

- ***This statement provides you with key information about this product.***
- ***This statement is a part of the Explanatory Memorandum.***
- ***You should not invest in this product based on this statement alone.***

### Quick facts

<b>Manager:</b>	Zeal Asset Management Limited		
<b>Trustee:</b>	BOCI-Prudential Trustee Limited		
<b>Custodian:</b>	Bank of China (Hong Kong) Limited		
<b>Ongoing charges over a year<sup>#</sup>:</b>	Without performance fee: 2.26% With performance fee <sup>®</sup> : 2.41%		
<b>Dealing frequency:</b>	Daily (Hong Kong business days)		
<b>Base currency:</b>	Hong Kong Dollars (HKD)		
<b>Dividend policy:</b>	It is the current intention of the Manager that distributions will not be made from the fund.		
<b>Financial year end of this fund:</b>	31 March		
<b>Minimum investment:</b>		Initial	Additional
	AUD (hedged) Units	AUD7,500	AUD150
	HKD Units	HKD50,000	HKD1,000
	RMB Units	RMB50,000	RMB1,000
	USD Units	USD6,500	USD130
	USD (inst) Units	USD1,000,000	USD100,000

### What is this product?

This is a sub-fund of ZEAL Investment Series which is an umbrella fund constituted in the form of a unit trust established under the laws of Hong Kong.

<sup>#</sup> A single ongoing charges figure is published for all classes of Units offered to the public, which have the same fee structure. It is based on the ongoing charges incurred by the fund for the year ended 31 March 2022 based on the information in the latest annual report divided by the average net assets over the same period. The actual ongoing charges figure may be different and may vary from year to year. As the Net Asset Value of the fund was less than HK\$150 million at certain time during the year ended 31 March 2022, the Manager has reimbursed to the fund certain fees and expenses incurred by the fund. The ongoing charges figure has taken into account the amount of reimbursements by the Manager to the fund for the year ended 31 March 2022 based on the annual report.

<sup>®</sup> The ongoing charges over a year (with performance fee) was calculated based on the amount of performance fee accrued as at the end of the year divided by the net assets as at the end of the year.

## Objectives and Investment Strategy

### Objective

The investment objective of the fund is to generate long-term capital appreciation by primarily investing in equities and debt securities with a China focus.

### Strategy

At least 70% of the fund's net asset value will be invested in equity securities, debt securities and other instruments relating to China. Generally, the asset allocation strategy is as follows:

- a) between 50% and 100% of the fund's non-cash assets will be invested in equity securities, which may include (i) A-shares (up to 100% of the fund's non-cash assets), through ways such as investing in derivative instruments (such as Access Products (including participatory notes)) and via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively, the "Stock Connect") (and/or similar mutual market access programmes which gives access to A-shares), (ii) B-Shares, (iii) shares listed on The Stock Exchange of Hong Kong Limited, Taiwan Stock Exchanges and/or other stock exchanges whose shares are related to China and (iv) exchange traded funds and other funds that invest in the relevant PRC listed shares; and
- b) between 0% and 50% of the fund's non-cash assets will be invested in debt securities which are related to China, which may include (i) onshore debt securities (up to 50% of the fund's non-cash assets), through ways such as investing in Access Products (including participatory notes), exchange traded funds and other funds that invest in the relevant PRC debt securities, and (ii) offshore debt securities (up to 50% of the fund's non-cash assets).

The Investment Manager will vary the asset allocation within the scope of the above asset allocation strategy over time to reflect market conditions and opportunities.

The fund's investments in Access Products (including participatory notes) will not exceed 30% of its net asset value, and the fund's holding of Access Products (including participatory notes) issued by any single issuer will not exceed 10% of its net asset value.

The fund may invest up to 50% of its non-cash assets in onshore and offshore debt securities rated below investment grade (i.e. BB+ or below) as rated by an internationally recognised credit rating agency ("Non-Investment Grade") or BB+ or below as rated by a PRC local credit rating agency or unrated debt securities. For the purpose of the fund, an "unrated debt security" is defined as a debt security which neither the debt security itself nor its issuer has a credit rating. The fund may also invest up to 30% of its non-cash assets in asset-backed securities (including asset-backed commercial papers), which are a type of securitised or structured debt instruments which provide exposure to underlying assets. The fund will not invest in urban investment bonds, which are debt instruments issued by local government financing vehicles in the mainland China exchange-traded bond markets and inter-bank bond market.

The fund may invest up to 10% of its net asset value in one or more underlying scheme(s) which are non-recognised jurisdiction schemes and not authorised by the SFC and up to 30% of its net asset value in one or more underlying scheme(s) which are recognised jurisdiction schemes and authorised by the SFC, including those which are managed by the Manager or its Connected Persons or other third parties. The fund may hold up to 50% of its net asset value in cash under exceptional circumstances, such as attempts to (i) protect the assets of the fund; (ii) mitigate the risk of potential sharp reversals and fall in the equity or bond markets; (iii) mitigate downside risks during uncertainties; or (iv) maintain liquidity for the fund.

Investments in exchange traded funds by the Fund are considered and treated as listed securities for the purposes of and subject to the requirements in Chapters 7.1, 7.1A and 7.2 of the Code.

The fund may use derivatives for hedging and/or investment purposes (notwithstanding this, derivatives will not be extensively or primarily used for investment purposes), provided that such investments shall comply with the investment restrictions set out in Chapter 7 of the Code on Unit Trusts and Mutual Funds.

The fund may take short positions through derivatives for hedging purposes only. The fund currently does not intend to enter into any securities lending, repurchase or reverse repurchase transactions. Subject to the prior approval of the SFC, the fund may by giving no less than 1 month's prior written notice (or such other period of notice as the SFC may approve) to the Unitholders enter into any such transactions.

## **Use of derivatives**

The fund's net derivative exposure may be up to 50% of its net asset value.

## **What are the key risks?**

**Investment involves risks. Please refer to the Explanatory Memorandum for details including the risk factors.**

### **1. Investment risk**

- The fund is an investment fund. There is no guarantee of the repayment of principal. The fund's investment portfolio may fall in value and therefore your investment in the fund may suffer losses.

### **2. Concentration risk and risks associated with investing in China**

- The fund's investments are concentrated in securities with a China focus. This may result in greater volatility than portfolios which comprise broad-based global investments. The value of the fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory events affecting China itself.
- Trading in A-shares may be suspended due to price movements beyond trading band limits imposed by the Chinese stock exchanges. Such a suspension may make it impossible for the Manager to liquidate positions, thereby exposing the fund to significant losses.
- There are risks and uncertainties associated with the current mainland China tax laws, regulations and practice in respect of capital gains realised by the fund on its mainland China investments (which may have retrospective effect). Any increased tax liabilities on the fund may adversely affect the fund's value. Having consulted independent tax adviser, the Manager currently does not make any provision for the fund on capital gains realised from the fund's investments in mainland China. The fund may have tax liabilities in mainland China in respect of which it has not provided for, and such tax liabilities will be debited from the fund's assets, thereby adversely affecting the fund's net asset value. Depending on the timing of their subscriptions and/or redemptions, investors may be disadvantaged as a result of any lack of tax provision.

### **3. Risks associated with investing in equity securities**

- Investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.
- High market volatility and potential settlement difficulties in the markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of the fund.

### **4. Risks associated with investing in debt securities**

- The fund's investment in debt securities is subject to interest rate risk and the credit/default risk of issuers of such debt securities.
- Debt securities in the mainland China market may be subject to higher volatility and lower liquidity compared to more developed markets.
- Valuation of the fund's investments may involve uncertainties and judgemental determinations. If such valuations should prove to be incorrect, the net asset value of the fund may need to be adjusted and may be adversely affected.
- The fund's investments in lower-rated or unrated debt securities are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than higher-rated debt securities. Furthermore, in the event of a downgrade of the credit rating of a debt security (or its issuer) held by the fund, the Manager may not be able to dispose of the relevant debt security at favourable rates or at all, thus adversely affecting the value and performance of the fund.
- The local PRC rating process may lack transparency and the rating standards may be significantly different from that adopted by internationally recognised credit rating agencies. Investors should exercise caution when taking them into account.

### **5. Risks associated with the Stock Connect**

- The relevant rules and regulations on the Stock Connect are subject to change which may have potential retrospective effect. The Stock Connect is subject to quota limitations. Where a suspension in the trading through the programme is effected, the fund's ability to invest in A-shares through the programme will be adversely affected. Due to the difference in trading days, on days when the mainland China market is open but the Hong Kong market is closed, the fund may be subject to a risk of price fluctuations in A-shares as the fund will not be able to trade through the Stock Connect. In such event, the fund's ability to achieve its investment objective could be negatively affected.

### **6. Risk associated with investing in other funds**

- The underlying fund in which the fund may invest may not be regulated by the SFC. There will be additional costs involved when investing into these underlying funds. There is also no guarantee that the underlying funds will always have sufficient liquidity to meet the fund's redemption requests as and when made. There can also be no assurance that an underlying fund's investment strategy will be successful or that its investment objective will be achieved.

**7. Risk of investing in asset-backed securities**

- The fund may invest in asset-backed securities (including asset-backed commercial paper). These instruments may be subject to greater credit, volatility, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.

**8. RMB currency risk and currency conversion risk for RMB denominated class**

- The fund's base currency is HKD but the fund may invest in RMB denominated investments. RMB is currently not freely convertible and is subject to exchange controls and restrictions. The fund and non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the fund's and the investors' base currencies (for example, HKD) will not depreciate. Any depreciation of RMB could adversely affect the value of investors' investment in the fund.
- The Manager will apply the RMB (CNH) rate when calculating the net asset value of any RMB class and effecting currency conversions involving RMB. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors. Under exceptional circumstances, payment of redemptions in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

**9. Hedged class risk**

- There is no guarantee that the desired hedging instruments will be available or that the hedging techniques will be effective. Hedging can limit potential gains of a hedged class.

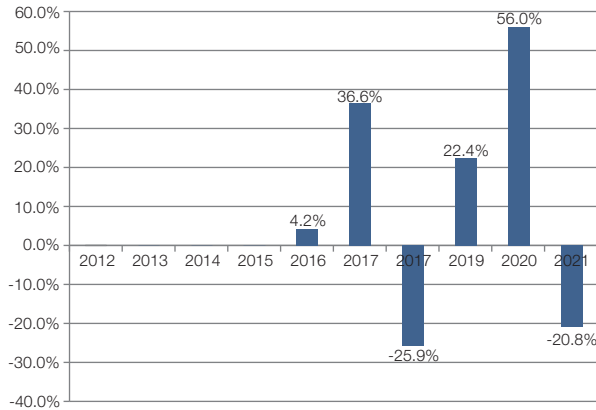
**10. Derivatives and access products risk**

- Risks associated with derivatives include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of a derivative instrument can result in a loss significantly greater than the amount invested in the derivative instrument by the fund. Exposure to derivatives may lead to a high risk of significant loss by the fund.
- As Access Products constitute unsecured contractual obligations rather than a direct investment in shares or debt securities, the fund is subject to credit risk of the issuer of the Access Product.

**11. Performance fee risk**

- The method of calculating performance fee gives rise to the risk that a Unitholder redeeming units may still incur performance fee in respect of the units, even though a loss in investment capital has been suffered by the redeeming Unitholder. Investors should note that there is no adjustment of equalisation credit or equalisation losses on an individual Unitholder basis.

## How has the fund performed?



- Past performance information is not indicative of future performance. Investors may not get back the full amount invested.
- The computation basis of the performance is based on the calendar year end, NAV-to-NAV, with dividend (if any) reinvested.
- HKD Units has been selected as the representative unit class of the fund for the purpose of presenting past performance information on the basis that HKD is the base currency of the fund. Past performance information of the other unit classes are available on the Manager's website [www.zealasset.com](http://www.zealasset.com) (this website has not been reviewed by the SFC).
- These figures show by how much the HKD Units increased or decreased in value during the calendar year shown. Performance data has been calculated in HKD including ongoing charges and excluding subscription fee you might have to pay.
- Where no past performance is shown there was insufficient data available that year to provide performance.
- Fund launch date: 2015

## Is there any guarantee?

Like most funds, this fund does not have any guarantees. You may not get back the full amount of money you invest.

## What are the fees and charges?

Charges which may be payable by you

You may have to pay the following fees when dealing in the units of the fund.

<b>Fee</b>	<b>What you pay</b>
<b>Subscription fee</b>	Up to 5% of the amount you buy
<b>Conversion fee</b>	Up to 1%* of the unit redemption price for each unit converted
<b>Redemption fee</b>	Nil

## Ongoing fees payable by the fund

The following expenses are paid out of the fund. They affect you because they reduce the return you get on your investments.

	<b>Annual rate (as a % of the fund's value)</b>
<b>Management fee</b> The fund pays a management fee to the Manager	1.75%*
<b>Trustee fee</b> The fund pays a trustee fee to the Trustee	Up to 0.15%*, subject to a minimum monthly fee of HK\$40,000
<b>Performance fee</b> The fund pays a performance fee to the Manager	<p>15% of the appreciation in the net asset value per unit during a performance period above the high watermark of the relevant class of units.</p> <ul style="list-style-type: none"> <li>• The high watermark is initially set at the initial issue price per unit of the relevant class of units.</li> <li>• Each performance period corresponds to the financial year of the fund.</li> <li>• In respect of each class of units, where a performance fee is payable to the Manager for a performance period, the net asset value per unit on the last valuation day of that performance period will be set as the high watermark for the next performance period.</li> <li>• For details please refer to pages 33 to 34 of the Explanatory Memorandum.</li> </ul>

### **Fees to QRMO**

The Manager has appointed Quality Risk Management & Operations ("QRMO") a third party service provider to perform independent risk monitoring, middle-office and back-office services in respect of the fund.

QRMO will be paid:

- up to 0.05% per annum of the gross asset value (being the net asset value of the fund before any performance, management and administrative fees) of the fund, subject to a minimum monthly fee of HK\$20,000 per month; and
- an inception fee of HK\$16,000 and certain transaction and processing fees.

### **Other fees**

You may have to pay other fees when dealing in the units of the fund.

- \* You should note that some fees may be increased, up to a specified permitted maximum, by giving Unitholders at least one month's prior notice. For details please refer to pages 32 to 35 of the Explanatory Memorandum.

### **Additional information**

- You generally buy and redeem units at the fund's next-determined net asset value (NAV) after BOCI-Prudential Trustee Limited receives your request, directly or via a distributor, in good order at or before 4:00p.m., being the fund's dealing cut-off time on each dealing day of the fund. Before placing your subscription or redemption orders, please check with your distributor for the distributor's internal dealing cut-off time (which may be earlier than the fund's dealing cut-off time).
- The net asset value of this fund is calculated and the price of units published each business day on the website [www.zealasset.com](http://www.zealasset.com) (this website has not been reviewed by the SFC).
- You may obtain the past performance information of other unit classes offered to Hong Kong investors on the website [www.zealasset.com](http://www.zealasset.com) (this website has not been reviewed by the SFC).

### **Important**

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.