman Islands, the registration of the Fund and Master Fund, as necessary, as a regulated mutual fund in the Cayman Islands, the negotiation and preparation of the contracts to which the Fund or the Master Fund, as the case may be, is a party, the costs of drafting, designing and printing this Private Placement Memorandum and the fees and expenses of its professional advisers (together, the “**Organisational Expenses**”). The Organisational Expenses are not expected to be above US\$150,000 and are being borne by the Master Fund. The Fund will bear its proportional share of the Organisational Expenses as an investor in the Master Fund. To the extent the Investment Manager contributed or paid any amount in respect of the Organisational Expenses, the Investment Manager shall be entitled to be subsequently reimbursed by the Master Fund for such costs and expenses.

The Organisational Expenses will be amortised on a straight-line basis over a period of five (5) years from the date on which the Master Fund commences business, unless the Directors decides that some other amortisation method should be applied. In the event that further feeder funds are established at a later stage, the Directors may make adjustments to the accounts, including apportioning or allocating costs and expenses of establishing the Master Fund and its feeder funds (or such portion thereof) to all shareholders (including Shareholders of the Fund) to ensure that all costs and expenses of establishing the Master Fund and its feeder funds as a whole are shared rateably among all investors.

It should be noted that the above treatment of amortising the Organisational Expenses is not in accordance with IFRS, which requires preliminary expenses to be expensed as incurred. The Directors believe, however, that such treatment is more equitable to the initial investors than expensing the entire amount as it is incurred. The Directors are also of the opinion that the departure is unlikely to be material to either the Fund’s or the Master Fund’s overall financial statements. To the extent that the accounting basis adopted by the Master Fund does materially deviate from IFRS, the Fund and the Master Fund may be required to include a note in their annual financial statements to reconcile values arrived at by applying the Master Fund’s accounting and valuation rules. If the Net Asset Value of the Fund and the Master Fund is required to be adjusted in the preparation of their annual financial statements, there will be a divergence in the Master Fund’s fiscal year-end net asset value and the Fund’s fiscal year-end Net Asset Value and in the net asset value reported in the Master Fund’s financial statements and in the Net Asset Value reported in the Fund’s financial statements in any year where IFRS conforming changes are made only to the Master Fund’s and the Fund’s financial statements for financial reporting purposes. If the Master Fund or the Fund is dissolved within five (5) years of its commencement, any unamortised expenses will be recognised.

## **Operating Expenses**

The Master Fund bears all of the on-going fees and expenses incurred in its and the Fund’s operations including legal, accounting and other professional fees and expenses of various service providers, advisers and/or consultants (the “**Operating Expenses**”).

The Fund’s Operating Expenses, directly and through its investment in the Master Fund, will include, among others:

- investment-related expenses, including valuation and portfolio pricing, stamp duties, taxes, commissions, clearing fees, government and fiscal charges, annual fees, bank charges, insurance (such as errors and omissions, directors and officers and general liability insurance) and other costs of executing transactions related to identifying, assessing, acquiring, holding, monitoring and divesting investments;
- system, research, and other information expenses, including the installation, implementation and maintenance of software, due diligence expenses related to research-vendor selection, and the costs of research-related publications and periodicals;
- middle-office and operations services, including confirmation, settlement, and break-resolution for all trading activity;



- legal, accounting, auditing and other professional fees and expenses, including costs of negotiating trade-related and account-specific counter-party documentation, and risk, intellectual property-related, and other consulting fees that are related to the Master Fund, the Fund and their operations;
- registration, licensing and compliance fees and expenses in respect of the Fund, the Master Fund, the Manager and their affiliates;
- the fees and expenses of the Directors including errors and omissions insurance;
- administrative costs, including the costs of preparing, printing and distributing valuations, financial statements, this Private Placement Memorandum (as may be amended), accounts, reports, notices of meetings and any documents enclosed with such notices or designed to be read in conjunction with such notices, together with any other costs associated with providing information about the Fund, the Master Fund and their investments to Shareholders;
- any extraordinary expenses, such as expenses incurred in relation to dispute settlement, litigation, and indemnification of the Fund and the Master Fund;
- the cost and expenses of any independent valuation firm retained for purposes of valuing securities in connection with the determination of the Master Fund's and the Fund's Net Asset Value;
- all Management Fee and Performance Fee payable under the Management Agreement;
- administration fees payable under the Administration Agreement;
- trading and transfer fees, commissions, and similar costs payable to third parties relating to, or associated with, making or disposing of Investments;
- registration, licensing, compliance and filing fees and expenses in respect of the Master Fund, the Fund, the Manager, the Investment Advisor and their affiliates (including the expense of preparing and filing reports required by regulators);
- directors' and officers' errors and omissions liability insurance, and any other insurance premiums; and
- all other expenses incurred by the Master Fund and the Fund.

Except for those expenses that are reimbursable to the Manager and the Investment Advisor under the Management Agreement and the Investment Advisory Agreement, each of the Manager and the Investment Advisor renders its services to the Fund and the Master Fund at its own expense.

### **Attribution of Costs and Expenses**

The Directors may determine the manner in which fees payable to any service provider appointed by the Fund or the Master Fund (as the case may be), and the costs of (and any profits and/or losses arising from) any currency hedging may be levied or charged against any Class and Series. The assets, profits, gains, income, liabilities, losses and expenses attributable to a particular Class and Series will be applied to the separate accounts established by the Directors for each separate Class or Series of Shares in accordance with the Articles and/or this Private Placement Memorandum at the end of each financial year.

In the case of any asset or liability (including any expense) of the Fund that the Directors do not consider is attributable to a particular account, the Directors (as appropriate) will allocate such asset or liability among the accounts in proportion to the Net Asset Value of each Class and Series. Shareholders of each Class and Series will bear the fees and costs and any profits and/or losses determined by the Directors as attributable to such Series.



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## DIVIDEND POLICY

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It is not envisaged that any income or gains will be distributed by the Fund or the Master Fund by way of dividend. This does not preclude the Directors from declaring a dividend at any time in the future if they consider it appropriate to do so. In the event that a dividend is declared and remains unclaimed after a period of six (6) years from the date of declaration, such dividend will be forfeited and will revert to the Fund or the Master Fund, as the case may be. To the extent that a dividend may be declared, it will be paid in compliance with any applicable laws.

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## REPORTS AND FINANCIAL STATEMENTS

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The financial year of each of the Fund and the Master Fund will end on 31 December in each year. The first financial year will end on 31 December 2025.

An annual report and audited financial statements for the Fund and the Master Fund in respect of each financial year will be prepared in accordance with IFRS. Copies of the annual report will be sent to Shareholders as soon as practicable and in any event within six (6) months of the end of the Fund's financial year. The first audited financial statements cover the period from the date of the Fund's incorporation until 31 December 2025.

Audited annual financial statements of the Fund and the Master Fund will be made available for inspection at the place of business of the Manager. In addition, the Administrator will provide each Shareholder with a monthly statement via email which details the Net Asset Value of the Fund and the Net Asset Value of such Shareholder's Shares. The statement will generally be available for reporting to Shareholders promptly following completion of the calculation of Net Asset Value of the Fund and the Net Asset Value of the Master Fund.

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## SOFT COMMISSION ARRANGEMENTS

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The Manager may receive goods or services from a broker or a dealer in consideration of directing transaction business on behalf of the Fund or the Master Fund to such broker or dealer provided that:

- the goods or services are of demonstrable benefit to the Fund or the Master Fund; and
- the transaction execution is consistent with best execution and is not in excess of customary full service brokerage rates.

Services may take the form of benefits including:

- research;
- special execution capabilities;
- clearance and settlement;
- net price;
- on-line pricing;
- block trading and positioning capabilities
- willingness to execute difficult transactions in the future;
- on-line access to data regarding clients' accounts;
- performance measurement and market information data;
- advice;
- technical data;
- efficiency of execution and error resolution;
- quotation services;
- the availability of stocks to borrow;
- custody;
- record keeping; and
- payment of certain expenses, such as newswire and data processing charges, quotation services, and periodical subscription fees.

The goods and services which the Manager is permitted to receive may **not** include:

- travel;
- accommodation;

- entertainment;
- general administrative goods and services;
- general office equipment or premises;
- membership fees;
- employee salaries;
- direct money payments; or
- any other goods and services as may be proscribed from time to time in any code or guideline issued by the SFC.

The Fund or the Master Fund may be deemed to be paying for these services with “soft” or commission dollars. Although the Manager believes that the Fund or the Master Fund will demonstrably benefit from the services obtained with “soft” dollars generated by trades, the Fund or the Master Fund does not benefit from all of these “soft” dollar services because the Manager and other accounts managed by the Manager or its affiliates also derive substantial direct or indirect benefits from these services, particularly to the extent that the Manager uses “soft” or commission dollars to pay for expenses the Manager would otherwise be required to pay itself.

The Manager intends generally to consider the amount and nature of research, execution and other services provided by brokers, as well as the extent to which such services are relied on, and attempt to allocate a portion of its brokerage business on the basis of that consideration. The investment information received from brokers, however, may be used by the Manager and its affiliates in servicing other accounts and not all such information may be used by the Manager in connection with the Fund and the Master Fund. The Manager believes that such an allocation of brokerage business may help the Fund and the Master Fund to obtain research and execution capabilities and provides other benefits to the Fund and the Master Fund.

The relationships with brokerage firms that provide “soft” dollar services to the Manager may influence the Manager’s judgement in allocating brokerage business and create a conflict of interest in using the services of those broker-dealers to execute brokerage transactions. The brokerage commissions that the Manager pays to those firms, however, do not differ materially from and are not in excess of customary full brokerage commissions that it pays to other firms for comparable services.

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# CONFLICTS OF INTEREST

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The following inherent or potential conflicts of interest should be considered by prospective investors before investing in the Fund. Where any potential conflict of interest arises, the Directors will endeavour to ensure that any such conflict is resolved in a fair and equitable manner and without prejudice to the Shareholders.

By acquiring the Shares, each Shareholder will be deemed to have acknowledged the existence of such actual and potential conflicts of interest and to have waived any claim with respect to the existence of any such conflict of interest.

## **Directors' Discretion**

The Directors may agree, in their absolute discretion and acting in good faith, to waive or reduce the Redemption Fee from time to time. The Directors may, in their absolute discretion and acting in good faith, also agree to waive or reduce the Redemption Fee in relation to a particular prospective Shareholder or group of Shareholders. Such waivers or reductions would be agreed by the Directors on the basis that redemptions of Shares during the relevant period or of one or more prospective Shareholder(s) would be in the overall interests of the Shareholders.

The Directors may, in their absolute discretion and acting in good faith reduce or increase the minimum initial investment amount, the minimum amount of additional subscription or the Minimum Holding amount for one or more Shareholders, provided that, for so long as the Fund is registered under section 4(3) of the Mutual Funds Act, the minimum initial investment amount will not be reduced below US\$100,000 or its equivalent in the relevant currency. Each of the Fund and the Master Fund is not registered or licensed, and does not intend to be registered or licensed, in any jurisdiction or with any supervisory or regulatory authority outside the Cayman Islands. Shares are not expected to be listed on any stock exchange.

Each prospective Shareholder and each Shareholder in subscribing for and in holding Shares agrees that such arrangement(s) will not be treated as affecting their rights as Shareholders.

## **Manager's Discretion**

The Manager as manager will receive payments from the Master Fund in relation to the Management Fee and the Performance Fee. The Manager may agree, in its discretion, to reimburse any Shareholder, or otherwise provide any of them with a rebate out of all or part of such fees paid by the Master Fund in respect of the Shares. The selection of one or more persons with whom such private agreement may be made and the terms of such agreement are matters solely between the Manager and such other person, provided always that a condition of any such agreement is that the Fund will not incur any additional obligation or liability whatsoever.

Each prospective Shareholder and each Shareholder in subscribing for and in holding Shares agrees that such agreements will not be treated as affecting their rights as Shareholders.

## **Other Clients**

The Directors, the Manager, the Investment Advisor, the Prime Broker and Custodian, the Administrator and any of their respective affiliates or connected persons may from time to time act as director, manager, investment manager, investment adviser, custodian, registrar, broker, administrator, administrator's delegate, distributor or dealer in relation to, or be otherwise involved in, other investment funds (including investment funds which invest directly or indirectly in the Fund), which have similar or different objectives to those of, or invest in similar securities to those held by the Fund and/or the Master Fund. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Fund and the Master Fund. Each will, at all times, have regard in such event to its obligations to the Fund and the Master Fund, as the case may be, and will endeavour to ensure that such conflicts are resolved fairly. In

addition, subject to applicable law, any of the foregoing may deal, as principal or agent, with the Fund or the Master Fund, provided that such dealings are carried out as if effected on normal commercial terms negotiated on an arm's length basis.

The Manager, the Investment Advisor, their respective directors or any of their affiliates or any person connected with them may invest in, directly or indirectly, or manage or advise other investment funds or accounts which invest in assets which may also be purchased or sold by the Fund or the Master Fund. None of the Manager, the Investment Advisor, any of their affiliates or any persons connected with them, is under any obligation to offer investment opportunities of which any of them becomes aware to the Manager (as the case may be), the Fund or the Master Fund or to account to the Manager (as the case may be), the Fund or the Master Fund in respect of (or share with the Manager (as the case may be), the Fund or the Master Fund or inform the Manager (as the case may be), the Fund or the Master Fund of) any such transaction or any benefit received by any of them from any such transaction, but will allocate such opportunities on an equitable basis between the Manager (as the case may be), the Fund or the Master Fund and other clients.

The Manager or the Investment Advisor may manage other funds and/or accounts and will remain free to provide such services to additional funds and accounts, including for its own account, in the future. The Manager or the Investment Advisor may vary the investment strategies employed on behalf of the Master Fund and/or the Fund from those used for itself and/or for other clients. No assurance is given that the results of the trading by the Manager or where applicable, the Investment Advisor on behalf of the Master Fund and/or the Fund will be similar to that of other funds and/or accounts concurrently managed by the Manager or the Investment Advisor. It is possible that such funds and accounts and any additional funds and accounts to which the Manager or the Investment Advisor in the future provides such services may compete with the Master Fund and/or the Fund for the same or similar positions in the markets.

### **Material Interests**

The Manager or the Investment Advisor may, without reference to the Fund and/or the Master Fund, advise on or effect any transaction in which it has:

- sold to, or bought from, the Fund and/or the Master Fund any of its assets, as the case may be;
- acted in the same transaction as an agent for both the Fund and/or the Master Fund and the counterparty; or
- directly or indirectly a material interest of any description, or has a relationship with another person such as to place it in a position where its duty to or interest in relation to that other person conflicts or may conflict with its duty to the Fund and/or the Master Fund.

Without prejudice to the generality of the foregoing, it is understood that:

- the Directors, officers, agents and Shareholders of the Fund and/or the Master Fund are or may be interested in the Manager and/or the Investment Advisor as directors, officers, shareholders or otherwise;
- the directors, officers, shareholders and agents of the Manager and/or the Investment Advisor are or may be interested in the Fund and/or the Master Fund as Directors, officers, Shareholders or otherwise;
- the directors, officers, shareholders and agents of the Manager and/or the Investment Advisor are or may be interested in any service provider to the Manager and/or the Investment Advisor, as the case may be;
- the Manager and/or the Investment Advisor may act as the manager, investment manager or investment adviser, or otherwise provide services to, an entity in which the Fund and/or the Master Fund invests; and

- the Manager and/or the Investment Advisor may sell certain assets to the Fund and/or the Master Fund.

### **Management Fee and Performance Fee**

The Manager is entitled to receive a Management Fee calculated based on the Net Asset Value of the Shares, as more particularly described in the section headed “Fees and Expenses – Management Fee” in this Private Placement Memorandum. In addition to receiving a Management Fee, the Manager may also receive a Performance Fee based on the appreciation in the Net Asset Value per Share, if any, as more particularly described in the section headed “Fees and Expenses – Performance Fee” in this Private Placement Memorandum, and accordingly the Performance Fee will increase with regard to unrealised appreciation, as well as realised gains. Accordingly, a Performance Fee may be paid on unrealised gains which may subsequently never be realised. The Performance Fee may create an incentive for the Manager to make investments for the Master Fund which are riskier than would be the case in the absence of a fee based on the performance of the Master Fund.

Pursuant to the Fund's NAV Calculation Policy, the Manager may, in certain circumstances detailed therein, be required to provide input or advice to the Administrator in valuing the Fund's and/or the Master Fund's securities, which may affect the Management Fee and Performance Fee payable to the Manager and thereby create an incentive for the Manager to provide inaccurate or biased assessments as regards the value of the Fund's and/or the Master Fund's assets.

### **Directors**

A Director may be a party to, or otherwise interested in, any transaction or arrangement with the Fund and/or the Master Fund or in which the Fund and/or the Master Fund is otherwise interested. The Director will not be liable to account to the Fund and/or the Master Fund for any profit such director derives from such a transaction or arrangement provided the nature and extent of any material interest has been disclosed to the other Directors in the manner set out in the Articles.

Before engaging in any activity which may create potential conflicts of interest, such as assuming a senior management role of another entity with which the Fund and/or the Master Fund transacts or may transact, a Director shall: (i) review the nature and extent of the potential conflicts of interest and consider whether the conflicts of interest could be avoided; (ii) seek the approval of all of the other Directors for such activities in the relevant meeting of the Directors following the procedure set out in the Articles; and (iii) where the Director's objectivity or ability to properly fulfil duties to the Fund and/or the Master Fund may be otherwise compromised, to recuse themselves at the earliest opportunity from, and refrain from deliberating and abstain from voting on the relevant matter in the meeting of the Directors (notwithstanding that these may be permitted under the Articles), to ensure that such activity will not create a conflict of interest, or that any conflict is properly managed and controlled.

A Director who has an interest in any particular business to be considered at a meeting of the Directors may be counted for the purpose of determining whether the meeting is duly constituted and may vote at such meeting provided that the interest has been disclosed in the manner set out in the Articles.

Save as disclosed in this Private Placement Memorandum, no Director has any interest, direct or indirect, in the promotion of, or in any assets which are proposed to be acquired, disposed of by or leased to, the Fund and/or the Master Fund. Save as disclosed in this Private Placement Memorandum, no Director has a material interest in any contract or arrangement entered into by the Fund and/or the Master Fund which is unusual in nature or conditions or significant in relation to the business of the Fund and/or the Master Fund, nor has any Director had such an interest since the Fund and/or the Master Fund was incorporated.

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# RISK FACTORS

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*The Fund will invest all or substantially all of its assets (to the extent not retained in cash) in the participating shares of the Master Fund and will accordingly not be diversified directly.*

*The nature of the Master Fund's investments involves certain risks and the Master Fund will utilise investment techniques which may carry additional risks. An investment in Shares therefore carries substantial risk and is suitable only for persons which can assume the risk of losing their entire investment. Prospective investors should consider, among others, the following factors before subscribing for Shares:*

## **RISKS RELATED TO THE FUND AND MASTER FUND**

- **Absence of Regulatory Oversight**

Although the Fund and the Master Fund are regulated mutual funds under the Mutual Funds Act, they are not required to nor do they intend to register under the laws of any other jurisdiction. As a consequence, the securities laws of other jurisdictions which may provide certain regulatory safeguards to investors generally will not apply. Accordingly, Shareholders may not have the benefit of all the protections afforded to them by the securities laws of their home jurisdiction or other relevant jurisdictions.

- **Lack of Operating History**

As at the date of this Private Placement Memorandum, the Fund and the Master Fund have not yet commenced operations and neither therefore has any operating history upon which potential investors may evaluate its likely performance. There can be no assurance that the Fund and the Master Fund will achieve their investment objective.

- **Business**

There can be no assurance that the Fund or the Master Fund will achieve its investment objective. There is limited operating history by which to evaluate their likely future performance. The investment results of the Fund and the Master Fund are reliant upon the success of the investment strategies and the implementation of them and no guarantee or representation is made in this regard.

- **Illiquidity**

It is not anticipated that there will be an active secondary market for the Shares and it is not expected that such a market will develop. Liquidity risk also includes the risk that redemption proceeds cannot be paid within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other uncontrollable factors. To meet redemption requests, the Master Fund may be forced to sell investments, at an unfavourable time and/or conditions.

- **Key Individuals**

The investment performance of the Fund and the Master Fund will be substantially dependent on the services of key individuals of the Manager who will be primarily responsible for managing the investment of the assets of the Fund and the Master Fund. In the event of the death, incapacity, departure, insolvency or withdrawal of any such individual, the performance of the Fund and the Master Fund may be adversely affected.



- **Administration of Subscriptions and Redemptions**

All subscription monies will be held to the order of the Fund and will be available for use by the Fund immediately upon receipt, but the economic entitlement arising from the relevant subscription will be calculated as of the relevant Valuation Day. In the event that the Fund is placed into liquidation before the relevant entries are made in the Fund's register of members, any applicant to whom Shares have not been issued may not be treated as a member of the Fund in any liquidation and that applicant's entitlement to proceeds of the liquidation available for distribution may be affected accordingly.

Redemption proceeds will be held to the order of the Fund until such time as redemption proceeds are remitted to the relevant Shareholder, but the economic entitlement arising from the relevant redemption will be calculated as of the relevant Valuation Day. In the event that the Fund is placed into liquidation before the relevant entries are made in the Fund's register of members, any Shareholder whose Shares were otherwise deemed to have been redeemed on the relevant Redemption Day may be treated as a member of the Fund in any liquidation and its ability to recover redemption proceeds may be affected accordingly.

- **Net Asset Value Considerations**

The Net Asset Value per Share is expected to fluctuate over time with the performance of the Master Fund's investments. A Shareholder may not fully recover his initial investment when he chooses to redeem his Shares or upon compulsory redemption if the Net Asset Value per Share at the time of such redemption is less than the Subscription Price paid by such Shareholder or if there remain any unamortised costs and expenses of establishing the Fund and the Master Fund.

In addition, where there is any conflict between IFRS and the valuation principles set out in the Articles and this Private Placement Memorandum in relation to the calculation of Net Asset Value the latter principles take precedence. If relevant, a reconciliation note may be included in the annual financial statements of the Fund and the Master Fund to reconcile values as shown in the annual financial statements prepared in accordance with IFRS to those derived by applying the valuation principles of the Fund and/or the Master Fund, as appropriate.

- **Amortisation of Organisational Expenses**

The Fund's and the Master Fund's financial statements will be prepared in accordance with IFRS. IFRS does not permit the amortisation of organisational costs. Notwithstanding this, the Fund and the Master Fund may, at the discretion of the Directors, amortise their Organisational Expenses over a period of time and this may result in the Directors making adjustments in the annual financial statements in order for the financial statements to be in compliance with IFRS or a qualification in the Auditor's report.

- **Cross Series and Class Liabilities**

The Fund and Master Fund have the power to issue shares in Classes or Series. The Articles provide for the manner in which the liabilities are to be attributed across the various Classes or Series (liabilities are to be attributed to the specific Class or Series in respect of which the liability was incurred). However, the Fund and Master Fund are both single legal entities and there is no limited recourse protection for any Class or Series. Accordingly, all of the assets of the Fund and/or Master Fund (as appropriate) will be available to meet all of its liabilities regardless of the Class or Series to which such assets or liabilities are attributable. If the liabilities of a Class or Series of Shares in the Fund or the Master Fund exceed its assets, creditors of the Fund or the Master Fund, as the case may be, may have recourse to the assets attributable to the other Classes or Series of Shares in the Fund or the Master Fund, as the case may be. In practice, cross-Class or cross-Series liability is only expected to arise where liabilities referable to one Class or Series are in excess of the assets referable to such Class or Series and it is unable to meet all liabilities attributed to it. In such a case, the assets of the Fund or Master Fund attributable to other Classes or Series may be applied to cover such liability excess and the value of the contributing Classes or Series will be reduced as a result. As at the date of this Private Placement Memorandum, the Directors are not aware of any existing or contingent liabilities.

- **Information, Reporting and Side Arrangements**

The Directors may in their absolute discretion agree to provide certain strategic investors in the Fund or the Master Fund with information about the Fund or the Master Fund and its investments which is not available to investors generally.

Subject to applicable law and the Articles, each of the Fund, the Master Fund, the Manager may, in its sole discretion, enter into agreements (“**Side Letters**”), and the Manager may negotiate and enter into such Side Letters on behalf of the Fund and/or the Master Fund with certain Shareholders that will result in different terms of an investment in the Fund and/or the Master Fund than the terms applicable to other Shareholders and may provide a Shareholder with more favourable treatment than other Shareholders of the same Class. As a result of such Side Letters, certain Shareholders may receive preferential or otherwise different terms to those applicable to other Shareholders, including but not limited to terms relating to the following: fees, minimum investment amounts, transfer rights, disclosure of information to other parties, information, transparency and notice of rights, redemptions (including but not limited to the right (a) to redeem Shares of the relevant Class; and/or (b) to make a determination as to whether to redeem Shares of the relevant Class; or any combination of these, and any such enhanced redemption rights given to any Shareholder may put other holders of Shares of the relevant Class who are in the same position at a material disadvantage in connection with the exercise of their redemption rights), and a Shareholder’s specific legal, regulatory or other particular status. Such information and reporting may provide the recipient greater insights into the Fund’s and the Master Fund’s activities than is included in standard reports to Shareholders, thereby enhancing the recipient’s ability to make investment decisions with respect to the Fund or the Master Fund and with respect to the investment of its own assets. For the avoidance of doubt, the disclosure of information to any Shareholders pursuant to Side Letters will not be deemed to be a breach of any obligations due to other Shareholders in the Fund.

Except as described in this Private Placement Memorandum or as required by the Articles, law or regulation, in general, none of the Manager, the Fund or the Master Fund will be required to notify any or all of the other Shareholders of any such Side Letters or any of the rights and/or terms or provisions of any Side Letter (save for any material terms in relation to redemption), nor will the Manager, the Fund or the Master Fund be required to offer such additional and/or different rights and/or terms to any or all of the other Shareholders. As a result, Shareholders which have entered into Side Letters may be able to act on additional information (for example, to request redemptions) that other Shareholders do not receive.

As at the date of this Private Placement Memorandum, no Side Letter has been entered into by the Fund, the Master Fund and/or the Manager.

- **Prime Broker and Custodian to the Master Fund**

Where legal and beneficial title to any assets of the Master Fund has been transferred to the Prime Broker and Custodian, in relation to the Master Fund’s right to the return of equivalent assets, the Master Fund will rank as one of the Prime Broker and Custodian’s unsecured creditors. In the event of the insolvency of the Prime Broker and Custodian, the Master Fund might not be able to recover such equivalent assets in full. In addition, the Master Fund’s cash held with the Prime Broker and Custodian will not be segregated from the Prime Broker and Custodian’s own cash and will be used by it in the course of its investment business and the Master Fund will therefore rank as an unsecured creditor in relation to such cash.

In relation to the Master Fund’s right to the return of securities equivalent to those of the Master Fund’s investments to which the Prime Broker and Custodian takes legal and beneficial title to or which the Prime Broker and Custodian borrows, lends, charges, sells, transfers or otherwise uses for its own purposes or the purposes of its other clients in accordance with the prime brokerage agreement, the Master Fund will rank as an unsecured creditor of the Prime Broker and Custodian and, in the event of the insolvency of the Prime Broker and Custodian, the Master Fund may not be able to recover such equivalent securities in full, or at all.

In addition, the Master Fund’s cash held with the Prime Broker and Custodian is not treated as client money subject to the protections conferred by the FCA’s client money rules and accordingly is not segregated from

the Prime Broker and Custodian's own cash and may be used by the Prime Broker and Custodian in the course of its business and the Master Fund will therefore rank as an unsecured creditor in relation thereto.

The Master Fund will be subject to the risk that the Prime Broker and Custodian may be unable to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes. In addition, the nature of commercial arrangements made in the normal course of business between many prime brokers and custodians means that in the case of the Prime Broker and Custodian defaulting on its obligations to the Master Fund, the effects of such a default may have consequential negative effects on other prime brokers and custodians with whom the Master Fund deals. The Master Fund and, by extension, the Fund may, therefore, be exposed to such so-called "systemic risk" when the Master Fund deals with prime brokers and custodians whose creditworthiness may be interlinked.

Where the Prime Broker and Custodian delegates the safe custody of the Master Fund's securities held by it pursuant to the relevant agreement to a sub-custodian located outside of the United Kingdom, the settlement, legal and regulatory requirements in the relevant overseas jurisdiction may be different from those in the United Kingdom and there may be different practices for the separate identification of the Master Fund's securities. Where the Master Fund's securities are registered or recorded in the name of the Prime Broker and Custodian or a sub-custodian, they may not be segregated and hence may not be as well protected as it they were registered or recorded in the name of the Master Fund.

- **Custody**

There are risks involved in dealing with the custodians or brokers who settle the trades of the Master Fund. Securities and other assets deposited with custodians or brokers may not be clearly identified as being assets of the Master Fund and hence the Master Fund may be exposed to a credit risk with regard to such parties. In some jurisdictions, the Master Fund may only be an unsecured creditor of its broker in the event of bankruptcy or administration of such broker. Further, there may be practical or time problems associated with enforcing the Master Fund's rights to its assets in the event of the insolvency of any such party. Recent, apparently significant losses incurred by many hedge funds in connection with the financial crisis and the bankruptcy of several large financial institutions illustrate the risks incurred in both derivatives trading and custody/brokerage arrangements. Assets deposited with the brokers which are fully paid (being those not held by the broker as margin) may be held in segregated safe custody in accordance with the brokerage agreements. Assets held as collateral by the brokers in relation to facilities offered to the Master Fund and assets deposited as margin with the brokers may, however, be available to the creditors of such persons in the event of their insolvency.

- **Restrictions on Redemption and Transfer of Shares**

Although Shareholders may require the Fund to redeem any or all of their Shares on any Redemption Day at the Net Asset Value per Share or may wish to transfer all or any of their Shares, certain restrictions on redemptions and transfers apply in certain circumstances.

- **Service Providers**

Neither the Fund nor the Master Fund has any employees and each is therefore reliant upon the performance of third-party service providers for its executive function. The Manager, the Investment Advisor and the Administrator and their respective delegates, if any, perform services that are integral to the operations of the Fund and the Master Fund. Failure by any service provider to carry out its obligations in accordance with the terms of its appointment or without exercising due care and skill could have a materially detrimental impact on their operations. The termination of their relationship with any third-party service provider, and any delay in appointing a replacement for such service provider, may have a material adverse effect on the performance of the Master Fund.

The Master Fund may also rely on models provided by third parties for the assessment of risks assumed in portfolios or instruments, including risk modelling firms. The impacts predicted by such models may prove inaccurate or inadequate in certain unexpected or new situations and, if relied on by the Manager may result in substantial losses for the Master Fund.

Absent a direct contractual relationship between the relevant Shareholder and the relevant service provider, a Shareholder generally has no direct rights against a service provider and there are very limited circumstances in which a Shareholder could bring a claim against a service provider. Instead, the proper plaintiff in an action in respect of which a wrongdoing is alleged to have been committed against the Fund or the Master Fund by a service provider is, *prima facie*, the Fund or the Master Fund, respectively.

- **Substantial Redemptions**

Substantial redemptions by one or more investors could require the Master Fund to liquidate securities or derivative positions more rapidly than might otherwise be desirable, possibly reducing the value of the Master Fund's assets and/or disrupting the Manager's investment approach. A reduction in the size of the Master Fund could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the Master Fund's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses. Such a substantial redemption and the potential disruptions caused by such redemptions, may impair the ability of the Master Fund to carry on its business.

- **Valuation and Accounting**

The Fund and the Master Fund will adopt IFRS in drawing up the annual accounts of the Fund and the Master Fund. However, investors should note that the calculation of the Net Asset Value in the manner described in the section headed "**Net Asset Value**" above which the Fund and the Master Fund intend to adopt for the purpose of determining Redemption Prices and for the purpose of the calculation of various fees as described in this Private Placement Memorandum may not necessarily be in compliance with IFRS. Accordingly, investors should note that the Net Asset Value may not necessarily be the same as the net asset value to be reported in the annual accounts as the Directors may make necessary adjustments in the annual accounts to comply with IFRS.

- **Price Fluctuations**

The value of Shares and the income (if any) derived from them can go down as well as up.

## **RISKS RELATED TO THE INVESTMENT STRATEGY OF THE FUND AND MASTER FUND**

- **Availability of Investment Opportunities**

The success of the Master Fund's investment activities will depend on the ability of the Manager to identify overvalued and undervalued investment opportunities and to exploit price discrepancies and inefficiencies in the financial markets, as well as to assess the import of news and events that may affect the financial markets. Identification and exploitation of the investment strategies to be pursued by the Master Fund involves a high degree of uncertainty. No assurance can be given that the Manager will be able to locate suitable investment opportunities in which to deploy all of the Master Fund's assets or to exploit discrepancies in the securities and derivatives markets. Market factors including, but not limited to, a reduction in market liquidity or the pricing inefficiency of the markets in which the Master Fund will seek to invest, may reduce the scope for the Master Fund's investment strategies.

The Master Fund may be adversely affected by unforeseen events involving, without limitation, such matters as changes in interest rates or the credit status of an issuer, forced redemptions of securities or acquisition proposals, break-up of planned mergers, unexpected changes in relative value, short squeezes, inability to short stock or changes in tax treatment.

- **Investment Strategy**

The Manager's strategy can be considered speculative in that the Manager will seek to anticipate movements in the price level or volatility of individual securities, market segments and the financial markets as a whole and to position the Fund's investments to benefit from such expected movements. Successful implementation of this strategy requires accurate assessments of general economic conditions,

the prospects of individual companies or industries, and the future behaviour of other financial market participants. Even with the most careful analysis, the direction of the financial markets is often driven by unforeseeable economic, political and other events and the reaction of market participants to these events. There can be no assurance that the Manager's strategy will be successful and an unsuccessful strategy may result in significant losses to the Fund.

Other than as specifically set forth in this Private Placement Memorandum, there are no material limitations on the strategies or instruments in which the Master Fund may invest. The Manager will opportunistically implement whatever strategies or discretionary approaches the Manager believes from time to time may be best suited to prevailing market conditions. While the Manager will seek to follow the investment objective and approach of the Master Fund, the Master Fund's portfolio may be altered at any time at the sole discretion of the Manager without need for prior approval of the Shareholders.

- **Quantitative and/or Qualitative Analysis**

The Manager will use a quantitative and/or qualitative, research-intensive approach. The risk of such quantitative and/or qualitative analysis is that it may not result in profitable trading because the Manager may not know all factors affecting a particular investment or hedging instrument. These unknown factors may, or may not be, reflected in the Manager's past performance, and may affect the future performance of the Fund.

- **Limitations of Models**

The Manager may utilise quantitative valuation models in implementing the Master Fund's investment strategy. As market dynamics (for example, due to changed market conditions and participants) shift over time, due to factors such as changed market conditions and participants, a previously highly successful model could become outdated or inaccurate, perhaps without the Manager recognising that fact before substantial losses are incurred. Further, quantitative valuation models may be flawed and any forecasts derived from them may be inaccurate, particularly if the research or models are based on, or incorporate, inaccurate assumptions or data. Assumptions or data may be inaccurate from the outset or may become inaccurate as a result of changes in market conditions and government policies. Accordingly, the quantitative valuation models may not be effective in generating signals of profitable investment opportunities and the Master Fund may suffer loss. There can be no assurance that the Manager will be successful in developing and maintaining effective quantitative models.

Although the Manager uses quantitative valuation models in evaluating the economic components of certain prospective trades, the Manager's quantitative strategies are by no means wholly systematic; the market judgment and discretion of the Manager's personnel are fundamental to the implementation of these strategies.

- **Hedging Transactions**

The Master Fund intends to utilise certain financial instruments for hedging purposes or as part of its trading strategies. The Manager does not, in general, attempt to hedge all market or other risks inherent in the Master Fund's positions, and hedges certain risks, if at all, only partially. Specifically, the Manager may choose not, or may determine that it is economically unattractive, to hedge certain risks, either in respect of particular positions or in respect of the Master Fund's overall portfolio. The Master Fund's portfolio composition may result in various directional market risks remaining unhedged, although the Manager may rely on diversification to control such risks to the extent that the Manager believes it is desirable to do so. Such imperfect hedging (and the limits on the types of instruments that the Master Fund will use to implement its hedges) means the Master Fund is not rid of the risk of loss. In addition, the Manager may not anticipate a particular risk so as to hedge against it. Although the Manager may utilise various instruments to hedge against the negative movements in currency exchange rates, such hedges will not always be successful. Hedging against a decline in the Master Fund's portfolio does not eliminate fluctuations in the values of the Master Fund's positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the value of an investment in the Master Fund. Such hedging transactions also limit the opportunity for gain if the value of the Master Fund's positions should increase. Moreover, it may not be



possible for the Manager to hedge against an exchange rate or price fluctuation that is so generally anticipated that the Manager is not able to enter into a hedging transaction at a price sufficient to protect the Master Fund from the decline in value of the position anticipated as a result of such a fluctuation. In addition, it may not be possible to hedge against certain fluctuations at all. Further, there are additional risks that counterparties to any hedging transactions will not perform as expected.

- **Concentration of Investments**

The Fund will invest all or substantially all of its assets (to the extent not retained in cash) in the participating shares of the Master Fund and will accordingly not be diversified directly. The Master Fund is not subject to any requirement to diversify its investments and may from time to time hold relatively few investments. The Master Fund could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected (including as a result of default by the issuer).

- **Fundamental Analysis**

Fundamental analysis is part of the Manager's research process. Fundamental analysis, which posits that markets are imperfect and that mispricings can be identified between prevailing market prices and those indicated by underlying fundamental data, is subject to the risk of inaccurate or incomplete market information, as well as the difficulty of predicting prices based on such information. Furthermore, even if an analyst is able successfully to identify mispricings on the basis of fundamental factors, there is the additional uncertainty of predicting the duration of such mispricings and, accordingly, when or whether to invest so as to profit from them. Fundamental analysis is subject to significant losses when market sentiment leads to the market price of the investments being materially discounted from the level indicated by fundamental analysis (as in the case of "flights to quality" when the demand for investments other than treasury securities diminishes to a degree significantly in excess of that indicated by the fundamental differences between treasury and other securities) or technical factors, such as price momentum or option expirations, dominate the market.

- **Equity and Equity-linked Securities**

The Master Fund engages in trading equity and equity-linked securities (including equity-based derivatives), the values of which vary with an issuer's performance and movements in the broader equity markets. Numerous economic factors, as well as market sentiment, political and other factors, influence the value of equities. At any given time, the Master Fund may have significant investments in companies with smaller market capitalisations. These securities often involve greater risks than the securities of larger, better-known companies, including less liquidity and greater volatility.

Market prices of equity securities as a group have recently dropped dramatically in a short period of time, as they have also done on several occasions in the past, and they may do so again in the future. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or which are the subject of rumours of accounting irregularities. These factors may adversely affect the Master Fund and, consequently, the Net Asset Value per Share.

- **Debt Securities**

*Interest Rates.* Debt instruments, such as notes and bonds, are subject to interest rate risk, credit risk and downgrade risks. There is a general inverse relationship between interest rate and price of debt instruments. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt instruments. A common way to measure interest rate risk is with reference to a bond's duration – in essence, the number of years required to recover the true cost of a bond, considering the present value of all coupon and principal payments received in the future. The duration of a bond is generally expressed as a number of years from its purchase date. Other things being equal, debt instruments with longer maturities are generally more sensitive to interest rate changes than those with shorter maturities. Changes in interest rates may extend or shorten the duration of certain types of instruments, thereby affecting their value and the return on an investment in the Fund. Changes in market interest rates do not affect the rate payable on

an existing fixed rate debt instrument which can increase its exposure to interest rate risk – this is because rising interest rates will make the fixed debt instrument less valuable because of the inverse relationship mentioned. An instrument which has adjustable or variable rate features will in contrast be comparatively less sensitive to interest rate risk. Fluctuations in interest rates of the currency in which the Shares are denominated and/or fluctuations in interest rates of the currency(ies) in which the investments of the Master Fund are denominated may also affect the value of the Shares.

*Credit.* Investment in fixed income instruments is subject to the credit risk of the issuers which may be unable or unwilling to make timely payments of principal and/or interest. In the event of a default or credit rating downgrading of the issuers of the fixed income instruments held by the Master Fund, valuation of the Master Fund may become more difficult, the Master Fund's (and therefore the Fund's) value will be adversely affected and investors may suffer a substantial loss as a result. The Master Fund may also encounter difficulties or delays in enforcing its rights against the issuers. Some of the debt securities are offered on an unsecured basis without collateral. As a result, if the issuer becomes bankrupt, the Master Fund, will become an unsecured creditor of such issuers.

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*Credit Rating Downgrade.* Credit ratings assigned by credit agencies do not guarantee the creditworthiness of the issuers. In the event of downgrading in the credit ratings of a security or an issuer relating to a security, the Master Fund's investment value in such security may be adversely affected. The Manager may or may not dispose of the securities. If the Master Fund continues to hold such securities, it will be subject to additional risk of loss. Changing market conditions or other significant events, such as credit rating downgrades affecting issuers or major financial institutions, may also pose valuation risk to the Master Fund (and therefore the Fund) as the value of the Master Fund's fixed income instruments investments may become more difficult or impossible to ascertain. In such circumstances, valuation of the Master Fund's investments may involve uncertainties and judgemental determinations as there is a possibility that independent pricing information may at times be unavailable. If such valuations should prove to be incorrect, the Net Asset Value of the Master Fund and the Fund may need to be adjusted and may be adversely affected. Such events or credit rating downgrades may also subject the Master Fund to increased liquidity risk as it may become more difficult for the Master Fund, to dispose of its holdings of bonds at a reasonable price or at all.

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*Unrated or Below Investment Grade Debt Securities.* The Master Fund may invest in high yielding securities which may be unrated or rated below investment grade. Such investments are considered to have a higher credit risk and greater possibility of default than securities which are investment grade with respect to payment of interest and the return of principal. The market for unrated or lower rated debt securities generally is less active and liquid than that for higher rated securities. As a result, it may be more difficult for the Master Fund to sell such debt securities or the Master Fund may be able to sell such debt securities only at prices lower than if such debt securities were widely traded. The Master Fund (and therefore the Fund) will suffer losses if such debt securities have to be sold at prices which are substantially lower than the amount invested by the Master Fund. Unrated or lower rated debt securities are more susceptible and sensitive to adverse changes in general economic conditions and interest rates, as well as to changes in the financial condition of the issuers. When economic conditions appear to be deteriorating, lower rated or unrated debt securities may decline in market value more than investment grade debt securities due to investors' heightened concerns and perceptions over credit quality and increased in the default risk of such lower or unrated debt securities. Valuation of these securities is more difficult and thus the Master Fund's (and the Fund's) prices may be more volatile.

*Unsecured Debt Securities.* The Master Fund may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on

substantially all of that issuer's assets. The Master Fund may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. The Master Fund may invest in distressed and other low quality debt securities which are subject to a significant risk of the issuer's inability to meet principal and interest payments on the obligations and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity risk. The issuers of debt securities may default on their obligations, whether due to insolvency, bankruptcy, fraud or other causes and their failure to make the scheduled payments could cause the Feeder Fund to suffer significant losses. The Master Fund will therefore be subject to credit, liquidity and interest rate risks. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments.

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*Convertible Securities.* The Master Fund may invest in convertible securities (such as corporate securities) generally offering fixed interest or dividend yields which may be converted either at a stated price or stated rate for common or preferred stock or shares at specified times during the life of the convertible securities. Although to a lesser extent than with fixed income securities generally, the market value of convertible securities tends to decline as interest rates rise. Because of the conversion feature, the market value of convertible securities also tends to vary with fluctuations in the market value of the underlying common or preferred stock or shares. Convertible bonds may also have call provisions and other features which may give rise to the risk of a call. The value and performance of the Master Fund may also be adversely affected as a result. Investments in convertible securities are subject to the same interest rate, credit and prepayment risks associated with comparable conventional debt instruments. Price changes in fixed-interest securities are influenced significantly by interest rate developments in the capital markets, which in turn are influenced by macro-economic factors. The values of convertible securities also may be affected by changes in the credit rating, liquidity or financial condition of the issuer. The Master Fund may also be exposed to the credit and insolvency risks of the issuers of the securities. The Net Asset Value of the Master Fund may be adversely affected.

*Dependence Upon Trading Market for Fixed Income Instruments.* The price at which the fixed income instruments may be purchased or sold by the Master Fund and the Net Asset Value of the Fund and the Master Fund may be adversely affected if trading markets for the fixed income instruments are limited or absent. If the trading market for bonds traded on the inter-bank bond market or the exchange-traded bond market is volatile or absent, the value of the Fund may be adversely affected.

- **Exchange Traded Funds (ETFs)**

ETFs are investment companies are bought and sold on a securities exchange. An ETF will aim to track an underlying index either by acquiring the constituent securities of the relevant underlying index (or a representative sample of such securities) or by synthetically replicating the constituent securities of the relevant underlying index. If the assets of the Master Fund are invested in an ETF, the Master Fund will bear additional expenses based on its pro rata share of the ETF's operating expenses. In addition, the Master Fund will incur brokerage costs when purchasing and selling shares of ETFs. The risk of owning shares in an ETF generally reflects the risks of the underlying securities held by the ETF and the investment strategies employed by the ETF (such as the use of leverage).

ETFs are passively managed in that they do not try to beat or perform better than the relevant underlying index. An ETF will invest (either directly or indirectly) in the securities included in or representative of its underlying index regardless of their investment merit. Any fall in the relevant underlying index is therefore expected to result in corresponding fall in the value of the ETF. For synthetic ETFs investments are not made directly in the securities included in or representative of its underlying index. Instead such ETFs invest in derivative instruments which aim to replicate the economic benefit of such securities. As such, these ETFs would be subject to the risks of owning derivative instruments. If the performance of a



synthetic ETF is affected by these risks, the performance of the Master Fund will also be adversely affected. Also, synthetic ETFs may have higher tracking error as compared to physical ETFs due to factors including costs of acquiring and holding derivative instruments, availability of derivative instruments and foreign ownership restrictions.

- **Forward Foreign Exchange Contracts**

The Master Fund may enter into forward foreign exchange contracts. A forward foreign exchange contract is a contractually binding obligation to purchase or sell a particular currency at a specified date in the future. Forward foreign exchange contracts are not uniform as to the quantity or time at which a currency is to be delivered and are not traded on exchanges. Rather, they are individually negotiated transactions. Forward foreign exchange contracts are effected through a trading system known as the interbank market. It is not a market with a specific location but rather a network of participants electronically linked. Documentation of transactions generally consists of an exchange of telex or facsimile messages. There is no limitation as to daily price movements on this market and in exceptional circumstances there have been periods during which certain banks have refused to quote prices for forward foreign exchange contracts or have quoted prices with an unusually wide spread between the price at which the bank is prepared to buy and that at which it is prepared to sell. Transactions in forward foreign exchange contracts are not regulated by any regulatory authority nor are they guaranteed by an exchange or clearing house. The Master Fund will be subject to the risk of the inability or refusal of its counterparties to perform with respect to such contracts. Any such default would eliminate any profit potential and compel the Master Fund to cover its commitments for resale or repurchase, if any, at the then current market price. These events could result in significant losses.

- **Options Trading**

The Master Fund may sell and purchase call options. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g. the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of an unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option.

There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g. the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (paid to establish the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

- **Futures Contracts**

The Master Fund may invest in futures contracts. Transactions in futures involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash. They carry a high degree of risk. The low margins normally required in futures trading permit a very high degree of leverage. As a result, a relatively small movement in the price of a futures contract may result in a profit or loss which is high in proportion to the amount of funds actually placed as margin and may result in unquantifiable further loss exceeding any margin deposited.

- **Index or Index Options**

The value of an index or index option fluctuates with changes in the market values of the assets included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular asset, whether the Master Fund will realize appreciation or depreciation

from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the assets generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular assets.

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- **Index Futures**

The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, participants may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by the Master Fund also is subject to the Manager's ability to correctly predict movements in the direction of the market.

- **OTC Transactions**

There has been an international effort to increase the stability of the financial system in general, and the OTC derivatives market in particular, in response to the recent financial crisis. The leaders of the G20 have agreed that all standardised OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties, that OTC derivative contracts should be reported to trade repositories and non-centrally cleared contracts should be subject to higher capital requirements.

In the United States, the Dodd-Frank Act includes provisions that comprehensively regulate the OTC derivatives markets. Key provisions of the Dodd-Frank Act require rulemaking by the SEC and the CFTC, not all of which has been finalised as at the date of this Private Placement Memorandum. As a result, investors should expect that there may be future changes in the regulatory environment.

In an attempt to reduce systemic and counterparty risks associated with OTC derivatives transactions, the Dodd-Frank Act requires that a substantial portion of derivatives must be executed on regulated markets and submitted for clearing to regulated clearing houses. Derivative trades submitted for clearing are subject to minimum initial and variation margin requirements set by the relevant clearing house, as well as possible SEC- or CFTC-mandated margin requirements. The regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives. OTC derivative dealers are also required to post margin to the clearing houses through which they clear their customers' trades instead of using such margin in their operations, as they have historically been allowed to do. This requirement further increases the costs of swap dealers, which costs are likely to be passed through to other swap market participants in the form of higher fees and less favourable dealer marks.

The SEC and the CFTC recently required a substantial portion of derivative transactions that were previously executed on a bilateral basis in the OTC markets to be executed through a regulated securities, futures, or swap exchange or execution facility. Certain CFTC-regulated derivatives trades have been subject to these rules since February 2014. It is not yet clear when the parallel SEC requirements will go into effect. Such requirements may make it more difficult and costly for investment funds, including the Master Fund, to enter into highly tailored or customised transactions. They may also render certain strategies in which the Master Fund might otherwise engage impossible or so costly that they will no longer be economical to implement. In addition, the US Congress has considered imposing, and may in the future impose restrictions on trading credit default swaps and other derivatives, including, potentially, a ban on trading these instruments except for the purpose of insuring a physically held position.

OTC derivative dealers are now required to register with the SEC and/or the CFTC. Dealers are subject to new minimum capital and margin requirements, business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on

conflicts of interest, and other regulatory burdens. These new requirements increase the overall costs for OTC derivatives dealers, which may be passed along, at least partially, to market participants in the form of higher fees or less advantageous dealer marks. It is unclear how the OTC derivatives markets will adapt to this new regulatory regime, along with additional, sometimes overlapping, regulatory requirements imposed by non-US regulators.

European Union Regulation No 648/2012 on OTC derivatives, central counterparties and trade repositories (also known as the European Market Infrastructure Regulation, or “**EMIR**”), which came into force on 16 August 2012, introduces uniform requirements in respect of OTC derivative contracts by requiring certain “eligible” OTC derivative contracts to be submitted for clearing to regulated central clearing counterparties and by mandating the reporting of certain details of OTC derivative contracts to trade repositories. In addition, EMIR imposes requirements for appropriate procedures and arrangements to measure, monitor and mitigate operational and counterparty credit risk in respect of OTC derivatives contracts which are not subject to mandatory clearing. These requirements are likely to include the posting and segregation of collateral, not only to and for, but also by, the Master Fund.

EMIR covers financial counterparties, which may include the Master Fund, and certain non-financial counterparties in respect of OTC derivative contracts. Although EMIR provides certain limited exemptions from its requirements for non-financial counterparties which do not trade OTC derivative contracts beyond a certain threshold, the Master Fund does not expect to be able to rely on such exemptions.

While some of the obligations under EMIR have come into force, a number of the requirements are subject to phase-in periods and certain key issues have not been finalised by the date of this Private Placement Memorandum. It is as yet unclear how the OTC derivatives market will adapt to the new regulatory regime. Accordingly, it is difficult to predict the precise impact of EMIR on the Master Fund. The Directors and the Manager will monitor the position and react appropriately. However, prospective investors and Shareholders should be aware that the regulatory changes arising from EMIR may in due course adversely affect the Master Fund’s ability to implement its investment approach and achieve its investment objective.

Various proposals have also been put forward to regulate OTC derivative transactions in the various markets in Asia in which the Master Fund may invest. The precise impact of these proposals on the relevant regulatory regimes is not yet known and it is unclear how the relevant OTC derivatives markets will adapt to the proposed new regulatory regimes. However, the requirements may present the Fund and the Master Fund with similar difficulties to those described above in relation to Europe and the United States.

- **Investing in other Collective Investment Schemes**

The Fund, may invest in the collective investment schemes (which may include all types of collective investment schemes including but not limited to unlisted collected investment schemes and exchange traded funds). As such, the Fund may be subject to risks associated with the collective investment schemes. The Fund may not have control over the investments of the collective investment schemes and there is no assurance that the investment objective and strategy of the collective investment schemes will be successfully achieved which may have a negative impact on the Net Asset Value of the Fund. There may also be additional costs involved when investing in these collective investment schemes. There is no guarantee that the collective investment schemes will always have sufficient liquidity to meet the Fund’s redemption request as and when they are made. There may also be potential conflicts of interests where the Fund invests in shares or units of collective investment schemes managed by the Manager or its related entities and connected persons (if any). In the event of such conflicts, the Manager will endeavour to ensure that such conflicts are resolved fairly and all transactions between the Fund (acting for and on behalf of the Fund) and any of such collective investment schemes are on an arm’s length.

- **Short Selling**

The Master Fund may sell securities short or engage in options trading or swap transactions that replicate a short selling transaction. Short selling involves trading on margin and accordingly can involve greater risk than investments based on a long position. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security, which could result in an inability to cover the short

position and a theoretically unlimited loss. There can be no guarantee that securities necessary to cover a short position will be available for purchase. Purchasing securities to close out a short position can itself cause the price of the relevant securities to rise further, thereby exacerbating the loss. In addition, if a sufficient number of market participants have entered into a short position, the short position may not react in the same way as a security would with no or limited short interest. In the event of a market downturn, the short position may therefore not provide the investment return that the Manager expected.

There is also a risk that the securities borrowed in connection with a short sale must be returned to the lender of such securities on short notice. If a request for the return of borrowed securities occurs at a time when other short sellers of the securities are receiving similar requests, a short squeeze can occur, and it may be necessary to replace borrowed securities previously sold short with purchases on the open market at a disadvantageous time, possibly at prices significantly in excess of the proceeds received from originally selling the securities short.

There is also a risk that securities borrowed in connection with a short sale will, following any corporate activity on the part of the relevant issuer, including, but not limited to, merger and acquisition activity, corporate restructuring or the entity demerging subsidiaries, become the securities of a different issuer and that the Master Fund will be required to deliver securities of a different issuer or additional securities. In such event the relevant short position may therefore not provide the investment return that the Manager expected.

As a consequence of regulatory or legislative action taken by regulators around the world as a result of recent volatility in the global financial markets, taking short positions on certain securities has been restricted and/or more onerous disclosure requirements in respect of short positions have been implemented. The levels of restriction and disclosure vary across different jurisdictions and are subject to change in the short to medium term. Such restrictions and/or disclosure requirements have made it difficult and in some cases impossible for numerous market participants either to continue to implement their investment strategies or to control the risk of their open positions or have increased the risk for such participants to do so. Accordingly, the Manager may not be in a position to fully express its negative views in relation to certain securities, companies or sectors and the ability of the Manager to fulfil the investment objective of the Master Fund may be constrained.

- **Borrowing**

The Master Fund may use borrowings for the purpose of making investments. The use of borrowing creates special risks and may significantly increase the investment risk of the Master Fund. Borrowing creates an opportunity for greater yield and total return but, at the same time, will increase the exposure of the Master Fund to capital risk and interest costs. Any investment income and gains earned on investments made through the use of borrowings that are in excess of the interest costs associated therewith may cause the Net Asset Value of the Shares to increase more rapidly than would otherwise be the case. Conversely, where the associated interest costs are greater than such income and gains, the Net Asset Value of the Shares may decrease more rapidly than would otherwise be the case.

- **Securities Lending**

The Master Fund may enter into securities lending transactions. The principal risk when lending securities is that the borrower might become insolvent or refuse to honour its obligations to return the securities. In this event, the Master Fund could experience delays in recovering its securities and may possibly incur a capital loss. The Master Fund may also incur a loss in reinvesting the cash collateral it receives. Such a loss may arise due to a decline in the value of the investment made with cash collateral received from a securities lending counterparty. A decline in the value of such investment of the cash collateral would reduce the amount of collateral available to be returned by the Master Fund to the securities lending counterparty at the conclusion of the securities lending contract. The Master Fund would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the Master Fund.

- **Transaction Costs**

The Master Fund's investment approach may involve a high level of trading and turnover of the Master Fund's investments which may generate substantial transaction costs which will be borne by the Master Fund. In particular, the Master Fund may invest on the basis of short-term market considerations, and the mispricings from which the Master Fund will seek to profit can be short-lived. The turnover rate of the Master Fund's positions may be significant, in so potentially involving substantial brokerage commissions and fees.

- **Undervalued Securities**

One of the objectives of the Master Fund will be to identify and invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there can be no assurance that such opportunities will be successfully recognised. While investment in undervalued securities offer opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Master Fund's investments may not adequately compensate for the business and financial risks assumed.

The Master Fund may make certain speculative investments in securities which the Manager believes to be undervalued. However, there can be no assurance that the securities purchased will in fact be undervalued. In addition, the Master Fund may be required to maintain positions in such securities for a substantial period of time before realising their anticipated value. During this period, a portion of the Master Fund's capital may be committed to the securities, thus possibly preventing the Master Fund from investing in other opportunities. In addition, the Master Fund may finance any such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

- **Derivatives**

The Master Fund may utilise both exchange-traded and OTC derivatives, including, but not limited to, futures, forwards, swaps (including credit default swaps), options and contracts for differences, as a part of its investment approach. These instruments can be highly volatile, incorporate leverage and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of the underlying assets may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposited. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, potentially resulting in unexpected losses. Further, when used for hedging purposes, there may be an imperfect correlation between these instruments and the investments or market sectors being hedged. Transactions in OTC contracts may involve additional risk as there is no exchange market on which to close out an open position. The derivatives markets are frequently characterised by limited liquidity, which may make it difficult, as well as costly, to close out an open position to realise gain or to limit loss. It may not be possible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. The price at which a derivative instrument may be liquidated or sold, should the Master Fund wish or be compelled to do so, may be materially different from the price at which it is valued. Contractual asymmetries and inefficiencies can also increase risk, such as break clauses, whereby a counterparty can terminate a transaction on the basis of a certain reduction in Net Asset Value, incorrect collateral calls or delays in collateral recovery.

The Master Fund may also sell covered and uncovered options on securities and other assets. To the extent that such options are uncovered, the Master Fund could incur an unlimited loss.

The Master Fund will also be dependent on the willingness of counterparties to enter into off-exchange contracts with it. Failure to identify or delay in identifying such counterparties could limit the ability of the Master Fund to carry on its business.



With respect to certain derivative instruments, the Master Fund will have a contractual relationship only with the counterparty and not the issuer(s) of the reference obligation(s), unless certain defined events occur. Accordingly, the Master Fund will generally have no right directly to enforce compliance by such issuer(s) with the terms of any such reference obligation(s) and no right of set-off against such issuer(s). In addition, the Master Fund will generally have no voting or other consensual rights of ownership with respect to the relevant reference obligation(s). Furthermore, the Master Fund will not directly benefit from any collateral supporting the relevant reference obligation(s) and will not have the benefit of the remedies that would normally be available to the holder of such reference obligation(s).

Corporate activity on the part of the reference entity, including, but not limited to, merger and acquisition activity, corporate restructuring or the entity demerging subsidiaries, may have an effect on the security that is deliverable under the terms of a derivative contract in which the Master Fund has invested or could result in the termination of such contracts. Accordingly the value of such investments may be significantly affected and hence corporate events may have a significant effect on the value of such derivative contracts. In the case of exchange traded derivatives, the rules used to determine how a particular corporate activity will affect derivatives contracts relating to the reference security will be detailed in the corporate actions policy of the relevant exchange. However, in certain circumstances, these policies may not apply, and each derivatives exchange may retain the right to determine how contracts should be adjusted, if at all. OTC derivatives adjustments will be subject to adjustments by calculation agents, and hence will be subject to uncertainty over the methods of contract adjustment adopted by different counterparties. Contract adjustments subsequent to corporate activity may have unanticipated effects on contract prices and valuations.

There are a large number of risks inherent in trading of the nature contemplated by the Master Fund. Price movements may be volatile and are affected by a wide variety of factors, including changing supply and demand relationships, credit spread fluctuations, interest rate and exchange rate fluctuations, the accuracy of implied correlations and implied volatilities of investments, international events and government policies and actions with respect to economic, exchange control, trade, monetary, military and other issues. These price movements could result in significant losses to the Master Fund. The absence or a low degree of volatility may reduce the opportunities for potentially profitable transactions and adversely affect the performance of the Master Fund.

- **Corporate Actions**

The Master Fund may be entitled to take part in corporate actions such as shareholder votes in respect of certain of the Master Fund's investments, though may be prevented from doing so in certain circumstances including, but not limited to, where the relevant security transaction has not settled and/or where the relevant security is subject to a repurchase transaction. In addition, where the Prime Broker and Custodian would be required to take such actions on behalf of the Master Fund, the Master Fund may not be able to require the relevant Prime Broker and Custodian to act upon its instructions at all or in a timely manner. The Master Fund will be under no obligation to take part in such actions and may elect not to do so.

- **Financing Arrangements; Availability of Credit**

Borrowings may be an integral part of the Master Fund's strategies and may include, but not be limited to, the use of securities margin, futures margin or the notional principal amounts of swap transactions. There can be no assurance that the Master Fund will be able to maintain adequate financing arrangements under all market circumstances.

Where the Master Fund makes use of such borrowings to initiate long or short positions and the positions decline in value, it will usually be subject to a "margin call", pursuant to which it must either deposit additional funds with the lender or be subject to sanctions such as the mandatory liquidation of securities over which the lender has been granted security or a mandatory termination of all outstanding contracts with the lender and a claim for compensation for any losses incurred by the lender. In some cases a margin call may be made even if the relevant positions have not declined in value. The Master Fund would normally satisfy such margin calls in cash or acceptable collateral from its assets and, to the extent that such assets were insufficient, would liquidate other assets to raise cash in order to satisfy the relevant margin call. In the event of a large margin call, the Manager might not be able to liquidate assets quickly enough to pay

off the margin liability. In such a case, the relevant lender may have the right, in its sole discretion, to liquidate certain assets of the Master Fund in order to enable the Master Fund to satisfy its obligations to that lender and/or to close out transactions.

As a general matter, the banks and dealers that may provide financing to the Master Fund may vary their respective policies relating to margin, financing, security and collateral valuation policies. Banks and dealers could change these policies at any time, for any reason, including a change in market circumstances, government, regulatory or judicial action or simply a change in the policy of the relevant bank. Changes by banks and dealers to one or more of these policies, or the imposition of other credit limitations or restrictions may be applied retrospectively to existing contracts as well as prospectively to contemplated future dealing. Whilst the Manager will seek to limit the rights of lenders to apply such retrospective changes, any such limitation will be subject to the agreement of the relevant lender, which may not be forthcoming. Retrospective changes may result in large margin calls, loss of financing, forced liquidations of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other banks and dealers. Prospective changes may result in the inability of the Manager to fulfil the investment objective. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants simultaneously. The imposition of any such limitations or restrictions could compel the Master Fund to liquidate all or part of its portfolio at disadvantageous prices, perhaps leading to a complete loss of the Master Fund's equity.

The Master Fund could also be subject to a "margin call", pursuant to which it must either deposit additional funds with the broker or be the subject of mandatory liquidation of the securities over which the broker has been granted security to compensate for the decline in value. A "margin call" can essentially be made at the discretion of the relevant broker, even if the securities over which that broker has been granted security to secure the Master Fund's margin accounts, have not declined in value. In the event of a sudden drop in the value of the Master Fund's assets, the Manager may not be able to liquidate assets quickly enough to pay off the margin debt. In such a case, the relevant broker may liquidate additional assets of the Master Fund, in its sole discretion, in order to satisfy such margin debt.

- **Highly Volatile Markets**

The prices of derivative instruments, including options prices, are highly volatile. Price movements of forward contracts and other derivative contracts in which the Master Fund may invest are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary, and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets. Such intervention is often intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Master Fund will also be subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearing houses.

- **PRC Tax Considerations**

As a result of investing in securities of Chinese companies, the Master Fund may be subject to withholding and other taxes imposed by China. The tax law and regulations of China are constantly changing, and they may be changed with retrospective effect. The interpretation and applicability of the tax law and regulations by tax authorities may not be as consistent and transparent as those of more developed nations, and may vary from region to region.

Under the prevailing tax policy in the PRC, there are certain tax incentives available to foreign investment. There can be no assurance, however, that the aforesaid tax incentives will not be abolished in the future.

- **Investing in the PRC**

*Disclosure and Accounting Standards:* Disclosure, accounting and regulatory standards in the PRC are in many respects less stringent than standards in certain countries with more developed securities markets, and there may be less publicly available information about companies than is regularly published by or about



companies in many other countries. Companies in the PRC are subject to accounting standards and disclosure requirements that differ in significant respects from those applicable to companies in many countries with more developed securities markets.

*Foreign Exchange Controls:* The PRC government still imposes exchange controls making it impossible to freely convert local currency into other currencies. The imposition of currency controls by the government may negatively impact performance and liquidity in the Master Fund as capital may become trapped in the PRC.

*Political and Economic Considerations:* The Master Fund may be affected by political and economic developments in or affecting the PRC, including changes in government policy, taxation and social, ethnic and religious instability. The economy of the PRC may differ favourably or unfavourably from the economies in more developed countries in such respects as gross domestic product, rates of inflation, currency depreciation, capital reinvestment, resource self-sufficiency and balance of payments position. The PRC economy is heavily dependent upon international trade and, accordingly, has been and may continue to be adversely affected by trade barriers, exchange controls, and other protectionist measures imposed or negotiated by the countries with which they trade. Expropriation, confiscatory taxation, nationalisation or other developments could also adversely affect the assets of the Master Fund.

*Regulation:* PRC regulations under which non-resident investors, such as the Master Fund, can invest directly into equity and debt securities of domestic companies, are new, evolving and untested judicially. In addition, the supporting regulatory framework, such as applicable tax codes and foreign exchange regulations, have not yet been specifically amended or clarified with regard to their application to foreign investors and investments held by foreign investors. Therefore, these regulations and the underlying legislation may be amended, clarified, interpreted by judicial or administrative ruling or superseded in the future. Such alterations could impact adversely on the Master Fund's operation and performance.

*Securities Markets:* The stock exchanges and markets in the PRC have experienced significant fluctuations in the prices of securities, and no assurance can be given that such volatility will not continue in the future. The PRC securities markets are undergoing a period of growth and change which may lead to difficulties in the settlement and recording of transactions and in interpreting and applying the relevant regulations. The PRC regulatory authorities have only recently been given the power and duty to prohibit fraudulent and unfair trade practices relating to securities markets, including insider trading and market abuse, and to regulate substantial acquisitions of shares and takeovers of companies.

- **Leverage**

Subject to the limitations as set out in this Private Placement Memorandum, the Master Fund may employ leverage, including through the use of borrowings, for the purpose of making investments and/or hedging its exposure to market and/or credit risk and/or implementing the investment objective and approach. The level of interest rates at which the Master Fund can borrow will affect the operating results of the Master Fund. If the Master Fund leverages its assets to borrow additional funds for investment purposes, the Master Fund will be required to pledge its assets to secure such borrowings, potentially reducing the Master Fund's liquidity. The Master Fund may also, in effect, borrow funds through entering into repurchase agreements and may leverage its investment return with options, short sales, swaps, forwards and other derivative instruments. Investments made by the Master Fund may also contain a significant amount of leverage.

The Manager will consider any inherent leverage in such investments in assessing the leverage to be applied in respect of the Master Fund's overall portfolio. The use of leverage may significantly increase the Master Fund's investment risk; whilst leverage creates an opportunity for greater yield and total return, at the same time, it will increase the Master Fund's exposure to capital risk and interest costs. Any investment income and gains earned on investments made through the use of leverage that are in excess of the costs associated therewith may cause the Net Asset Value of the Shares to increase more rapidly than would otherwise be the case. Conversely, where the associated costs are greater than such income and gains, the Net Asset Value of the Shares may decrease more rapidly than would otherwise be the case. Any limitation on the availability of borrowing facilities may have a detrimental effect on the Master Fund's ability to maintain its intended level of leverage. On a winding up, as Shareholders rank for repayment after all other

creditors, they may not get back their full investment if there are insufficient funds to discharge creditors (including such Shareholders who have redeemed their Shares but have not been paid their redemption proceeds in full).

In an unsettled credit environment, the Master Fund may find it difficult or impossible to obtain leverage. In such event, the Master Fund could find it difficult to implement its strategy. In addition, in an unsettled credit environment it may be more likely that any leverage obtained may be terminated (or the collateral requirements changed) on short notice by the lender, which could result in the Master Fund being forced to unwind positions quickly and at prices below what the Manager deems to be fair value for the positions.

## **RISKS EXTERNAL TO THE FUND AND MASTER FUND**

- **Cybersecurity**

The Fund, the Master Fund and/or one or more of their respective service providers, including the Manager may be prone to operational, information security and related risks resulting from failures of or breaches in cybersecurity.

A failure of or breach in cybersecurity (“**cyber incidents**”) refers to both intentional and unintentional events that may cause the relevant party to lose proprietary information, suffer data corruption, or lose operational capacity. In general, cyber incidents can result from deliberate attacks (“**cyber attacks**”) or unintentional events. Cyber attacks include, but are not limited to, gaining unauthorised access to digital systems (e.g. through “hacking” or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber attacks may also be carried out in a manner that does not require gaining unauthorised access, such as causing denial-of-service attacks on websites (i.e. efforts to make network services unavailable to intended users). The issuers of securities and/or counterparties to other financial instruments in which the Master Fund may invest may also be prone to cyber incidents.

Cyber incidents may cause disruption and impact business operations, potentially resulting in financial losses, interference with the Fund’s and/or the Master Fund’s ability to calculate their Net Asset Value, impediments to trading, the inability of Shareholders to subscribe for, exchange or redeem Shares, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future which may adversely impact the Fund and/or the Master Fund.

While the Manager and its affiliates have established business continuity plans in the event of, and risk management strategies, systems, policies and procedures to seek to prevent, cyber incidents, there are inherent limitations in such plans, strategies, systems, policies and procedures including the possibility that certain risks have not been identified. Furthermore, none of the Fund, the Master Fund, the Manager and their respective affiliates can control the cybersecurity plans, strategies, systems, policies and procedures put in place by other service providers to the Fund and the Master Fund and/or the issuers in which the Master Fund invests.

- **Counterparties**

The Master Fund is subject to the risk of the inability of any counterparty (including the Prime Broker and Custodian) to perform with respect to transactions, whether due to insolvency, bankruptcy or other circumstances. The Master Fund is subject to the risk that counterparties may not have access to finance and/or assets at the relevant time and may fail to comply with their obligations under the relevant sale and repurchase agreements. Recent well-publicised weaknesses in certain financial institutions may be indicative of increased counterparty risk. In the event of any counterparty (including the Prime Broker and Custodian) entering an insolvency procedure, the Master Fund could experience delays in liquidating its positions and incur significant losses, including the loss of that portion of the Master Fund’s portfolio financed through such a transaction, a decline in value of its investment during the period in which the Master Fund seeks to enforce its rights, an inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights. During an insolvency procedure (which may

last many years) the use by the Master Fund of assets held by or on behalf of the Prime Broker and Custodian or counterparty may be restricted and accordingly (a) the ability of the Manager to fulfil the investment objective may be severely constrained, (b) the Fund may be required to suspend the calculation of the Net Asset Value and as a result subscriptions for and redemptions of Shares, and/or (c) the Net Asset Value may be otherwise affected. During such a procedure, the Master Fund is likely to be an unsecured creditor in relation to certain assets (including those in respect of which it had previously been a secured creditor) and accordingly the Master Fund may be unable to recover such assets from the insolvent estate of the Prime Broker and Custodian or counterparty in full, or at all.

- **Currency Exposure**

Assets of the Master Fund may be invested in securities and other investments which are denominated in currencies other than the currency or currencies in which Shares are denominated. Accordingly, the value of such assets may be affected favourably or unfavourably by fluctuations in currency rates. The Master Fund may seek to hedge its foreign currency exposure but will necessarily be subject to foreign exchange risks and there can be no assurance that any hedges which are put in place will be effective. Prospective investors whose assets and liabilities are predominantly in currencies other than the currency in which their Shares will be denominated should take into account the potential risk of loss arising from fluctuations in value between the currency in which their Shares will be denominated, the currency of investment and the currencies of their assets and liabilities.

The Master Fund may utilise such instruments as the Manager deems appropriate including, but not limited to, stock market index futures and put options, when seeking to hedge against currency fluctuations. There can be no guarantee that instruments suitable for hedging currency or market shifts will be available at the time when the Manager wishes to use them or will be able to be liquidated when the Master Fund wishes to do so. In addition, the Manager may choose not to enter into hedging transactions with respect to some or all of its positions. Currency exchange costs will be incurred when the Master Fund changes investments from one country to another.

Prospective investors whose assets and liabilities are predominantly in other currencies should also take into account the potential risk of loss arising from fluctuations in value between the US dollar and such other currencies.

- **Electronic Delivery of Information**

Information relating to a Shareholder's investment in the Fund and/or the Master Fund may be delivered electronically. There are risks associated with such electronic delivery including, but not limited to, that e-mail messages are not secure and may contain computer viruses or other defects, may not be accurately replicated on other systems, or may be intercepted, deleted or interfered with without the knowledge of the sender or the intended recipient.

- **Exchange of Tax Information**

The Cayman Islands has implemented a legal and regulatory regime that the Organisation for Economic Co-operation and Development (the “**OECD**”) has recognised as generally complying with internationally agreed standards for transparency and exchange of information for tax purposes. Furthermore, the Cayman Islands is currently treated by the OECD as a jurisdiction that has substantially implemented the internationally agreed tax standard (as developed by the OECD in co-operation with non-OECD countries and endorsed by G20 Finance Ministers and by the United Nations Committee of Experts on International Co-operation in Tax Matters). The implementation of this standard, which requires exchange of information on request in all tax matters for the administration and enforcement of domestic tax law without regard to a domestic tax interest requirement or bank secrecy for tax purposes, has involved the Cayman Islands entering into a number of bilateral tax information exchange agreements, and also the enactment of a unilateral mechanism for the Cayman Islands to provide relevant information on request to certain other specified jurisdictions. Consequently, each Shareholder should be aware that in accordance with such arrangements (as extended or varied from time to time to comply with then current international standards, to the extent adopted by the Cayman Islands or any other relevant jurisdiction), relevant information concerning it and/or its investment in the Fund or the Master Fund, as applicable, may be provided to any relevant tax authority.

- **AEOI**

The Fund may take such action as it considers necessary in relation to an investor's holding or redemption proceeds, as a result of relevant legislation and regulations, including but not limited to, AEOI, as further detailed in the section of this Private Placement Memorandum headed “**Taxation**”. Such actions may include, but are not limited to the following:

- The disclosure by the Fund, the Administrator or such other service provider or delegate of the Fund, of certain information relating to an investor to the Cayman Islands Tax Information Authority (the “**Cayman TIA**”) or equivalent authority and any other foreign government body as required by AEOI. Such information may include, without limitation, confidential information such as financial information concerning an investor's investment in the Fund, and any information relating to any shareholders, principals, partners, beneficial owners (direct or indirect) or controlling persons (direct or indirect) of such investor.
- The Fund may compulsorily redeem any shares held by an investor in accordance with the terms of this Private Placement Memorandum and may deduct relevant amounts from a recalcitrant investor so that any withholding tax payable by the Fund or any related costs, debts, expenses, obligations or liabilities (whether internal or external to the Fund) are recovered from such investor(s) whose action or inaction (directly or indirectly) gave rise or contributed to such taxes, costs or liabilities. Failure by an investor to assist the Fund in meeting its obligations pursuant to AEOI may therefore result in pecuniary loss to such investor.

- **Force Majeure**

The Fund, the Master Fund and the Manager are each subject to the risks of the effects of events of force majeure outside of their reasonable control which may include, but is not limited to: any strike lockout or other industrial action or any shortage of or difficulty in obtaining labour, fuel, raw materials or components; any destruction, temporary or permanent breakdown, malfunction or damage of or to any premises, plant, equipment (including computer systems) or materials; any breach of contract, default or insolvency by or of any third party, other than a company in the same group as the party affected by the force majeure, or an employee or officer of that party or company; any action taken by a governmental or public authority of any kind, including imposing an embargo, export or import restriction, rationing, quota or other restriction or prohibition; any civil commotion or disorder, riot, invasion, war, threat of or preparation for war; or any accident, fire, or explosion, (other than in each case, one caused by a breach of contract by or assistance of the party concerned) storm, flood, earthquake, subsidence, epidemic or other natural physical disaster.

- **Handling of Mail**

Mail addressed to the Fund and received at its registered office will be forwarded unopened to the forwarding address supplied by the Fund to be dealt with. None of the Fund, its Directors, officers, advisers or service providers (including the organisation which provides registered office services in the Cayman Islands) will bear any responsibility for any delay howsoever caused in mail reaching the forwarding address. In particular the Directors will only receive, open or deal directly with mail which is addressed to them personally (as opposed to mail which is addressed just to the Fund).

- **Limited US Regulation**

The offering of Shares has not been registered under the 1933 Act or with any state within the United States in reliance on an exemption from registration pursuant to the 1933 Act and applicable state securities law exemptions. Neither the Fund nor the Master Fund is, or currently intends to be, registered as an investment company under the 1940 Act.

The Manager is not, and does not expect to be, registered under the Advisers Act. The Manager is not currently registered under the Advisers Act although it may register in the future. So long as the Manager remains unregistered, it will do so pursuant to an exemption from Advisers Act registration available to certain investment advisers that maintain their principal place of business outside the United States. As a consequence of availing itself of this exemption, the Manager will be subject to reporting requirements and United States Securities and Exchange Commission examinations which may be costly and/or burdensome to the Manager and may increase the risk of legal proceedings involving the Manager, the Fund and/or the Master Fund. In the event the Manager decides to register as an investment adviser under the Advisers Act or could no longer rely on an exemption from registration, the Manager would become subject to additional regulatory and compliance requirements associated with such registration. Shareholders will be notified of any such registration.

The Manager might also be subject to state registration, reporting or other obligations. The Fund, the Master Fund and/or the Manager could become subject to additional regulatory and compliance requirements associated with such registration. Any such additional requirements, or any different requirements, may be costly and/or burdensome to the Manager and could result in the imposition of restrictions and limitations on the operations of the Fund and/or the Master Fund and/or the disclosure of information to US regulatory authorities regarding the operations of the Fund and/or the Master Fund (regardless of whether the Manager is exempted from registration as an investment adviser under the Advisers Act).

- **Liquidity and Market Characteristics**

The Master Fund may be adversely affected by a decrease in the market liquidity for the instruments in which it invests which may impair the Master Fund's ability to adjust its positions. The size of the Master Fund's positions may magnify the effect of a decrease in market liquidity for such instruments.

In some circumstances, certain of the Master Fund's investments may be relatively illiquid making it difficult or impossible to acquire or dispose of them at the prices quoted on the various exchanges or at the prices which the Manager considers to reflect their then value. Accordingly, the Master Fund's ability to respond to market movements may be impaired and the Master Fund may experience adverse price movements upon liquidation of its investments. Settlement of transactions may be subject to delay and administrative uncertainties. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and the Master Fund may not be able to sell them when it desires to do so or to realise what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the OTC markets. The Master Fund may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

General economic and market conditions, such as currency and interest rate fluctuations, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls,



concerns about terrorism and war, property and commodity prices and national and international conflicts or political circumstances, as well as natural circumstances, may affect the price level, volatility and liquidity of securities, which could result in significant losses for the Master Fund.

The prices of investments that may be held by the Master Fund tend to be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs to the Master Fund of borrowed securities and leveraged investments.

Furthermore, to the extent that interest rate assumptions underlie the hedging of a particular position, fluctuations in interest rates could invalidate those underlying assumptions and expose the Master Fund to additional costs and losses.

- **Market Crisis and Governmental Intervention**

In recent years, the global financial markets have recently undergone pervasive and fundamental disruptions which have led to extensive and unprecedented governmental intervention. Such intervention was in certain cases implemented on an “emergency” basis without much or any notice with the consequence that some market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions was suddenly and/or substantially eliminated. In addition, as one would expect given the complexities of the global financial markets and the limited timeframe within which governments were able to take action, these interventions were sometimes unclear in scope and application, resulting in confusion and uncertainty which in itself was materially detrimental to the efficient functioning of such markets as well as previously successful investment strategies.

The United States Federal Reserve and certain non-US governments and supra-governmental agencies and organisations have previously taken, and in certain cases continue to take significant steps to intervene in the financial markets. Current and future government and/or supra-governmental interventions may lead to a change in valuations of securities that is detrimental to the Master Fund’s investments. Such intervention is subject to inherent uncertainties relating to prevailing economic conditions and political considerations.

The Manager believes that it is possible that emergency intervention may take place again in the future. The Manager also believes that the regulation of financial markets is likely to be increased in the future. It is impossible to predict the impact of any such intervention and/or increased regulation on the performance of the Master Fund or the fulfilment of its investment objective.

- **Market Disruptions**

The Master Fund may incur major losses in the event of disrupted markets and/or other extraordinary events which may affect markets in a way that is not consistent with historical pricing relationships. The risk of loss from a disconnect with historical prices is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to the Master Fund from its banks, dealers and other counterparties will typically be reduced in disrupted markets. Such a reduction may result in substantial losses to the Master Fund. Because market disruptions and losses in one sector can cause ripple effects in other sectors, many investment vehicles may suffer heavy losses even though they are not heavily invested in disrupted markets.

In addition, market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for the Master Fund, and such events may result in otherwise historically low-risk strategies performing with unprecedented volatility and risk. A financial exchange may from time to time suspend or limit trading. Such a suspension could render it difficult or impossible for the Master Fund to liquidate affected positions and thereby expose it to losses. There is also no assurance that off-exchange markets will remain liquid enough for the Master Fund to close out positions.

- **Prime Broker and Custodian Insolvency**

The Master Fund is at risk of the Prime Broker and Custodian entering into an insolvency procedure. During such a procedure (which may last many years) the use by the Master Fund of assets held by or on behalf of the Prime Broker and Custodian may be restricted and accordingly: (a) the ability of the Manager to fulfil the investment objective may be severely constrained; (b) the Fund and/or the Master Fund may be required to suspend the calculation of the Net Asset Value and as a result subscriptions for and redemptions of Shares; and/or (c) the Net Asset Value may be otherwise affected. During such a procedure, the Master Fund is likely to be an unsecured creditor in relation to certain assets and accordingly the Master Fund may be unable to recover such assets from the insolvent estate of the Prime Broker and Custodian in full, or at all.

- **Regulatory Approval**

The Master Fund may be restricted in its investments in various countries as a foreign company, and may require the approval of various regulatory bodies. There is no guarantee that the policies of the relevant regulatory authorities towards investment by foreign companies will remain unchanged. Any adverse changes in such policies may have a significant impact on the Master Fund's ability to invest, or to dispose of Investments, in companies in countries in which such restrictions or policies exist.

- **Regulatory Risks of Hedge Funds**

The regulatory environment for hedge funds is evolving and changes therein may adversely affect the value of investments held by the Master Fund and/or the ability of the Master Fund to obtain the leverage it might otherwise obtain or to continue to implement its investment approach and achieve its investment objective. In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and self-regulatory organisations and exchanges are authorised to take extraordinary actions in the event of market emergencies. In addition, the regulatory or tax environment for derivative and related instruments and funds that engage in such transactions is evolving and may be subject to modification by government or judicial action which may adversely affect the value of the investments held by the Master Fund. The effect of any future regulatory or tax change on the Fund and/or the Master Fund is impossible to predict.

Market disruptions and the dramatic increase in the capital allocated to alternative investment strategies have led to increased governmental as well as self regulatory scrutiny of the "hedge fund" and financial services industry in general. Certain legislation proposing greater regulation of the industry, such as the Dodd-Frank Act, is considered periodically by the US Congress, as well as by the governments of non-US jurisdictions. It is impossible to predict what, if any, changes in the regulations applicable to the Fund, the Master Fund, the Manager, the markets in which the Master Fund will trade and invest or the counterparties with which it does business may be instituted in the future. Any such laws or regulations may materially adversely affect the Master Fund's ability to implement its investment approach and achieve its investment objective.

The Dodd-Frank Act seeks to regulate markets, market participants and financial instruments that previously have been unregulated and substantially alters the regulation of many other markets, market participants and financial instruments. Because certain provisions of the Dodd-Frank Act still require rulemaking by the applicable regulators before becoming fully effective and the Dodd-Frank Act mandates multiple agency reports and studies (which could result in additional legislative or regulatory action), it is difficult to predict the full impact of the Dodd-Frank Act on the Fund, the Master Fund, the Manager and the markets in which the Master Fund trades and invests or the counterparties with which it does business. The Dodd-Frank Act could result in certain investment strategies in which the Master Fund proposes to engage or may have otherwise engaged becoming non-viable or non-economic to implement. The Dodd-Frank Act and regulations adopted pursuant to the Dodd-Frank Act may materially adversely affect the Master Fund's ability to implement its investment approach and achieve its investment objective.

In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and self-regulatory organisations, including but not limited to the CFTC, and exchanges are authorised to take extraordinary actions in the event of market emergencies including, for example, the retroactive implementation of speculative position limits or higher margin requirements, the



establishment of daily price limits and the suspension of trading. The regulation of swaps, futures and/or other derivative transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by governmental, regulatory and judicial actions. The effect of any future regulatory change on the Fund and/or the Master Fund could be substantial and adverse including, for example, increased compliance costs, terms relating to margin, increased disclosure requirements, the prohibition of certain types of trading and/or the inhibition of the Master Fund's ability to implement its investment approach and achieve its investment objective.

- **Tax Considerations**

Where the Master Fund invests in securities that are not subject to withholding tax at the time of acquisition, there can be no assurance that tax may not be withheld in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof. The Master Fund may not be able to recover such withheld tax and so any such change could have an adverse effect on the Net Asset Value of the Shares. Where the Master Fund sells securities short that are subject to withholding tax at the time of sale, the price obtained will reflect the withholding tax liability of the purchaser. In the event that in the future such securities cease to be subject to withholding tax, the benefit thereof will accrue to the purchaser and not to the Master Fund.

- **US Tax-Exempt Investors**

Certain prospective investors may be subject to US federal and state laws, rules and regulations which may regulate their participation in the Fund or their engaging indirectly through the Fund in investment strategies of the types which the Master Fund may utilise from time to time. Each type of US Tax-Exempt Investor may be subject to different laws, rules and regulations and should consult with their own advisers as to the advisability and tax consequences of an investment in the Fund. Investment in the Fund by entities subject to ERISA and other tax-exempt investors requires special consideration. Trustees or administrators of such investors are urged to carefully review the matters discussed in this Private Placement Memorandum and the subscription application for US Persons.

- **AEOI and Compliance with US Withholding Requirements**

Under AEOI, certain payments made to the Fund and Master Fund may be subject to a 30% withholding tax (an "**AEOI Deduction**") and under the relevant Cayman Islands legislation the Fund and the Master Fund may be subject to financial penalties or other sanctions unless the Fund and the Master Fund comply with the requirements of the Intergovernmental Agreement ("**IGA**") between the United States and the Cayman Islands (the "**US-Cayman IGA**") (which seeks to implement the requirements of AEOI) and legislation enacted in the Cayman Islands to implement the US-Cayman IGA. Further information may be found under "**Taxation – AEOI and Similar Measures**".

A number of other jurisdictions have entered into or are committed to entering into inter-governmental agreements for the automatic cross-border exchange of tax information similar to the US-Cayman IGA, including, in particular, under a regime known as CRS. The Cayman Islands have signed, along with over 100 other countries, a multilateral competent authority agreement to implement the CRS, and have passed into law the Tax Information Authority (International Tax Compliance) (Common Reporting Standard) Regulations (Revised) (the "**CRS Regulations**") to give effect to the CRS. The CRS is similar in form and substance to the US IGA and applies in respect of each "participating jurisdiction" (as identified in a list published by the Cayman TIA). As a result of the CRS Regulations, Cayman Islands "Financial Institutions", including the Fund and/or the Master Fund, have substantially expanded international tax compliance obligations and substantially expanded reporting obligations, including the obligation to identify tax residents in participating jurisdictions under the CRS, and to report financial information to the Cayman TIA (for automatic exchange with the relevant tax authorities in participating jurisdictions). The Fund and the Master Fund may be subject to financial penalties or other sanctions if they fail to comply with the requirements of the CRS Regulations.

While the Fund and the Master Fund will each seek to satisfy its obligations under AEOI, the US-Cayman IGA, the CRS (together, the "**AEOI Regulations**") and the associated implementing legislation in the Cayman Islands to avoid the imposition of any AEOI Deductions, financial penalties and other sanctions,

the ability of the Fund and the Master Fund to satisfy obligations under the AEOI Regulations will depend on receiving relevant information and/or documentation about each Shareholder and the direct and indirect beneficial owners of the Shares (if any). The Fund and the Master Fund intend to satisfy such obligations, although there can be no assurances that they will be able to do so. In this regard, the Fund may require investors to provide any documentation or other information regarding the investors and their beneficial owners that the Fund determines is necessary or desirable for the Fund to avoid the withholding tax and otherwise comply with its obligations. There is therefore also a risk that the Fund and/or the Master Fund may be subject to one or more AEOI Deductions, financial penalties and other sanctions, any of which may have a material adverse effect on the Net Asset Value and hence on the Net Asset Value per Share.

All prospective investors and Shareholders should consult with their respective tax advisers regarding the possible implications of the AEOI Regulations and the associated implementing legislation in the Cayman Islands and any other similar legislation and/or regulations on their investments in the Fund.

- **US Investors**

Certain prospective investors may be subject to US federal and state laws, rules and regulations which may regulate their participation in the Fund or the Master Fund, as applicable, or their engaging indirectly through the Fund or the Master Fund, as applicable, in investment strategies of the types which the Master Fund may utilise from time to time. Each type of such investor may be subject to different laws, rules and regulations and should consult with their own advisers as to the advisability and tax consequences of an investment in the Fund and/or the Master Fund. Investment in the Fund or the Master Fund by entities subject to ERISA and other tax-exempt investors requires special consideration. Fiduciaries, trustees, administrators or other advisers of such investors are urged to carefully review the matters discussed in this Private Placement Memorandum and in the relevant subscription application.

The term “**US Taxable Investor**” means a US Person that is not exempt from payment of US federal income tax. The Fund is a “passive foreign investment company” (“**PFIC**”) as defined in section 1297 of the Code. The Fund will use reasonable efforts to provide Shareholders the information that would be needed by a US Taxable Investor in order to treat the Fund as a “qualified electing fund”. The cost for providing such information may be borne in part or in whole by the Fund.

- **Data Protection Act**

Under the Data Protection Act, data controllers are subject to additional obligations including, amongst others, processing personal data in accordance with lawful purposes, bearing responsibility for data processors who process personal data on their behalf, and providing data subjects with more detailed information regarding the processing of their personal data. Other obligations imposed on data controllers include personal data retention limitations and the obligation to report any personal data breach to affected data subjects and the Cayman Islands Ombudsman without undue delay. Under the Data Protection Act, data subjects are afforded additional rights, including the right to access personal data, the right to have inaccurate personal information rectified, the right to have personal data held by a data controller erased in certain circumstances, and the right to restrict or object to processing in a number of circumstances. The implementation of the Data Protection Act may result in increased operational and compliance costs being borne directly or indirectly by the Fund and the Master Fund. Further, there is a risk that measures will not be implemented correctly by the Fund and the Master Fund or their service providers. If there are breaches of these measures by the Fund and the Master Fund or their service providers, the Fund, the Master Fund or their service providers could face significant administrative fines, imprisonment, and/or be required to compensate any data subject who has suffered damage as a result as well as the Fund and the Master Fund suffering reputational damage which may have a material adverse effect on its operations and financial conditions.

- **Brexit and the European Union**

The United Kingdom is no longer a member state of the European Union. Despite the negotiation of the UK-EU Trade and Cooperation Agreement in December 2020, the future economic and political relationship between the United Kingdom and the European Union (and between the United Kingdom and other countries) remains uncertain in many respects, and a period of economic and political uncertainty may

therefore continue in the United Kingdom and the European Union. The relevant regulatory authorities in the United Kingdom may in the future make changes to their rules which deviate from the standards applicable in the European Union. Such changes may be adverse to the Manager's ability to operate effectively and/or to the Fund and the Master Fund. The on-going negotiations between the United Kingdom and the European Union in respect of their relationship may lead to unpredictable outcomes, such as market volatility or impacting on certain asset classes. Other Member States of the European Union may also reconsider their European Union membership. This could result in one or more other countries leaving the European Union, or in major reforms or changes being made to the Eurozone.

- **Epidemics, Pandemics and Other Health Risks**

Many countries have experienced infectious illnesses in recent decades, including swine flu, avian influenza, SARS and 2019-nCoV or COVID-19 (the "**Coronavirus**"). In December 2019, an initial outbreak of the Coronavirus was reported and, since then, a large and growing number of cases have been confirmed around the world. The Coronavirus outbreak has resulted in numerous deaths and the imposition of both local and more widespread "work from home" and other quarantine measures, border closures and other travel restrictions causing social unrest and commercial disruption on a global scale. The World Health Organization has declared the Coronavirus outbreak a pandemic.

The ongoing spread of the Coronavirus has had and will continue to have a material adverse impact on local economies in the affected jurisdictions and also on the global economy as cross-border commercial activity and market sentiment are increasingly impacted by the outbreak and government and other measures seeking to contain its spread. In addition to these developments having potentially adverse consequences for the portfolios and the value of the Master Fund's investments therein, the operations of the Fund, the Master Fund and the Manager have been, and could continue to be, adversely impacted, including through quarantine measures and travel restrictions imposed on their personnel or service providers based around the world, and any related health issues of such personnel or service providers. Any of the foregoing events could materially and adversely affect the Master Fund's ability to source, manage and divest its investments and its ability to fulfil its investment objectives (which, in turn, would adversely affect the performance of the Fund). Similar consequences could arise with respect to other comparable infectious diseases.

- **Ukraine Conflict/Russian Sanctions**

The military conflict in Ukraine continues to adversely impact global commercial activity through the disruption of manufacturing supply chains and has contributed to significant volatility in financial markets. The long-term effect and duration of this disruption to local and global economies is uncertain and may have a continued adverse impact on general economic conditions, market conditions and market liquidity. This may trigger a period of continued global economic slowdown which may have an impact on the potential investment opportunities of the Master Fund. In addition, many countries, including the Cayman Islands, the United States, the United Kingdom and certain European countries have imposed sanctions on Russia, Russian individuals and businesses affiliated with Russia. Although uncertain, the potential impact of such sanctions, and Russia's response to them, may result in additional market disruptions and may negatively affect the operations and the performance of the Master Fund and/or the Master Fund's ability to fulfil its investment objectives. The global sanctions response has been rapidly evolving and may limit the Master Fund's potential investment opportunities and/or disrupt its cash flow or liquidity if any investor, counterparty or other persons doing business with the Fund and/or the Master Fund become a sanctioned entity. As a result, the Fund and/or the Master Fund may have exposure to transactions that directly or indirectly involve sanctioned parties and that may pose liability and compliance risks for the Fund and/or the Master Fund.

- **Climate Change and Transition to a Low Carbon Economy**

Climate change brings risks for a wide range of businesses and customers and for wider society. Climate change could impact the Master Fund's investments in the form of both transition and physical risks. Transition risks arise from the move to a low-carbon economy, such as through policy, regulatory and technological changes. It is expected that there will be a rapid increase in regulatory expectations across multiple jurisdictions in short timeframes and this could adversely impact investments where such companies struggle to adapt to the new requirements. Physical risks can arise through increasing severity

and/or frequency of severe weather events (such as storms, heat waves and flash floods) other climatic events (e.g. sea level rise, flooding, droughts, heat stress, wildfires). Investee companies may be or become subject to a range of factors that may adversely affect their business, operations or results. These may include the need for substantial investment with high financing costs for capital projects, high levels of debt and interests costs, significant costs to meet legal and regulatory obligations or conditions which could change, the cost of technical development and technical developments not delivering the intended results and potentially producing adverse consequences, excess capacity, competition for or shortage of the materials and skilled personnel required, increased competition from other providers of relevant services, changing energy conservation policies, potential reliance on subsidies which could be amended, reduced or removed, disruption in operations and changes in market sentiment towards the sector. The Manager will attempt to determine what it believes to be significant or material climate risks related to the Master Fund's potential portfolio holdings and manage that risk accordingly. The Manager cannot guarantee that it will be in a position to uncover all climate related risks in respect of the positions it considers for the Master Fund's portfolio or that it will be able to successfully manage such risks.

The nature and extent of the impact of these factors on the Fund, the Master Fund and the Manager are uncertain, but may be significant.

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Fund. Prospective Shareholders should read this entire Private Placement Memorandum and consult with their own legal, tax and financial advisers before deciding to invest in the Fund.**

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# TAXATION

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*The following is based on the Fund's understanding of certain aspects of the law and practice currently in force in the Cayman Islands and Hong Kong. There can be no guarantee that the tax position or proposed tax position at the date of this Private Placement Memorandum or at the time of an investment will endure indefinitely.*

***Investors should consult their professional advisers on the possible tax and other consequences of their subscribing for, purchasing, holding, selling or redeeming Shares under the laws of their country of incorporation, establishment, citizenship, residence or domicile.***

## **Cayman Islands**

The Government of the Cayman Islands will not, under existing legislation, impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax upon the Fund, Master Fund or the Shareholders. The Cayman Islands are not party to a double tax treaty with any country that is applicable to any payments made to or by the Fund or the Master Fund.

Each of the Fund and the Master Fund is registered as an exempted company, limited by shares, under Cayman Islands law. [As such, each has applied for and has received, an undertaking from the Financial Secretary of the Cayman Islands that, in accordance with section 6 of the Tax Concessions Act (Revised) of the Cayman Islands, for a period of twenty (20) years from the date of the relevant undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations applies to the Fund, the Master Fund or their operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax is payable: (i) on or in respect of the shares, debentures or other obligations of the Fund or the Master Fund; or (ii) by way of the withholding in whole or in part of a payment of dividend or other distribution of income or capital by the Fund or the Master Fund to their members or a payment of principal or interest or other sums due under a debenture or other obligation of the Fund or the Master Fund. ]

No stamp duty is levied in the Cayman Islands on the transfer or redemption of Shares or the participating shares of the Master Fund.

## **Hong Kong**

### *General*

Hong Kong imposes profits tax at a flat rate of sixteen point five per cent (16.5%) on incorporated persons, such as the Fund and the Master Fund, on profits (i) which have a Hong Kong source, and (ii) which arise in or are derived from a trade, profession or business carried on in Hong Kong by a person in his own name or by another person who has the authority to negotiate and conclude contracts on his behalf and who habitually exercises the authority to do so in Hong Kong. The Fund and the Master Fund will not be subject to Hong Kong profits tax on gains derived from the sale of capital assets. However, gains which are considered to be derived from a trading activity carried on in Hong Kong are subject to Hong Kong profits tax if such gains are Hong Kong sourced. Whether a gain is capital in nature is a question of fact.

It should be noted that while gains derived from the sale of capital assets for Hong Kong profits tax purposes are excluded from taxation in Hong Kong, a tax exempt capital gain claim is generally quite contentious in Hong Kong so it may not necessarily be true that the Fund or the Master Fund can rely on a tax free capital gain claim.

Hong Kong sourced profits that are taxable may include profits arising from the disposal of securities listed on and executed through The Stock Exchange of Hong Kong Limited, unlisted securities or listed securities over-the-counter where the purchase and/or sale contracts are effected in Hong Kong. The term "effected" in this context does not only refer to the execution of the contracts or where the investment / divestment

decisions are made but also includes the negotiation and all steps leading to the final conclusion of the contracts. Interest income is generally sourced where the monies are first made available to the borrower. If the monies are first made available to the borrower in Hong Kong, then the interest income arising therefrom should be regarded as Hong Kong sourced. This is on the basis that the lender is not in the business of borrowing and lending money / or active investment. Interest income arising from certain debt instruments where the loan funds were first made available to the issuer in Hong Kong is also subject to the Hong Kong profits tax. Note that different rules apply if the Fund is regarded as carrying on a money lending or active investment business. Interest on local bank deposits is statutorily tax exempt provided certain conditions are fulfilled.

Dividend income is generally not taxable for Hong Kong profits tax purposes. There is no Hong Kong withholding tax on dividends and interest paid to Hong Kong and non-Hong Kong residents. In addition, there is no general turnover, sales or value added tax imposed in Hong Kong. (However, dividend received from a Hong Kong listed company may be subject to PRC withholding tax if that Hong Kong company is considered as a PRC tax resident enterprise (a “TRE”). Disposal gain of such TRE may also be subject to PRC withholding tax.)

### *The Fund and the Master Fund*

Under the Inland Revenue (Profits Tax Exemption for Funds) Ordinance 2019 which amends the Inland Revenue Ordinance (Cap 112 of the laws of Hong Kong) (the “IRO”) effective 1 April 2019, profits derived by the Fund and the Master Fund should be exempted from Hong Kong profits tax, provided all of the conditions listed below are met. These conditions, as they pertain to an investment fund (an “Exempted Fund”), are:

- (A) the Exempted Fund must fall within the definition of “fund” set out in Section 20AM of the IRO;
- (B) the otherwise assessable profits of the Exempted Fund are derived from “qualifying transactions” or “incidental transactions” (see paragraph below). “Qualifying transactions” are specified in Schedule 16C of the IRO as transactions in “securities”; “shares, stocks, debentures, loan stocks, funds, bonds or notes of, or issued by, a private company”; “futures contracts”; “foreign exchange contracts”; “deposits other than by way of a money-lending business”; “deposits made with a bank”; “certificates of deposit”; “foreign currencies”; “exchange-traded commodities”; “OTC derivative products”; and “an investor company’s shares co-invested under the ITVF Scheme” (as defined in the IRO). The meaning of “securities” is widely defined and includes shares, stocks, debentures, loan stocks, funds, bonds, or notes of, or issued by a “special purpose entity” as defined in the IRO;
- (C) either:
  - i. the “qualifying transactions” have been carried out by or through, or arranged by, a “specified person” i.e., an authorised institution registered under the SFO or a corporation holding any licenses issued by the SFC under Part V of the SFO; or
  - ii. the Exempted Fund is a “qualified investment fund” (as defined in the IRO); and
- (D) the Exempted Fund must not be a business undertaking for general commercial or industrial purposes.

Income arising from transactions incidental to the “qualifying transactions” (i.e. incidental transactions) should not exceed five per cent (5%) of the total trading receipts of the Exempted Fund otherwise these may be taxable. Please note that currently the IRD considers that interest income is income from incidental transaction and should be taxable if the interest income is Hong Kong sourced and the five per cent (5%) threshold is exceeded.

The Hong Kong profits tax exemption under the IRO also applies to “special purpose entities” held by the Fund in respect of its transactions in the shares/interests of an “interposed special purpose entity” or a private company provided that they satisfy certain conditions.



Stamp duty is levied in Hong Kong on the transfer of “Hong Kong stock” (as defined) under the Stamp Duty Ordinance (Cap 117 of the laws of Hong Kong). Hong Kong stamp duty is imposed at the current rate of zero point one per cent (0.1%) on the consideration or the fair market value on the transfer of Hong Kong stock, whichever is higher, plus a fixed duty of HK\$5 on the instrument of transfer. The purchaser and the seller will each be liable for the Hong Kong stamp duty upon such acquisition or disposal (i.e. a total of zero point two per cent (0.2%) for a completed transaction).

### *The Shareholders*

Distributions by way of a dividend by the Fund or the Master Fund to the Shareholders should generally not be subject to Hong Kong profits tax in the hands of the Shareholders.

In relation to profits derived by certain Shareholders (e.g. dealers in securities, financial institution, insurance company) from the disposal or redemption of an investment in the Fund, such profits may be subject to Hong Kong profits tax if those Shareholders are considered as carrying on a trade, profession or business in Hong Kong and such profits are regarded as Hong Kong sourced profits of trading nature. Shareholders should consult their own professional advisers on the possible taxation consequences of their subscribing for, buying, holding, transferring, selling, redeeming or otherwise disposing of the Shares, in the context of their particular situation.

The Exemption Ordinance contains certain anti-avoidance provisions (the “**Deeming Provisions**”) which deem certain Hong Kong residents to have derived assessable profits from an Exempted Fund despite no distribution being made by the Exempted Fund. These Deeming Provisions may apply, inter alia, where the Hong Kong resident, alone or with his “associates” (as defined in the IRO), holds thirty per cent (30%) or more of the beneficial interest in the relevant Exempted Fund or where such Hong Kong resident is an “associate” (as defined in the IRO) of the Exempted Fund. The Deeming Provisions would not apply if the IRD is satisfied that the Fund and the Master Fund are bona fide widely held.

Additionally, if such Exempted Fund also has a beneficial interest, whether direct or indirect or both, in a tax exempt “special purpose vehicle”, the Deeming Provisions would also apply with respect to the profits derived from the Hong Kong resident’s share in such tax exempt “special purpose vehicle”. However, a Hong Kong resident person would not be liable to tax in respect of its profits if an interposed person is already taxed on the same profits. Hong Kong resident investors are required to disclose in the tax return whether they have any deemed assessable profits arising from the Deeming Provisions of the IRO.

Hong Kong stamp duty will not be imposed on the issuance of new Shares by the Fund. As the Fund is an exempted company incorporated with limited liability in the Cayman Islands, on the basis that the register of members of the Fund is not maintained in Hong Kong, the Shares should not constitute “Hong Kong stock” as defined under the Stamp Duty Ordinance (Cap 117 of the laws of Hong Kong). Therefore purchase and sale of the Shares by Shareholders should not be subject to Hong Kong stamp duty.

This Hong Kong tax disclosure is general in nature and does not purport to cover all Hong Kong tax consequences of investing in the Fund and / or the Master Fund.

### **United States**

Persons interested in subscribing for the Fund’s Shares should consult their own tax advisors with respect to the tax consequences, including the income tax consequences, if any, to them of the purchase, holding, redemption, sale or transfer of Shares.

In general, the Fund’s investment and trading gains are not expected to be subject to US federal income or branch profits taxes because the Fund intends to structure its investments and operations so that it will not be treated as engaged in a “trade or business” in the United States for US federal income tax purposes. However, the Fund may earn certain US source interest income and dividend income that are subject to US federal withholding tax at a rate of 30%. This tax will apply even if the Fund complies with its obligations under the AEOI (as discussed below).

Currently, the Fund is classified as a foreign corporation for United States federal income tax purposes. The Master Fund has elected to be classified as a partnership for US federal income tax purposes.

## **AEOI and Similar Measures**

The Cayman Islands have signed a Model 1 IGA with the United States (the "**US-Cayman IGA**") to give effect to AEOI. Pursuant to the US-Cayman IGA and the related Cayman Islands legislation, regulations and guidance, the Fund and the Master Fund are required to report certain information about "Specified US Persons" (as defined in the US-Cayman IGA) that own, directly or indirectly, an interest in the Fund or the Master Fund. If the Fund and the Master Fund do not comply with these obligations, they may be subject to a 30% withholding tax on certain payments to them of US source income (an "**AEOI Deduction**"), and to financial penalties or other sanctions under the relevant Cayman Islands legislation.

Under the terms of the current US-Cayman IGA, neither the Fund nor the Master Fund will generally be required to withhold tax on payments made to an account holder (i.e. a Shareholder) or to close recalcitrant accounts. The Fund and the Master Fund will be required to report certain information in respect of any "Specified US Persons" to the Cayman TIA and the Cayman TIA will exchange this information, on an automatic basis annually, with the US Internal Revenue Service.

A number of other jurisdictions have entered into or are committed to entering into inter-governmental agreements for the automatic cross-border exchange of tax information similar to the US-Cayman IGA, including, in particular, under the CRS. The Cayman Islands have signed, along with over 100 other countries, a multilateral competent authority agreement to implement the CRS, have passed into law the CRS Regulations to give effect to the CRS. The CRS is similar in form and substance to the US-Cayman IGA and applies in respect of each "participating jurisdiction" (as identified in a list published by the Cayman TIA). As a result of the CRS Regulations Cayman Islands "Financial Institutions", including the Fund and the Master Fund, have substantially expanded international tax compliance obligations and substantially expanded reporting obligations, including the obligation to identify tax residents in participating jurisdictions under the CRS, and to report related financial information to the Cayman TIA (for automatic exchange with the relevant tax authorities in participating jurisdictions). The Fund and the Master Fund may be subject to financial penalties or other sanctions if they fail to comply with the requirements of the CRS Regulations.

While the Fund and the Master Fund will each seek to satisfy its obligations under the AEOI Regulations and the associated implementing legislation in the Cayman Islands to avoid the imposition of any AEOI Deductions, financial penalties and other sanctions, the ability of the Fund and the Master Fund to satisfy obligations under the AEOI Regulations will depend on receiving relevant information and/or documentation about each Shareholder and the direct and indirect beneficial owners of the Shares (if any). There can be no assurance that the Fund and/or the Master Fund will be able to satisfy such obligations. In this regard, the Fund may require investors to provide any documentation or other information regarding the investors and their beneficial owners that the Fund determines is necessary or desirable for the Fund to avoid the withholding tax and otherwise comply with its obligations. If a Shareholder, or any related party, causes the Fund and/or the Master Fund to suffer a AEOI Deduction, financial penalty, or other cost, expense or liability, or the Fund is required to make a AEOI Deduction from such Shareholder, the Fund may take any action available to it to ensure that the AEOI Deduction or financial penalty and other associated costs, expenses and liabilities are economically borne by such Shareholder. Such action may (without limitation) include the compulsory redemption of any Shares held by such Shareholder, and the Fund reducing or refusing to make payment to such Shareholder of any redemption or dividend proceeds and requiring such Shareholder to pay an indemnity.

By investing (or continuing to invest) in the Fund, investors shall be deemed to acknowledge that: (i) the Fund and/or the Master Fund (or their agents or delegates) may be required to disclose to the Cayman TIA certain confidential information in relation to the investor, including, but not limited to, the investor's name, address, tax identification number (if any), social security number (if any) and certain information relating to the investor's investment; (ii) the Cayman TIA may be required to automatically exchange information as outlined above with the Internal Revenue Services of the United States ("**IRS**"), HM Revenue & Customs, the United Kingdom tax authority ("**HMRC**") and other fiscal authorities ("**Competent Authorities**") of CRS participating jurisdictions; (iii) the Fund and/or the Master Fund (or their agents or delegates) may be



required to disclose to the IRS, HMRC and other Competent Authorities certain confidential information when registering with such authorities and if such authorities contact the Fund and/or the Master Fund (or their agents or delegates directly) with further enquiries; (iv) the Fund and/or Master Fund may require the investor to provide additional information and/or documentation which the Fund and/or Master Fund may be required to disclose to the Cayman TIA; (v) in the event an investor does not provide the requested information and/or documentation and/or has not itself complied with the applicable requirements, whether or not that actually leads to compliance failures by the Fund and/or Master Fund, or a risk of the Fund, its investors and/or the Master Fund being subject to withholding tax under the relevant legislative or inter-governmental regime, the Fund and/or the Master Fund reserve the right to take any action and/or pursue all remedies at their disposal, including, without limitation, compulsory redemption or withdrawal of the investor concerned; and (vi) no investor affected by any such action or remedy shall have any claim against the Fund and/or the Master Fund (or their agent or delegates) for any form of damages or liability as a result of actions taken or remedies pursued by or on behalf of the Fund and/or the Master Fund in order to comply with any of the US-Cayman IGA, the CRS Regulations or any future intergovernmental agreements or agreements, laws or regulations entered into or implemented by the Cayman Islands for the purpose of ensuring and/or enhancing international tax transparency.

All prospective investors should consult with their own tax advisers regarding the possible implications of the AEOI Regulations and the associated implementing legislation in the Cayman Islands and any other similar legislation and/or regulations on their investments in the Fund.

### **Other Jurisdictions**

It is possible that certain dividends, interest and other income received by the Fund and the Master Fund from sources within certain countries may be subject to withholding taxes imposed by such countries. The Fund and the Master Fund may also be subject to capital gains taxes or other taxes in some of the countries where they purchase and sell securities or otherwise conduct business. It is impossible to predict in advance the rate of tax that will be paid since the amount of the assets of the Fund and the Master Fund to be invested in various countries is uncertain.

### **General**

The receipt of dividends (if any) by Shareholders, the redemption, exchange or transfer of Shares and any distribution on a winding-up of the Fund may result in a tax liability for the Shareholders according to the tax regime applicable in their various countries of residence, citizenship or domicile. Shareholders resident in or citizens of certain countries which have anti-offshore fund legislation may have a current liability to tax on the undistributed income and gains of the Fund. The Directors, the Fund, the Master Fund and each of the Fund's and the Master Fund's agents have no liability in respect of the individual tax affairs of Shareholders.

The Master Fund may be subject to income taxes or withholding taxes in the various jurisdictions in which the Master Fund invests.

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# ERISA AND RETIREMENT PLAN CONSIDERATIONS

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The following is a summary of certain aspects of laws and regulations applicable to retirement plan investments as in existence on the date hereof, all of which are subject to change. This summary is general in nature and does not address every issue that may be applicable to the Fund or a particular investor.

The Fund may accept subscriptions from pension and profit-sharing plans maintained by US corporations and/or unions, individual retirement accounts and Keogh plans, entities that invest the assets of such accounts or plans and other entities investing plan assets (all such entities are herein referred to as “**Benefit Plan Investors**”) as well as subscriptions from plans maintained by governmental entities, churches and non-US companies. It is not anticipated that the assets of the Fund or the Master Fund will be subject to ERISA or the prohibited transaction provisions of Section 4975 of the Code because the Fund and the Master Fund intend to limit the investments by Benefit Plan Investors. It is further anticipated that the assets of the Fund and the Master Fund will not be subject to any other law or regulation specifically applicable to Similar Laws. Under ERISA and the regulations thereunder, the Fund’s assets will not be deemed to be plan assets subject to Title I of ERISA or Section 4975 of the Code if less than 25% of the value of each class of equity interest in the Fund is held by Benefit Plan Investors, excluding from this calculation any non-Benefit Plan Investor interests held by the Manager and certain affiliated persons or entities. The Fund will not knowingly accept subscriptions for Shares or permit transfers of Shares to the extent that such investment or transfer would subject the Fund’s assets to Title I of ERISA, Section 4975 of the Code or Similar Laws. In addition, the Fund has the authority to require the redemption of all or some of the Shares held by any Benefit Plan Investor or other plan investor if the continued holding of such Shares, in the opinion of the Manager or Directors, could result in the Fund being subject to Title I of ERISA, Section 4975 of the Code, or any Similar Laws.

Certain duties, obligations and responsibilities are generally imposed on persons who serve as fiduciaries with respect to employee benefit plans or accounts (“**Plans**”). For example, ERISA and the Code prohibit acts of fiduciary self-dealing and certain transactions between Plans and “parties-in-interest” or “disqualified persons” (as such terms are defined in ERISA and the Code). In the Fund’s subscription application, each Plan Investor will be required to make certain representations, including that the person who is making the decision to invest in the Fund is independent and has not relied on any advice from the Fund, the Manager, any placement agent associated with the Fund, or any of their affiliates with respect to the investment in the Fund. Accordingly, Plan fiduciaries should consult their own investment advisers and their own legal counsel regarding the investment in the Fund and its consequences under applicable law, including ERISA, the Code and any Similar Laws.

All Plans subject to Title I of ERISA (“**ERISA Plans**”) are required to file annual reports (Form 5500) with the US Department of Labor setting forth the fair market value of all ERISA Plan assets. Under ERISA’s general reporting and disclosure rules, ERISA Plans are required to include information regarding their assets, expenses and liabilities. To facilitate a Plan administrator’s compliance with these requirements, it is noted that the descriptions of the fees and expenses contained in this Private Placement Memorandum, including but not limited to the Management Fee and the Performance Fee each payable to the Manager, as supplemented annually by the Fund’s audited financial statements and the notes thereto, are intended to satisfy the alternative reporting option for “eligible indirect compensation” on Schedule C of Form 5500.

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# GENERAL AND STATUTORY INFORMATION

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*The information in this section includes a summary of some of the provisions of the Memorandum and Articles of Association of the Fund and material contracts described below and is provided subject to the general provisions of each of such documents.*

## **The Fund**

The Fund is an exempted company incorporated with limited liability in the Cayman Islands under the Companies Act with registration number OC-409237 on 19 April 2024. Its constitution is defined in its Memorandum and Articles of Association. The Fund's objects, as set out in Clause 3 of its Memorandum of Association, are unrestricted and so include the carrying on of the business of an investment company.

Each of the Fund and the Master Fund will apply, and expects, to be registered as a mutual fund pursuant to section 4(3) of the Mutual Funds Act and will therefore be regulated as a mutual fund by the Monetary Authority. As a section 4(3) mutual fund, the minimum initial investment purchasable by an investor in the Fund or the Master Fund is CI\$80,000 (or its equivalent in another currency, approximately US\$100,000).

The Monetary Authority has supervisory and enforcement powers to ensure compliance with the Mutual Funds Act. Regulation under the Mutual Funds Act entails the filing of prescribed details and audited accounts annually with the Monetary Authority. As a regulated mutual fund, the Monetary Authority may at any time instruct the Fund or the Master Fund to have its or their accounts audited and to submit them to the Monetary Authority within such time as the Monetary Authority specifies. Failure to comply with these requests by the Monetary Authority may result in substantial fines on the part of the directors of the Fund or the Master Fund, as applicable, and may result in the Monetary Authority applying to the court to have the Fund or the Master Fund wound up.

Neither the Fund nor the Master Fund are, however, subject to supervision in respect of their investment activities or the constitution of the Master Fund's portfolio by the Monetary Authority or any other governmental authority in the Cayman Islands, although the Monetary Authority does have power to investigate the activities of the Fund and the Master Fund in certain circumstances. Neither the Monetary Authority nor any other governmental authority in the Cayman Islands has commented upon or approved the terms of this document or the merits of an investment in the Fund. There is no investment compensation scheme available in the Cayman Islands to investors.

The Monetary Authority may take certain actions if it is satisfied that a regulated mutual fund is or is likely to become unable to meet its obligations as they fall due or is carrying on or is attempting to carry on business or is winding up its business voluntarily in a manner that is prejudicial to its investors or creditors. The powers of the Monetary Authority include the power to require the substitution of the directors of the Fund or the Master Fund, to appoint a person to advise the Fund or the Master Fund on the proper conduct of its affairs or to appoint a person to assume control of the affairs of the Fund or the Master Fund, as the case may be. There are other remedies available to the Monetary Authority including the ability to apply to court for approval of other actions.

## **Share Capital**

The Fund has an authorised share capital of US\$50,000 divided into 100 Management Shares of US\$1.00 par value each and 4,990,000 Shares.

The authorised share capital of the Fund may be increased or reduced subject to the provisions of the Articles and the Companies Act. The Directors are authorised under the Articles to resolve from time to time the Class to which Shares are to be designated and/or re-designated. The Management Shares are held by Honghu Capital Management Cayman Company Limited.

The Articles provide that unissued shares of the Fund are at the disposal of the Directors who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Directors may determine. All Shares will be issued in registered form only.

Prospective investors should note that there are no provisions under the laws of the Cayman Islands or under the Articles conferring pre-emption rights on the holders of Shares or Management Shares.

No capital of the Fund is under option or agreed conditionally or unconditionally to be put under option.

### **Rights of the Management Shares**

The Management Shares carry no right to dividends and no other right to participate in the profits or assets of the Fund and on a winding up rank only for the return of the capital paid up thereon after the return of the capital paid up (being the total par value) on the Shares. Management Shares are not redeemable at the option of their holders.

While the Fund continues to be registered as a “regulated mutual fund” for the purposes of the Mutual Funds Act, except as set out in the section headed “**Variation of Rights Attaching to a Class or Series**” or “**Change of Directors**”, the holders of the Management Shares have the exclusive right to vote at general meetings (to the exclusion of the holders of the Shares) in respect of all matters relating to the Fund including:

- the appointment or removal of any Director;
- any alteration or amendment of the authorised share capital of the Fund;
- any change in the name of the Fund;
- the winding up of the Fund; and
- any amendment to the Articles including to conform them to the terms of this Private Placement Memorandum (unless such amendment is considered to have a material adverse effect on the rights attached to Shares as described in the section below headed “**Variation of Rights Attaching to a Class or Series**”).

Each holder of Management Shares is entitled to one vote for each such Management Share held by him on a poll and has one vote on a show of hands.

### **Rights of the Shares**

The Shares carry an equal right to such dividends and other distributions as the Directors may declare for the relevant Series, pro rata based on the Net Asset Value per Share. On a winding-up, the Shares are entitled, in priority to the Management Shares, to the return of the capital paid up thereon (being the total par value) and the surplus assets of the Fund attributable to each Series of Shares will be distributed among the holders of Shares by reference to the Series Account attributable to the relevant Class or Series of Shares.

### **Change in Share Capital**

The Fund may, by the resolution of holders of the Management Shares, increase or reduce its authorised share capital, divide all or any of its share capital into shares of smaller amount or combine all or any of its share capital into shares of larger amount.

## Variation of Rights Attaching to a Class or Series

The rights attaching to Shares of any Class may be varied or abrogated either whilst the Fund is a going concern or during or in contemplation of a winding up without the consent of the holders of the issued Shares of that Class where the Directors consider the effect of such variation or abrogation is not materially adverse to rights attaching to those Shares; otherwise, any such variation or abrogation may be made with the consent in writing of Shareholders holding two-thirds of the votes entitled to be cast by holders (in person or by proxy) of Shares on a poll at a general meeting of the Class affected by the proposed variation or abrogation of rights, or with the sanction of a resolution of such Shareholders holding not less than two-thirds of the votes which could be cast by holders of Shares of that Class (in person or by proxy) at a general meeting of the Class affected. For the purpose of soliciting consent in writing, the Directors may cause notice of the proposed variation or abrogation to be given to all affected Shareholders with objections to be received prior to a date falling not less than 14 days after notice is given or provide all affected Shareholders with an opportunity to redeem their Shares prior to the variation or abrogation becoming effective; in either case a Shareholder who fails to object or redeem within the relevant timeframe shall be deemed to have consented. For such purposes the Directors may treat one or more Classes of Shares as forming one Class if they consider that all such Classes would be affected in the same way by the proposals under consideration and that there would be no conflict of interest between them, but in any other case shall treat them as separate Classes, as the case may be. At a general meeting of the holders of the Shares of the relevant Class, all voting will be by poll and each holder who is present in person or by proxy will have one vote for every US\$1.00 of the aggregate Net Asset Value per Share of its Shares.

For the avoidance of doubt, the Directors reserve the right, notwithstanding that any such variation may not have a material adverse effect, to obtain consent from the holders of such Shares.

Each subscriber for Shares will be required to agree that the terms of offer set out in the applicable subscription agreement and the rights attaching to the Shares can be varied in accordance with the provisions of the Articles.

The Articles provide that, in relation to any Class consent required pursuant to the "Variation of Share Rights" Article, the Directors in their discretion may invoke the following procedure (the "**Negative Consent Procedure**").

The Directors will provide written notice in respect of the proposed variation (the "**Proposal**") to the Shareholders of the affected Class or Series and will specify a deadline (the "**Redemption Request Day**"), which must be no earlier than thirty (30) days after the date of giving such notice, by which date such Shareholders may submit a written request for redemption of some or all of their Shares of the affected Class or Series on the Redemption Day (the "**Specified Redemption Day**") specified by the Directors in such notice.

The terms of the Proposal will be such that its specified effective date (the "**Effective Date**") must not be on or prior to the Specified Redemption Day. Such notice will further provide that the holders of any Shares in respect of which a request for redemption has not been received by the Redemption Request Day (the "**Affected Shares**") will, in the absence of express written refusal to consent, be deemed to have consented in writing to the Proposal (such Affected Shares being the "**Negative Consent Shares**").

In the event that the Negative Consent Procedure is followed, only the Affected Shares will be considered for the purposes of determining whether the written consent majority has been obtained under the "Variation of Share Rights" Article with the holders of the Negative Consent Shares being deemed to have submitted a written consent in favour of the Proposal on the Effective Date.

## Transfer of Shares

Subject to the restrictions set out under the section headed "**Subscriptions**" above and the prior written consent of the Directors, Shares are transferable by written instrument of transfer signed by (or in the case of a transfer by a body corporate, signed on behalf of or sealed by) the transferor and the transferee and

containing the name and address of the transferor and the transferee. The instrument of transfer must be in such form as the Directors approve. The transfer of Shares may only be conducted in accordance with the anti-money laundering policies and procedures of the Administrator.

In the case of the death of any one of joint Shareholders, the survivor(s) will be the only person or persons recognised by the Fund as having any title to the interest of the deceased joint Shareholder in the Shares registered in the names of such joint Shareholders.

Shareholders wishing to transfer Shares must sign the form of transfer in the exact name or names in which the Shares are registered, indicate any special capacity in which they are signing and supply all other required details. The completed form of transfer, duly stamped if applicable, together with such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, must be sent to the Administrator.

The transfer takes effect upon the registration of the transferee in the register of members. If the transferee is not already a Shareholder, he or she will be required to complete a subscription application and comply with all eligibility and identification requirements for an applicant for Shares.

No transfer may be made which would result in either the transferor or the transferee remaining or being registered (as the case may be) as the holder of Shares valued at less than the Minimum Holding at the time of such intended transfer.

The Directors may decline to register a transfer without giving any reason for doing so.

For the purposes of calculating the Performance Fee, a transfer of Shares as a consequence of an acquisition in the secondary market will be treated as if there was a redemption of such Shares by the transferor and a subscription (at the Subscription Price) for such Shares by the transferee on the date of the transfer. The Performance Fee payable by the transferor will be calculated as though the day of transfer was the end of a Calculation Period.

### **Publication of Prices**

The Directors may apply to newspapers or periodicals for publication of the Net Asset Value per Share, although there is presently no intention to do so. The most recent Net Asset Value per Share will be available from the Administrator on request.

### **Compulsory Redemption and Transfer**

Shareholders are required to notify the Fund and the Administrator immediately if at any time they become a US Person or hold Shares for the account or benefit of a US Person or are otherwise an Ineligible Applicant.

When the Directors become aware that a Shareholder: (A) has become an Ineligible Applicant; (B) is holding Shares in breach of any law or regulation or otherwise in circumstances having or which may have adverse regulatory, tax, pecuniary or material administrative disadvantages for the Fund or its Shareholders; or (C) has failed to provide any information or declaration required by the Directors within ten (10) days of being requested to do so, the Directors may either (i) direct such Shareholder to redeem the relevant Shares or to transfer them to a person who is qualified or entitled to own or hold such Shares or (ii) redeem the relevant Shares.

Any person who becomes aware that he is holding Shares in contravention of any of the above provisions and who fails to transfer or redeem his Shares pursuant to the above provisions must indemnify and hold harmless each of the Directors, the Fund, the Manager, the Investment Advisor, the Administrator and the Shareholders (each an “**Indemnified Party**”) from any claims, demands, proceedings, liabilities, damages, losses, costs and expenses directly or indirectly suffered or incurred by such Indemnified Party arising out of or in connection with the failure of such person to comply with his obligations pursuant to any of the above provisions.



The Directors may cause the Fund to redeem Shares where during a period of six (6) years no cheque in respect of any dividend on the Shares has been cashed and no acknowledgement has been received in respect of any confirmation of ownership of the Shares sent to the Shareholder, and require the redemption proceeds to be held in a separate interest-bearing account. Any unclaimed dividends may be forfeited after six (6) years and, on forfeiture, form part of the assets of the Fund.

## **The Master Fund**

The Master Fund is an exempted company incorporated with limited liability in the Cayman Islands under the Companies Act on 19 April 2024 with registration number OC-409236. Unless otherwise specifically stated herein, subscriptions, redemptions calculations of net asset value and other corporate mechanics taking place at the Master Fund level will generally be effected in a manner equivalent to those taking place at the Fund level (as more specifically set out in this Private Placement Memorandum and the Articles), save that any fees or expenses charged at the Fund level will not also be charged at the Master Fund level.

## **Share Capital of the Master Fund**

The authorised share capital of the Master Fund is US\$50,000 divided into 100 management shares of US\$1.00 par value each and 4,990,000 participating shares of US\$0.01 par value each. The shares and management shares in the Master Fund carry similar rights and are subject to similar provisions as the Shares and Management Shares of the Fund. The management shares in the Master Fund are held by Honghu Capital Management Cayman Company Limited.

## **Borrowing**

As at the date of this Private Placement Memorandum, neither the Fund nor the Master Fund has any loan capital (including term loans) outstanding or created but unissued, and no outstanding mortgages, charges or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances or acceptance credits, hire purchase or finance lease commitments, or guarantees or other contingent liabilities.

The Directors are authorised under the Articles to exercise all powers of the Fund and the Master Fund, as the case may be, to borrow money.

## **Liquidity Risk Management**

The Manager has put in place measures to effectively manage the liquidity risk of the Master Fund. The Manager's risk management function monitors the implementation of liquidity risk management policies on a day-to-day basis. The risk management function regularly communicates with the portfolio managers of the Master Fund's liquidity risk issues. The Manager also has put in place liquidity risk management tools (such as those described under the "**Redemption**" section as well as their constant monitoring of the liquidity of shares held by the Master Fund which allows the Manager to process redemptions in an orderly manner and to ensure that all investors are treated fairly.

On an ongoing basis, the Manager's risk management function will assess the Master Fund's liquidity position against internal liquidity indicators. The Manager considers a range of quantitative metrics and qualitative factors in arriving at a liquidity assessment. The Manager can break down the underlying liquidity of investments based on average or total days to liquidate, so it can determine the time, horizon and cost needed to liquidate positions. Pre-trade analysis can be carried out in order to avoid potentially exceeding a security's daily volume and thereby influencing its price.

Where the Master Fund is unable to meet the indicators, the risk management function will consider whether additional analysis is needed to be performed and whether further action should be taken to manage the liquidity risk of the Master Fund. Policies have been put in place and documentation will be maintained on the assessments. The Manager will also perform liquidity stress testing on the Master Fund on an ongoing basis. The liquidity risk management policies and procedures will be reviewed periodically and as needed. The Manager's liquidity management policy with respect to the Master Fund may be obtained from the Manager.



## Meetings

As a Cayman Islands exempted company, the Fund is not required to hold scheduled annual general meetings of Shareholders. General meetings may be called by the Directors and will be called upon the written request of fifty per cent (50%) or more of the holders of shares entitled to vote on the matters to be considered. Unless agreed otherwise in accordance with the Articles, those meetings require seven (7) days' prior notice which may be given by hand, mail, fax or email, or alternatively, where the recipient has agreed, by posting the notice on a secure nominated website.

The vote of the person first named in the register of shareholders shall be accepted as the vote of joint shareholders, to the exclusion of the votes of the other joint holders. Votes may be cast in person or by proxy.

Unless the Articles or the Companies Act requires a special resolution (being a resolution passed by a two-thirds majority of votes cast or a unanimous written resolution of all holders of Shares entitled to vote and expressed to be a special resolution), all decisions of the holders of shares entitled to vote on the matters to be considered will be made by a simple majority on condition that a quorum of the holders of one-third of shares entitled to vote on the matters to be considered is present in person or by proxy. Any matter may also be adopted by resolution in writing of all the holders of shares entitled to vote on the matters to be considered.

## Restriction on Auditor's Liability

Ernst & Young Ltd. has been appointed as the Auditor to the Fund and the Master Fund and will conduct their audits in accordance with International Standards on Auditing. Under the standard terms of the annual engagement letters which the Fund and the Master Fund will enter into with the Auditor respectively, the Auditor's liability under such letters is expected to be capped based upon a multiple of fees paid to the Auditor under such letters, except to the extent finally determined to have resulted from the wilful or intentional neglect or misconduct or fraudulent behaviour by the Auditor. Each annual engagement letter is also expected to contain a limitation of any liability to the Auditor's proportionate share thereof and other release and indemnity provisions relating to consequential loss, third party claims and fraudulent acts or omissions, misrepresentations or wilful default on the part of the Directors, employees or agents of the Fund or those of the Master Fund. The engagement letters will state that the Auditor's reports can only be relied upon by those parties to whom they are addressed.

## Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Fund and/or the Master Fund, as the case may be, prior to the date of this Private Placement Memorandum and are, or may be, material:

- (A) A *Management Agreement* among (1) the Fund, (2) the Master Fund and (3) the Manager whereby the Fund and the Master Fund appointed the Manager, subject to the control of and supervision of the Directors, to manage the Fund and the Master Fund. The Management Agreement will continue in force until terminated by any party on ninety (90) days' notice in writing to the other parties. It may be terminated immediately by any party on written notice if another party commits any material breach of its obligations and fails to remedy the breach within thirty (30) days of receipt of written notice requiring the same, or if any other party is dissolved or otherwise enters into insolvency proceedings. The Manager will not be liable to the Fund or the Master Fund for any act or omission in the course of or in connection with the services rendered by it under the Management Agreement or for any loss or damage which the Fund or the Master Fund may sustain or suffer as the result of, or in the course of, the discharge by the Manager of its duties under or pursuant to the Management Agreement in the absence of gross negligence, wilful default or fraud on the part of the Manager. The Fund and the Master Fund have agreed to indemnify the Manager against all liabilities incurred by the Manager in the performance of its obligations and duties under the Management Agreement other than liabilities arising out of the gross negligence, wilful default or fraud on the part of the Manager.

- (B) An *Investment Advisory Agreement* among (1) the Fund, (2) the Master Fund, (3) the Manager and (4) the Investment Advisor whereby the Fund, the Master Fund and the Manager appointed the Investment Advisor, on a non-exclusive basis, to advise the Manager in respect of the investments of the Master Fund and the Fund on a non-discretionary basis in pursuit of the investment objective, subject to the investment restrictions and the overall control and supervision of the Directors and the Manager. The Investment Advisory Agreement will continue in force until terminated by either: (i) the parties' mutual agreement in writing; or (ii) any party on not less than 90 days' notice in writing to the other parties. It may be terminated immediately by any party on written notice if any other party commits any material breach of its obligations under the Investment Advisory Agreement and if such breach is capable of being made good, fails to remedy the breach within 30 days of receipt of written notice requiring the same, or if such party is liquidated or dissolved or is unable to pay its debt as they fall due or commits any act of bankruptcy under the laws of any jurisdiction to which that party may be subject or if a receiver is appointed over any of its assets, or if such party is required by any law, rule, regulation, authority or government body to cease business. The Investment Advisor will not be liable for any loss suffered by the Manager, the Fund or the Master Fund in connection with the performance by the Investment Advisor of its obligations under the Investment Advisory Agreement in the absence of fraud, gross negligence or wilful default on the part of the Investment Advisor in the performance or non-performance of its obligations and duties under the Investment Advisory Agreement. Each of the Fund and the Master Fund agrees to indemnify the Investment Advisor against all liabilities incurred by it in the performance of its obligations under the Investment Advisory Agreement other than liabilities arising out of fraud, gross negligence, or wilful default of the Investment Advisor.
- (C) An *Administration Agreement* among: (1) the Fund, (2) the Master Fund and (3) the Administrator pursuant to which the Administrator has been appointed to provide certain administration related services to the Fund and the Master Fund, including calculating the Management Fee, the Performance Fee and the Net Asset Value and Net Asset Value per Share as well as maintaining the register of Shareholders. The Administration Agreement will continue in force until terminated by any party on ninety (90) days' written notice to the other parties and may be terminated by any party forthwith by notice in writing in the event of any other party going into liquidation or by any party forthwith in the event of a breach of the Administration Agreement and the failure of such party to remedy such breach within thirty (30) days of receipt of written notice requesting it to do so. The Administration Agreement provides that in the absence of actual fraud or wilful default the Administrator will not be liable for any loss incurred by the Fund or the Master Fund as a result of any act or omission of the Administrator in good faith in the performance of its duties under the Administration Agreement and each of the Fund and the Master Fund agrees to indemnify the Administrator out of the assets of the Fund or the Master Fund, as applicable, against any loss suffered by the Administrator in the performance of its duties under the Administration Agreement, save where such loss arises as a result of actual fraud or wilful default on the part of the Administrator. The Administration Agreement is governed by Cayman Islands law.
- (D) A *Prime Brokerage Agreement* between: (1) the Master Fund and (2) China International Capital Corporation Limited pursuant to which China International Capital Corporation Limited has been appointed to provide prime brokerage and custodian services to the Master Fund on the terms described under the section headed "**Prime Broker and Custodian to the Master Fund**" above.

## Winding Up

The Fund may voluntarily commence to wind up and dissolve by a special resolution of the holders of the Management Shares. The Directors may also present a winding-up petition on behalf of the Fund without the prior sanction of a resolution of the holders of the Management Shares passed at a general meeting.

## Companies Act

Each of the Fund and Master Fund was incorporated as an exempted company with limited liability under the Companies Act. A Cayman Islands exempted company:

- (a) is a company that conducts its business mainly outside the Cayman Islands;

- (b) is prohibited from trading in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the exempted company carried on outside the Cayman Islands (and for this purpose can effect and conclude contracts in the Cayman Islands and exercise in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands);
- (c) does not have to hold an annual general meeting;
- (d) does not have to make its register of members open to inspection by shareholders of that company;
- (e) may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands; and
- (f) may register as a segregated portfolio company.

*Inspection of Books and Records.* Holders of Shares have no general right under the Companies Act to inspect or obtain copies of the Fund's register of members or the Fund's corporate records.

*General Meetings.* As a Cayman Islands exempted company, the Fund is not obligated by the Companies Act to call shareholders' annual general meetings.

*Register of Members.* Under the Companies Act, the Fund must keep a register of members and there should be entered therein the names and addresses of the Fund's Shareholders, a statement of the number and category of shares held by each Shareholder, and of the amount paid or agreed to be considered as paid, on the shares of each Shareholder; whether each relevant category of shares held by a Shareholder carries voting rights under the Articles and, if so, whether such voting rights are conditional, the date on which the name of any person was entered on the register as a Shareholder; and the date on which any person ceased to be a Shareholder. Under the Companies Act, the register of members of the Fund is prima facie evidence of the matters set out therein (that is, the register of members will raise a presumption of fact on the matters referred to above unless rebutted) and a Shareholder registered in the register of members is deemed as a matter of the Companies Act to have legal title to the Shares as set against its name in the register of members.

### **Documents Available for Inspection**

Copies of the following documents may be inspected free of charge during normal business hours on any week day (except for Saturdays and public holidays) in the place of business of the Manager in Hong Kong:

- (E) the Memorandum and Articles of Association of the Fund and the Master Fund;
- (F) the agreements referred to under the section headed "**Material Contracts**" above;
- (G) the latest financial reports of the Fund and the Master Fund (if any);
- (H) the Companies Act; and
- (I) the Mutual Funds Act.

Certain of the material agreements of the Fund or the Master Fund may be subject to confidentiality provisions and the contracting parties of such agreements may have the absolute discretion to withhold information which is in their opinion confidential to their business or otherwise not appropriate to disclose. In such circumstances, the Directors and/or the Manager may be prevented from making such agreements available to Shareholders on request.

Copies of these documents may be obtained free of charge from the Manager.

## Other Service Providers

- (a) *Legal Advisers.* Each of the Fund and the Master Fund has engaged Jun He Law Offices as lead legal counsel and Ogier as Cayman Islands legal counsel (each a “**Legal Adviser**”) to provide legal advice regarding its formation and/or certain other matters for which each Legal Adviser has been specifically engaged. None of the Legal Advisers has represented or will represent the Shareholders in their capacity as investors in the Fund.
- (b) *Auditor.* Each of the Fund and the Master Fund has engaged Ernst & Young Ltd. to act as its Auditor. The Auditor provides annual audit services to the Fund and the Master Fund and such other services as may be agreed.
- (c) *Registered Office Service Provider.* Ogier Global (Cayman) Limited provides registered office services to the Fund and the Master Fund.

## Legal Implications of an Investment in the Fund

The main legal implications of the contractual relationship entered into for the purpose of investment in the Fund are as follows:

- (a) By submitting the relevant subscription application to the Administrator, the investor makes an offer to subscribe for Shares which, if it is accepted by the Fund, has the effect of a binding contract. The terms of such contract are governed by the subscription application (read together with the Private Placement Memorandum and the Articles, as it may from time to time be amended or supplemented).
- (b) Upon the issue of Shares, such investor becomes a member of the Fund and the Articles of the Fund take effect as a statutory contract between the Shareholders and the Fund.
- (c) The Articles may only be amended by way of a special resolution of the holders of the Management Shares in accordance with the Companies Act.
- (d) The Articles are governed by, and construed in accordance with, the laws of the Cayman Islands. The subscription application of the Fund is governed by, and construed in accordance with, the laws of the Cayman Islands.
- (e) The rights and restrictions that apply to a Shareholder’s Shares may be modified and/or additional terms agreed by way of Side Letters (subject to such terms being consistent with the Articles). In certain cases these Side Letters may be governed by the laws of a different jurisdiction. However, Side Letters may not contravene the terms of the Articles or Cayman Islands law generally. The rights and restrictions that apply to a Shareholder’s Shares may also be modified in the manner set out in the Articles.
- (f) Although there is no statutory enforcement in the Cayman Islands of judgments obtained in a foreign jurisdiction (except for certain Australian judgments), a judgment obtained in such jurisdiction will be recognised and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands provided such judgment:
  - (i) is given by a foreign court of competent jurisdiction;
  - (ii) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given;
  - (iii) is final;
  - (iv) is not in respect of taxes, a fine or a penalty; and

- (v) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

### **Miscellaneous**

- Since the date of its incorporation, neither the Fund nor the Master Fund has commenced trading nor paid or declared a dividend, nor drawn up any accounts.
- Save as disclosed herein, no commissions are payable and no discounts, brokerages or other special terms have been granted by the Fund in connection with the issue of the Shares.
- Save as disclosed herein, no amount or benefit has been paid or given, or is intended to be paid or given, to any promoter.
- No share or loan capital of the Fund or the Master Fund is under option or has been agreed conditionally or unconditionally to be put under option or has been issued or is proposed to be issued for a consideration other than cash.
- Neither the Fund nor the Master Fund is, or has been since its incorporation, engaged in any litigation or arbitration and the Directors are not aware of any litigation or arbitration or claims pending or threatened against the Fund or the Master Fund.
- Neither the Fund nor the Master Fund has established and neither intends to establish a place of business in Hong Kong.
- The Master Fund has no subsidiaries and no employees and the Fund will have no subsidiaries (save for its investment in the Master Fund) and has no employees.