

Issuer: Zeal Asset Management Limited

March 2011

- *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

Manager:	Zeal Asset Management Limited	
Trustee:	Cititrust Limited	
Custodian:	Citibank, N.A., Hong Kong Branch	
Dealing frequency:	Daily (Hong Kong business days)	
Base currency:	Hong Kong Dollars (HK\$)	
Dividend policy:	It is not envisaged that any income or gain derived from investments of the fund will be distributed.	
Financial year end of this fund:	31 December	
Minimum investment:	HKD Units:	HK\$50,000 initial, HK\$1,000 additional
	USD Units:	US\$6,500 initial, US\$130 additional

What is this product?

This is a fund constituted in the form of a unit trust established under the laws of Hong Kong.

Objectives and Investment Strategy

Objective

To generate long-term capital appreciation by primarily investing in listed equities with a China focus.

Strategy

The fund seeks to achieve its objective primarily through exposure to companies established in China or those which, whilst established outside China, derive a significant proportion of their revenue from business related to China.

The fund primarily invests in stocks listed in Hong Kong and B-shares listed in Shanghai and/or Shenzhen. Generally, the asset allocation strategy is that at least 70% of the fund's non-cash assets will be invested in Hong Kong stocks, and 0% to 30% in B-shares. In addition, at least 70% of the fund's non-cash assets will be invested in China-related investments. The fund will not invest in A-shares.

The fund makes investments into companies that, in the Manager's opinion, have been undervalued by the market.

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

- The fund's investments are concentrated in China and Hong Kong. This may result in greater volatility than portfolios which comprise broad-based global investments.

3. Risk of investing in China

- Investing in China involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, liquidity and regulatory risks.

4. China tax risk

- The fund may also be exposed to risks associated with changes in current Chinese tax laws, regulations and practice (which may have retrospective effect).
- In particular, there are still uncertainties as to whether any gains realised by the fund on disposal of B-shares would be subject to withholding tax in China.
- The Manager currently has no intention to make provision in respect of such potential tax liability of the fund, and in the event that such tax liability is imposed, the relevant amounts will be deducted from the fund's assets which may consequently reduce the value of the units.

5. 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.

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.

Fee

Subscription fee

Conversion fee

Redemption fee

What you pay

Up to 5% of the amount you buy

Up to 1%* of the unit redemption price for each unit converted

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.

Management fee

The fund pays a management fee to the Manager

Trustee fee

The fund pays a trustee fee to the Trustee

Performance fee

The fund pays a performance fee to the Manager

Annual rate (as a % of the fund's value)

1.75%*

0.04%*

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.

- The high watermark is initially set at the initial issue price per unit of the relevant class of units.
- The first performance period is from the fund's inception date to 31 December 2011. Thereafter each performance period will correspond to the financial year of the fund.
- 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.
- For details please refer to pages 19 to 21 of the Explanatory Memorandum.

Administration fee

The fund pays an administration fee to the administrator

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.

0.12%* subject to a minimum fixed fee of up to HK\$750,000 per annum

QRMO will be paid:

- up to 0.05% per annum of the gross asset value 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 18 to 22 of the Explanatory Memorandum.

Additional information

- You generally buy and redeem units at the fund's next-determined net asset value (NAV) after Cititrust 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 in The Standard and the Hong Kong Economic Times.
- Investors may obtain information on the distributor(s) by referring to page 8 of the Explanatory Memorandum.

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.