

## ASX Announcement

30 JUNE 2016



Manager  
ASX Market Announcements  
Australian Securities Exchange  
Level 4, 20 Bridge Street  
SYDNEY NSW 2000

Announcement No: 34/2016

### **AMP Capital China Growth Fund (ASX: AGF) – EGM Notice of Meeting and Explanatory Memorandum**

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AMP Capital Funds Management Limited, the responsible entity for the AMP Capital China Growth Fund (the Fund), attaches the Notice of Meeting and Explanatory Memorandum, and Proxy Form for an extraordinary general meeting to be held on 28 July 2016. These documents will be mailed to unitholders in the coming days.

#### **Investor enquiries**

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#### **Institutional investor relations**

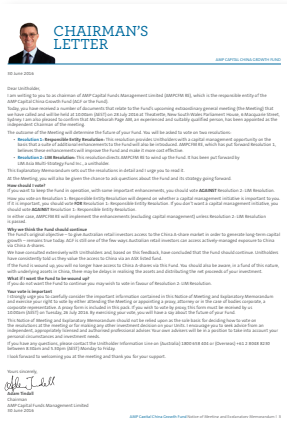
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# This pack includes documents that relate to the upcoming extraordinary general meeting for unitholders of the AMP Capital China Growth Fund (the Fund or AGF).

## Your pack includes:



A letter from Adam Tindall, Chairman of the responsible entity of AGF (AMP Capital Funds Management Limited or AMPCFM RE) included with the Explanatory Memorandum



A Notice of Meeting and Explanatory Memorandum of the resolutions that will be voted on at the meeting.



A proxy form to assist you with voting at the meeting.

# WHAT IS AMPCFM RE'S RECOMMENDATION?

BOTH RESOLUTIONS CANNOT BE IMPLEMENTED.



AMPCFM RE recommends that you **VOTE IN FAVOUR OF RESOLUTION 1: Responsible Entity Resolution** if you want the Fund to continue with the Fund Enhancements and would like the Capital Management Initiative to be implemented.

AMPCFM RE recommends that you **VOTE AGAINST RESOLUTION 1: Responsible Entity Resolution** if you want the Fund to continue with the Fund Enhancements but would not like the Capital Management Initiative to be implemented.



AMPCFM RE recommends that you **VOTE AGAINST RESOLUTION 2: LIM Resolution**.

## HOW DO I FOLLOW THE RESPONSIBLE ENTITY'S RECOMMENDATIONS?

### I WANT TO VOTE FOR THE FUND TO CONTINUE WITH THE FUND ENHANCEMENTS AND THE CAPITAL MANAGEMENT INITIATIVE

If you want the Fund to continue with the Capital Management Initiative, you should vote **FOR Resolution 1: Responsible Entity Resolution** and **AGAINST Resolution 2: LIM Resolution**.

#### STEP 2 Item of business

**PLEASE NOTE:** If you mark the **Abstain** box for the item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

|              |   | For                                 | Against                             | Abstain                  |
|--------------|---|-------------------------------------|-------------------------------------|--------------------------|
| Resolution 1 | The Responsible Entity Resolution to authorise the Capital Management Initiative on the basis of the Fund Enhancements as stated in the notice of meeting | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |
| Resolution 2 | The LIM Resolution to direct the Responsible Entity to wind up the Fund as stated in the notice of meeting  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

### I WANT TO VOTE FOR THE FUND TO CONTINUE WITHOUT THE CAPITAL MANAGEMENT INITIATIVE

If you want the Fund to continue but without the Capital Management Initiative you should vote **AGAINST Resolution 1: Responsible Entity Resolution** and **AGAINST Resolution 2: LIM Resolution**.

#### STEP 2 Item of business

**PLEASE NOTE:** If you mark the **Abstain** box for the item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

|              |   | For                      | Against                             | Abstain                  |
|--------------|---|--------------------------|-------------------------------------|--------------------------|
| Resolution 1 | The Responsible Entity Resolution to authorise the Capital Management Initiative on the basis of the Fund Enhancements as stated in the notice of meeting | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 | The LIM Resolution to direct the Responsible Entity to wind up the Fund as stated in the notice of meeting  | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

### I WANT TO VOTE FOR THE FUND TO BE WOUND UP

If you would like the Fund to be wound up you should vote **FOR Resolution 2: LIM Resolution**.

#### STEP 2 Item of business

**PLEASE NOTE:** If you mark the **Abstain** box for the item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

|              |   | For                                 | Against                  | Abstain                  |
|--------------|---|-------------------------------------|--------------------------|--------------------------|
| Resolution 1 | The Responsible Entity Resolution to authorise the Capital Management Initiative on the basis of the Fund Enhancements as stated in the notice of meeting | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 | The LIM Resolution to direct the Responsible Entity to wind up the Fund as stated in the notice of meeting  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

If you are voting by proxy, use the Proxy Form accompanying this Explanatory Memorandum.



AMP CAPITAL  
FUNDS MANAGEMENT LIMITED  
AS RESPONSIBLE ENTITY OF THE

# AMP CAPITAL CHINA GROWTH FUND (ASX:AGF)

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## NOTICE OF MEETING AND EXPLANATORY MEMORANDUM

FOR AN EXTRAORDINARY GENERAL MEETING  
TO BE HELD ON THURSDAY, 28 JULY 2016

**AMP CAPITAL FUNDS MANAGEMENT LIMITED  
RECOMMENDS THAT UNITHOLDERS VOTE  
AGAINST THE LIM RESOLUTION (A RESOLUTION  
DIRECTING US TO WIND UP THE FUND)  
IF YOU WANT THE FUND TO CONTINUE**

**YOUR VOTE IS IMPORTANT**  
PLEASE ATTEND THE EXTRAORDINARY GENERAL MEETING  
OR LODGE YOUR PROXY FORM NO LATER THAN  
10.00am (AEST) ON TUESDAY 26 JULY 2016



ACRONYMS AND  
CAPITALISED TERMS ARE DEFINED  
IN SECTION 10 DEFINITIONS

## MEETING DETAILS

DATE: **Thursday, 28 July 2016**

TIME: **10.00am (AEST)**

VENUE: **Theatrette, NSW Parliament House  
6 Macquarie Street, Sydney NSW 2000**

ACN: 159 557 721  
ABN: 15 159 557 721  
AFSL: 426455  
ARSN: 122 303 744

Registered address:  
33 Alfred Street, Sydney NSW 2000

Unitholder Information Line on  
(Australia) 1800 658 404 or  
(Overseas) +61 2 8048 8230  
between 8.30am and 5.30pm (AEST) Monday to Friday

[clientservices@ampcapital.com](mailto:clientservices@ampcapital.com)  
[www.ampcapital.com/china](http://www.ampcapital.com/china)

如阁下就这些文件有任何疑问，我们可以提供普通话服务。请致电单位持有人服务热线1800 658 404（澳大利亚）或+61 2 8048 8230（海外）。办公时间：星期一到星期五，上午八点半到下午五点半。我们将竭诚为您服务！



# CHAIRMAN'S LETTER

AMP CAPITAL CHINA GROWTH FUND

30 June 2016

Dear Unitholder,

I am writing to you as chairman of AMP Capital Funds Management Limited (AMPCFM RE), which is the responsible entity of the AMP Capital China Growth Fund (AGF or the Fund).

Today, you have received a number of documents that relate to the Fund's upcoming extraordinary general meeting (the Meeting) that we have called and will be held at 10.00am (AEST) on 28 July 2016 at Theatrette, New South Wales Parliament House, 6 Macquarie Street, Sydney. I am also pleased to confirm that Ms Deborah Page AM, an experienced and suitably qualified person, has been appointed as the independent Chairman of the meeting.

The outcome of the Meeting will determine the future of your Fund. You will be asked to vote on two resolutions:

- **Resolution 1: Responsible Entity Resolution:** This resolution provides Unitholders with a capital management opportunity on the basis that a suite of additional enhancements to the Fund will also be introduced. AMPCFM RE, which has put forward Resolution 1, believes these enhancements will improve the Fund and make it more cost effective.
- **Resolution 2: LIM Resolution:** This resolution directs AMPCFM RE to wind up the Fund. It has been put forward by LIM Asia Multi-Strategy Fund Inc., a unitholder.

This Explanatory Memorandum sets out the resolutions in detail and I urge you to read it.

At the Meeting, you will also be given the chance to ask questions about the Fund and its strategy going forward.

## How should I vote?

If you want to keep the Fund in operation, with some important enhancements, you should vote **AGAINST** Resolution 2: LIM Resolution.

How you vote on Resolution 1: Responsible Entity Resolution will depend on whether a capital management initiative is important to you. If it is important, you should vote **FOR** Resolution 1: Responsible Entity Resolution. If you don't want a capital management initiative, you should vote **AGAINST** Resolution 1: Responsible Entity Resolution.

In either case, AMPCFM RE will implement the enhancements (excluding capital management) unless Resolution 2: LIM Resolution is passed.

## Why we think the Fund should continue

The Fund's original objective – to give Australian retail investors access to the China A-share market in order to generate long-term capital growth – remains true today. AGF is still one of the few ways Australian retail investors can access actively-managed exposure to China via China A-shares.

We have consulted extensively with Unitholders and, based on this feedback, have concluded that the Fund should continue. Unitholders have consistently told us they value the access to China via an ASX listed fund.

If the Fund is wound up, you will no longer have access to China A-shares via this Fund. You should also be aware, in a fund of this nature, with underlying assets in China, there may be delays in realising the assets and distributing the net proceeds of your investment.

## What if I want the Fund to be wound up?

If you do not want the Fund to continue you may wish to vote in favour of Resolution 2: LIM Resolution.

## Your vote is important

I strongly urge you to carefully consider the important information contained in this Notice of Meeting and Explanatory Memorandum and exercise your right to vote by either attending the Meeting or appointing a proxy, attorney or in the case of bodies corporate, a corporate representative. A proxy form is included in this pack. If you wish to vote by proxy, this form must be received by us 10.00am (AEST) on Tuesday, 26 July 2016. By exercising your vote, you will have a say about the future of your Fund.

This Notice of Meeting and Explanatory Memorandum should not be relied upon as the sole basis for deciding how to vote on the resolutions at the meeting or for making any other investment decision on your Units. I encourage you to seek advice from an independent, appropriately licensed and authorised professional adviser. Your own advisers will be in a position to take into account your personal circumstances and investment needs.

If you have any questions, please contact the Unitholder Information Line on (Australia) 1800 658 404 or (Overseas) +61 2 8048 8230 between 8.30am and 5.30pm (AEST) Monday to Friday.

I look forward to welcoming you at the meeting and thank you for your support.

Yours sincerely,

**Adam Tindall**

Chairman

AMP Capital Funds Management Limited

30 June 2016



# OVERVIEW

The following is an overview of the material contained in this Explanatory Memorandum. This memorandum has been released ahead of the Meeting of Unitholders of the AMP Capital China Growth Fund which will take place in Sydney at 10.00am (AEST) on Thursday, 28 July 2016.

This Explanatory Memorandum has been prepared by AMPCFM RE, the responsible entity of the Fund.

## Background to Meeting

On 26 October 2015, AMPCFM RE announced that it would hold an extraordinary general meeting (EGM) once the market had been notified of the results of its monitoring of the enhancements introduced by Strategic Review 2015 and following its evaluation of whether the Fund remains fit for purpose.

As part of Strategic Review 2015, AMPCFM RE considered the trading discount of Units to the net asset value of the Fund. It also analysed the performance of the Fund (as compared to its peers) and undertook other operational benchmarking. After careful consideration, and having regard to the best interests of all Unitholders, AMPCFM RE decided the Fund should continue in substantially the same form, with a number of enhancements.

One of the enhancements was the establishment of an independent Advisory Committee, composed of external members, which provides an independent perspective to AMPCFM RE. In this role, the independent Advisory Committee has assisted with the Fund's strategic reviews, fit for purpose testing and AMPCFM RE's decisions in relation to the Meeting.

During the first half of 2016, AMPCFM RE, in consultation with the independent Advisory Committee, analysed whether the Fund remains fit for purpose. This analysis was performed in the context of the Fund's purpose as described in its Product Disclosure Statement. After completing its analysis, AMPCFM RE concluded that the Fund remains fit for purpose.

Concurrently with the fit for purpose review, AMPCFM RE undertook Strategic Review 2016, to investigate the strategic options available to the Fund. This involved a comprehensive process including consultation with retail Unitholders, institutional Unitholders, management, the Fund's independent Advisory Committee and investment professionals.

**After considering each option thoroughly, AMPCFM RE determined that maintaining the Fund with certain additional enhancements was the preferred option and in the best interests of all Unitholders. These enhancements are the Fund Enhancements and if approved by Unitholders, the Capital Management Initiative.**

AMPCFM RE has also decided to simplify the management arrangements as they apply to the Fund in a way that does not entrench the Manager.

The Fund Enhancements, Capital Management Initiative and the changes to the management arrangements are summarised in the following table and described in detail in Section 3 of this Explanatory Memorandum.

## Summary of enhancements and other changes

Set out below is a summary of the enhancements and other changes AMPCFM RE is proposing to implement as a result of Strategic Review 2016.

### Fund Enhancements<sup>1</sup>

|           |  |  |
|-----------|--|--|
| <b>#1</b> | <b>INCREASE INVESTMENT FLEXIBILITY</b>                   | Increase the flexibility of the Fund's investment mandate, by changing the Fund's current investment guidelines, with the aim of improving the Fund's return potential.            |
| <b>#2</b> | <b>REDUCE THE BASE FEE</b>                               | Reduce the Fund's base management fee to 1.35% from 1.65% per annum.   |
| <b>#3</b> | <b>REMOVE THE PERFORMANCE FEE</b>                        | Remove the Fund's current performance fee.   |
| <b>#4</b> | <b>100% CASH ANNUAL DISTRIBUTIONS</b>                    | Amend the Distribution Reinvestment Plan so that Unitholders who are deemed to have elected (or who elect) to receive their annual distribution in cash will receive 100% in cash. |
| <b>#5</b> | <b>UNIT SALE FACILITY</b>                                | Offer Unitholders holdings less than \$500 worth of Units (less than a marketable parcel) an ability to exit their holdings without brokerage costs.                               |
| <b>#6</b> | <b>MAINTAIN MARKETING AND COMMUNICATION IMPROVEMENTS</b> | Maintain the marketing and communication improvements announced as part of Strategic Review 2015.  |
| <b>#7</b> | <b>ANNUAL CAPITAL MANAGEMENT REVIEW</b>                  | Consider capital management opportunities for Unitholders as part of the annual fit for purpose review.  |

### Capital Management Initiative<sup>1</sup>

|                               |  |
|-------------------------------|--|
| <b>ONE-OFF 15% REDEMPTION</b> | Provide a one-off redemption of the value of 15% of Units on issue at NAV less the costs of redemption.                                |
| <b>5% ON-MARKET BUYBACK</b>   | Provide an on-market buyback of up to 5% of the Units on issue as at the close of business on the next business day after the Meeting. |

### Change to Management Arrangements<sup>1</sup>

|   |   |
|---|---|
| <b>TERMINATION OF CURRENT AGREEMENT</b> | Simplify the management arrangements by terminating the current Investment Management Agreement.  |
| <b>UMBRELLA AGREEMENT</b>               | Amend the existing Umbrella Investment Management Agreement to ensure all services required by the Fund are covered. This agreement is terminable by notice given by the AMPCFM RE, and will terminate if the Responsible Entity is replaced. |

<sup>1</sup> AMPCFM RE will implement the Fund Enhancements even if the Responsible Entity Resolution is not passed. The Capital Management Initiative will not be implemented unless the Responsible Entity Resolution is passed. AMPCFM RE intends to change the management arrangements on 9 November 2016 regardless of the outcome of voting on the Resolutions.



# Overview of the meeting and the Resolutions

The purpose of the meeting is to consider a number of matters including:

- > The Fund Enhancements and other changes AMPCFM RE proposes to implement and which are in addition to the enhancements already adopted in 2015.
- > Decisions AMPCFM RE has made in relation to the existing Investment Management Agreement.

Unitholders will be given the chance to ask questions about these matters and the Fund.

Two resolutions will also be put to Unitholders at the meeting. Those resolutions are described below.

## RESOLUTION 1: RESPONSIBLE ENTITY RESOLUTION

The first resolution is proposed by AMPCFM RE, the responsible entity of the Fund. It authorises AMPCFM RE to implement the Capital Management Initiative on the basis that Fund Enhancements will also be implemented.

**Resolution 1: Responsible Entity Resolution:** This resolution is in the following terms:

*“That, subject to the LIM Resolution described in this Notice of Meeting and Explanatory Memorandum not being passed, the Responsible Entity is authorised for all purposes to offer to Unitholders the following capital management opportunity on the terms set out in this Notice of Meeting and Explanatory Memorandum:*

*a) the one-off redemption of the value of 15% of Units on issue at NAV less the costs of redemption; and*

*b) an on-market buy-back of up to 5% of the Units on issue as at the close of business on the next business day after the Meeting,*

*on the basis that the Fund Enhancements set out in this Notice of Meeting and Explanatory Memorandum will be implemented by the Responsible Entity.”*

See Section 3 of this Explanatory Memorandum for further details about the Responsible Entity Resolution.

## RESOLUTION 2: LIM RESOLUTION

The second resolution is NOT one which is being proposed by AMPCFM RE. This resolution has been put forward by LIM, which is an institutional investor in the Fund based in Hong Kong that holds more than 5% of the Units on issue. LIM is entitled, under the Corporations Act to propose certain resolutions to other Unitholders at meetings due to the size of its holding. LIM's resolution directs the Responsible Entity to wind up the Fund.

The LIM Resolution is in the following terms:

*“That, for the purposes of section 601NE(1)(b) of the Corporations Act 2001 (Cth), the responsible entity of the AMP Capital China Growth Fund (ARSN 122 303 744) is directed to wind up the AMP Capital China Growth Fund.”*

If the LIM resolution directing the Responsible Entity to wind up the Fund is passed, AMPCFM RE will be obliged to wind up the Fund. In those circumstances, AMPCFM RE will not implement either the Fund Enhancements or the Capital Management Initiative.

See Section 4 of this Explanatory Memorandum for further details about the process for winding up the Fund.

## Potential outcomes

AMPCFM RE will implement the Fund Enhancements even if the Responsible Entity Resolution is not passed unless the LIM Resolution is passed.

However, if the Responsible Entity Resolution is not passed, AMPCFM RE will not implement the Capital Management Initiative. This is because AMPCFM RE believes it would only be appropriate to provide the Capital Management Initiative if Unitholders pass the Responsible Entity Resolution. AMPCFM RE formed this view because Unitholders have expressed different opinions concerning capital management. Some Unitholders have expressed a desire for a capital management opportunity to enable them to dispose of some or all of their holdings. However, others consider there may be potential disadvantages associated with capital management.

The following table sets out the various potential outcomes of voting on the resolutions.

| RESOLUTION                    | PASS ✓ FAIL ✗ | OUTCOME  |
|-------------------------------|---------------|--|
| Responsible Entity Resolution | ✓             | <ul style="list-style-type: none"> <li>&gt; The Fund will continue with the Fund Enhancements</li> <li>&gt; The Capital Management Initiative will be implemented</li> <li>&gt; The Fund will not be wound up</li> </ul>                       |
| LIM Resolution                | ✗             |  |
| Responsible Entity Resolution | ✗             | <ul style="list-style-type: none"> <li>&gt; AMPCFM RE will be obliged to wind up the Fund in accordance with the constitution</li> <li>&gt; Neither the Fund Enhancements nor the Capital Management Initiative will be implemented</li> </ul> |
| LIM Resolution                | ✓             |  |
| Responsible Entity Resolution | ✓             | <ul style="list-style-type: none"> <li>&gt; AMPCFM RE will be obliged to wind up the Fund in accordance with the constitution</li> <li>&gt; Neither the Fund Enhancements nor the Capital Management Initiative will be implemented</li> </ul> |
| LIM Resolution                | ✓             |  |
| Responsible Entity Resolution | ✗             | <ul style="list-style-type: none"> <li>&gt; The Fund will continue with the Fund Enhancements</li> <li>&gt; The Capital Management Initiative will not be implemented</li> <li>&gt; The Fund will not be wound up</li> </ul>                   |
| LIM Resolution                | ✗             |  |

#### Our recommendation to Unitholders

> **AMPCFM RE recommends you vote against Resolution 2: LIM Resolution**

> **How you vote on Resolution 1: Responsible Entity Resolution will depend on whether you want the Capital Management Initiative. If you want it, vote in favour of Resolution 1: Responsible Entity Resolution. If you don't, vote against Resolution 1: Responsible Entity Resolution. In either case the Fund Enhancements will be implemented (provided Resolution 2: LIM Resolution is not passed).**

#### Why should Unitholders follow AMPCFM RE's recommendation?

The reasons for AMPCFM RE's recommendations are as follows:

- > As a result of Strategic Review 2016 and the fit for purpose review undertaken by AMPCFM RE, it considers that the continuation of the Fund is in the best interests of Unitholders, because it provides one of the few ways for Australian retail investors to access the China-A share market.
- > AMPCFM RE considers that there are a number of benefits to both the Fund Enhancements and, if the Resolution 1: Responsible Entity Resolution is passed, the Capital Management Initiative. These include:
  - Potential to improve the Fund's investment returns.
  - Reduction in the costs of the Fund.
  - Potential to increase the demand for the Fund which may reduce the Fund's trading discount.
- > Benefits of maintaining an exposure to the China A-share market through the Fund, as set out in Section 2.6.3 in this Explanatory Memorandum.
- > Potential issues associated with a winding up of the Fund, as set out in Section 2.6.4 in this Explanatory Memorandum.

#### Why may Unitholders vote against Resolution 1: the Responsible Entity Resolution?

There may be potential disadvantages associated with the Capital Management Initiative. These include:

- > That the implementation of the Capital Management Initiative will require the Manager to realise some of the portfolio which may impact the performance of the Fund.
- > That there will be costs associated with the implementation of the Capital Management Initiative although those costs will be borne by the Unitholders who participate in the Capital Management Initiative.
- > That the Capital Management Initiative will reduce the size of the Fund, which may increase the level of administrative costs per Unit and decrease the trading liquidity of the Fund.

#### Why may Unitholders vote in favour of Resolution 2: LIM Resolution?

Even though AMPCFM RE recommends that Unitholders vote against the LIM Resolution directing AMPCFM RE to wind up the Fund, some Unitholders may wish to vote in favour of Resolution 2: LIM Resolution for the following reasons:

- > Unitholders may believe that the net proceeds received from a wind up will exceed the net returns achieved from a continuing investment in the Fund.
- > Having regard to persistent Discount, Unitholders may prefer to receive the net proceeds of the wind up rather than sell their Units.
- > Unitholders may consider that there are some disadvantages to the proposed Fund Enhancements, including the following:
  - The change in the Fund's investment mandate may increase the risk associated with the Fund.
  - The proposed change to the DRP Rules may require the Fund to liquidate some of its investments.

See Section 2.5 of this Explanatory Memorandum for further details about AMPCFM RE's recommendations.



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## Fund Discount

AMPCFM RE is aware that the Fund's trading discount to NAV is concerning to some Unitholders, particularly as it has persisted. Against this background AMPCFM RE has carefully considered whether it could take action to reduce the Discount in a sustainable way.

It is the view of AMPCFM RE that the causes of the Discount are structural in nature and relate to investing in China, and so cannot be materially influenced by the actions of the AMPCFM RE. These structural features are explained in more detail in Section 2.3 of this Explanatory Memorandum. Furthermore, the Fund's experience coincides with that of its peers which also trade at comparable levels of discount to their underlying value<sup>2</sup>. Some Unitholders have suggested that AMPCFM RE could have undertaken various initiatives to reduce the Fund's Discount. AMPCFM RE's analysis shows that many of these suggestions would only have a short term effect, would not reduce the Discount in a sustainable way, were not practicable to implement and/or could have involved significant costs.

The suggestions that AMPCFM RE considered would enhance the Fund and may assist in a reduction of the Discount have been adopted as part of Strategic Review 2015 and 2016<sup>3</sup>. AMPCFM RE also chose to adopt a 15% Discount reference point as one of the factors that it would take into account in performing the annual fit for purpose review.

Although AMPCFM RE believes that it cannot sustainably close the Discount, AMPCFM RE is offering the Capital Management Initiative with the aim of striking a balance between the wishes of Unitholders who want to exit the Fund now at a potential premium to the traded unit price and Unitholders who want to remain invested to achieve exposure to China in a Fund of sustainable size.

AMPCFM RE's aim over the life of the Fund has always been to manage the Fund in accordance with its objectives<sup>4</sup>, which do not include minimising any discount between the trading price and NAV. We highlighted the risk of trading discount in the Product Disclosure Statement for the initial public offering<sup>5</sup>.

## Governance

The Fund is run to the highest standards of corporate governance. AMPCFM RE has managed the potential for conflicts to impact the Fund given it shares common directors with the Fund's manager and that the most significant investor in the Fund is AMP Life. AMP Life holds approximately 36%<sup>6</sup> of the Units in the Fund on behalf of policyholder interests in its statutory funds<sup>7</sup>.

These conflicts have been managed in a number of ways. Last year, AMPCFM RE established an independent Advisory Committee, which provides independent advice to AMPCFM RE on the Fund's strategy and operations. AMPCFM RE has also sought independent legal advice on its activities to manage potential conflicts. In addition, the Fund has stringent governance procedures and protocols in place with respect to its activities.

## Voting

All eligible Unitholders can vote on the resolutions. Votes may be cast in person at the Meeting, by proxy, by attorney or, in the case of a corporation, by its duly appointed corporate representative.

### VOTING ENTITLEMENTS

Each Unitholder on the Register at the Voting Record Date is entitled to attend and vote at the meeting.

Voting is not compulsory. Voting is important, however, and AMPCFM RE recommends that Unitholders exercise their entitlement to vote at the meeting.

A person's entitlement to vote at the meeting will be taken to be the entitlement of that person shown on the Register at the Voting Record Date unless, in respect of the resolutions, a voting exclusion applies to them.

Voting will be conducted by poll.

2 Note: Comparing the Fund's Discount experience with other non-peer listed investment companies which do not have substantial exposure to China, or to exchange traded funds with structures involving market making, does not provide a useful point of comparison and may be misleading.

3 See sections 2.1 to 2.4 of this Explanatory Memorandum.

4 Set out in the Product Disclosure Statement.

5 The responsible entity of the Fund said in the Product Disclosure Statement that the Unit price may not fully reflect its underlying NAV and that the market price of listed units is effected by external factors including a variety of general economic and business conditions, exchange rates and regulatory policies..

6 AMP Life holds a relevant interest in 169,787,593 Units which represents a 35.99% interest in the Fund.

7 See Section 2.9.3 of this Explanatory Memorandum for actions AMPCFM RE has taken in relation to determining the application of section 253E of the Corporations Act to AMP Life's entitlement to vote on the Resolutions.

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## VOTING IN PERSON

To vote in person at the meeting, Unitholders must attend the meeting in person. A Unitholder entitled to attend and vote at the meeting will be admitted to the meeting upon providing evidence of their name and address at the point of entry to the meeting. Registration for the meeting commences at 9.30am (AEST) on Thursday, 28 July 2016.

## VOTING BY PROXY

A proxy form is included with this Explanatory Memorandum.

Unitholders wishing to appoint a proxy to attend and vote at the meeting must complete and return the proxy form in accordance with the instructions on it.

There are a number of ways proxy forms may be submitted:

- > By mail to the registered office: Computershare Investor Services Pty Limited, GPO Box 4195 Sydney NSW 2001 Australia
- > By hand: Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney NSW 2001 Australia

Proxy forms must be received by the Registry no later than 10.00am (AEST) on Tuesday, 26 July 2016. If you have an attorney sign a proxy form on your behalf, the original or a certified copy of the power of attorney must be received by the Registry at the same time as the proxy form (unless previously provided to the Registry).

## VOTING BY ATTORNEY

You may appoint an attorney to attend and vote at the meeting on your behalf. Such an appointment must be made by a duly executed power of attorney, which must be received by AMPCFM RE at its registered office by 10.00am (AEST) on Tuesday, 26 July 2016, unless it has been previously provided to AMPCFM RE.

## VOTING BY CORPORATE REPRESENTATIVE

Unitholders who are bodies corporate may have a corporate representative attend and vote at the meeting on their behalf. The appointment must comply with section 253B of the Corporations Act. Persons attending the meeting as a corporate representative should bring to the meeting evidence of their appointment, including any authority under which the document appointing them as corporate representative was signed.



## What should I do?

**YOU SHOULD  
READ THIS EXPLANATORY MEMORANDUM IN ITS ENTIRETY**



If after reading this Explanatory Memorandum you have any questions about the Resolutions, you should call the **UNITHOLDER INFORMATION LINE** on (Australia) 1800 658 404 or (Overseas) +61 2 8048 8230 between 8.30am and 5.30pm (AEST) Monday to Friday



If you are in any doubt as to what you should do, you should **CONSULT AN INDEPENDENT APPROPRIATELY LICENSED AND AUTHORISED PROFESSIONAL ADVISER** without delay



### **VOTE ON THE RESOLUTIONS**

You can vote in one of several ways:

- **In person** - by attending the Meeting at 10.00am on 28 July 2016
- **By proxy** - by filling out and returning the proxy form in accordance with the instructions on the form so that it is received by no later than 10.00am (AEST) on 26 July 2016
- **By attorney** - by appointing an attorney to attend and vote at the Meeting on your behalf under a duly executed power of attorney which must be received by the Registry by no later than 10.00am (AEST) on 26 July 2016
- **By corporate representative** - Unitholders who are bodies corporate may have a corporate representative attend and vote at the Meeting on their behalf.

**FOR FURTHER INFORMATION ON VOTING PROCEDURES  
PLEASE SEE THE FOLLOWING PAGE**



If you have any queries regarding the completion and lodgment of the proxy form, please call the Registry (Computershare Investor Services Pty Limited) on (Australia) 1300 855 080 or (Overseas) +61 3 9415 4000.

## Having your say

BOTH RESOLUTIONS CANNOT BE IMPLEMENTED.

### WHAT IS AMPCFM RE'S RECOMMENDATION?



AMPCFM RE recommends that you **VOTE IN FAVOUR OF RESOLUTION 1: Responsible Entity Resolution** if you want the Fund to continue with the Fund Enhancements and would like the Capital Management Initiative to be implemented.

AMPCFM RE recommends that you **VOTE AGAINST RESOLUTION 1: Responsible Entity Resolution** if you want the Fund to continue with the Fund Enhancements but would not like the Capital Management Initiative to be implemented.



AMPCFM RE recommends that you **VOTE AGAINST RESOLUTION 2: LIM Resolution**.

### HOW DO I FOLLOW THE RESPONSIBLE ENTITY'S RECOMMENDATIONS?

#### I WANT TO VOTE FOR THE FUND TO CONTINUE WITH THE FUND ENHANCEMENTS AND THE CAPITAL MANAGEMENT INITIATIVE

If you want the Fund to continue with the Capital Management Initiative, you should vote **FOR Resolution 1: Responsible Entity Resolution** and **AGAINST Resolution 2: LIM Resolution**.

##### STEP 2 Item of business

**PLEASE NOTE:** If you mark the **Abstain** box for the item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

|              |   | For                                 | Against                             | Abstain                  |
|--------------|---|-------------------------------------|-------------------------------------|--------------------------|
| Resolution 1 | The Responsible Entity Resolution to authorise the Capital Management Initiative on the basis of the Fund Enhancements as stated in the notice of meeting | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |
| Resolution 2 | The LIM Resolution to direct the Responsible Entity to wind up the Fund as stated in the notice of meeting  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

#### I WANT TO VOTE FOR THE FUND TO CONTINUE WITHOUT THE CAPITAL MANAGEMENT INITIATIVE

If you want the Fund to continue but without the Capital Management Initiative you should vote **AGAINST Resolution 1: Responsible Entity Resolution** and **AGAINST Resolution 2 : LIM Resolution**.

##### STEP 2 Item of business

**PLEASE NOTE:** If you mark the **Abstain** box for the item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

|              |   | For                      | Against                             | Abstain                  |
|--------------|---|--------------------------|-------------------------------------|--------------------------|
| Resolution 1 | The Responsible Entity Resolution to authorise the Capital Management Initiative on the basis of the Fund Enhancements as stated in the notice of meeting | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 | The LIM Resolution to direct the Responsible Entity to wind up the Fund as stated in the notice of meeting  | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

#### I WANT TO VOTE FOR THE FUND TO BE WOUND UP

If you would like the Fund to be wound up you should vote **FOR Resolution 2: LIM Resolution**.

##### STEP 2 Item of business

**PLEASE NOTE:** If you mark the **Abstain** box for the item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

|              |   | For                                 | Against                  | Abstain                  |
|--------------|---|-------------------------------------|--------------------------|--------------------------|
| Resolution 1 | The Responsible Entity Resolution to authorise the Capital Management Initiative on the basis of the Fund Enhancements as stated in the notice of meeting | <input type="checkbox"/>            | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 | The LIM Resolution to direct the Responsible Entity to wind up the Fund as stated in the notice of meeting  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

If you are voting by proxy, use the Proxy Form accompanying this Explanatory Memorandum.

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# 1. FREQUENTLY ASKED QUESTIONS

This section answers some frequently asked questions about the Meeting. It is not intended to address all relevant issues for Unitholders. This section should be read together with all the other parts of this Explanatory Memorandum.

## Background to the Meeting

| QUESTION  | ANSWER  | MORE INFORMATION             |
|---|---|------------------------------|
| <b>1. Why am I receiving this Explanatory Memorandum?</b>                               | This Explanatory Memorandum has been sent to you because you are a Unitholder in the Fund and you are being asked to vote on the Resolutions that are being put at the Meeting. It is intended to help you decide how to vote at the Meeting.   | Not applicable               |
| <b>2. Who is convening the Meeting and issuing this Explanatory Memorandum?</b>         | AMPCFM RE is convening the Meeting and issuing the Explanatory Memorandum. A Unitholder, LIM, has requested that a resolution (called Resolution 2: LIM Resolution in this Explanatory Memorandum) also be considered at the Meeting. LIM has provided its own statement in relation to the LIM Resolution. AMPCFM RE is obliged to send this to you with this Explanatory Memorandum.  | See Appendix 1 and Section 8 |
| <b>3. What was the outcome of Strategic Review 2016 and the Fit for Purpose Review?</b> | In May 2016, AMPCFM RE in consultation with the independent Advisory Committee completed its evaluation of the Fund which confirmed: <ul style="list-style-type: none"> <li>&gt; The Fund was fit for purpose.</li> <li>&gt; The China A-share exposure provided by the Fund continues to be attractive to Unitholders.</li> <li>&gt; Unitholders recognise the benefits of liquidity achieved through the current Fund structure.</li> <li>&gt; Unitholders have a strong preference for the Fund to continue in substantially the same form and to remain listed.</li> </ul>  | See Sections 2.3 and 2.4     |
| <b>4. What decisions has the Responsible Entity made?</b>                               | AMPCFM RE identified certain enhancements to the current Fund it believes are in the best interests of all Unitholders being the Fund Enhancements and the Capital Management Initiative. AMPCFM RE seeks the approval of Unitholders through the Responsible Entity Resolution to implement the Capital Management Initiative.<br><br>AMPCFM RE has also decided to simplify the management arrangements as they apply to the Fund in a way that does not entrench the Manager. Accordingly, AMPCFM RE will not seek Unitholder approval to continue the existing Investment Management Agreement for a further fixed term. Instead, the Manager will provide required services to AMPCFM RE for the Fund under an amended Umbrella Investment Management Agreement. | See Sections 2.4, 2.5 and 3  |
| <b>5. What options for the Fund were considered?</b>                                    | See Section 2.4 of this Explanatory Memorandum for a summary of the options considered by AMPCFM RE.  | See Section 2.4              |
| <b>6. What is the Responsible Entity Resolution?</b>                                    | AMPCFM RE fundamentally believes that it is in the best interest of Unitholders for the Fund to continue, with enhancements. The first enhancement relates to capital management.<br><br>AMPCFM RE is seeking approval from Unitholders to undertake the Capital Management Initiative. AMPCFM RE has the power to undertake this without Unitholder approval. However, it is seeking Unitholder approval because differing views were expressed by Unitholders concerning capital management.<br><br>The second set of enhancements relates to the Fund Enhancements which AMPCFM RE considers are in the best interests of all Unitholders.<br><br>The Fund Enhancements will be introduced unless the LIM Resolution is passed.                                    | See Sections 3.1 and 3.2     |



## Background to the Meeting (con't)

| QUESTION   | ANSWER   | MORE INFORMATION  |
|--|--|---|
| <b>7. What are the Fund Enhancements?</b>                          | <p>The Fund Enhancements are to:</p> <ul style="list-style-type: none"> <li>&gt; Increase the flexibility of the Fund's investment mandate with the aim of improving the Fund's investment return potential.</li> <li>&gt; Reduce the Fund's base management fees.</li> <li>&gt; Remove the Fund's current performance fee.</li> <li>&gt; Amend the Distribution Reinvestment Plan so that Unitholders who are deemed to have elected (or who elect) to receive their annual distributions in cash will receive 100% in cash (as opposed to 49% under the existing Distribution Reinvestment Plan).</li> <li>&gt; Offer Unitholders holdings less than \$500 worth of Units (less than a marketable parcel) an ability to exit their holdings without brokerage costs.</li> <li>&gt; Maintain the marketing and communication improvements announced as part Strategic Review 2015.</li> <li>&gt; Consider capital management opportunities for Unitholders as part of the annual fit for purpose review.</li> </ul> <p>The Fund Enhancements will be introduced unless the LIM Resolution is passed.</p>  | See Section 3.1   |
| <b>8. What is the Capital Management Initiative?</b>               | <p>Having carefully considered the level and form of capital management that would be appropriate, AMPCFM RE concluded that a specific capital management opportunity in relation to approximately 20% of Units on issue, will not impact the sustainability of the Fund or prevent AMPCFM RE from considering further capital management opportunities including as part of our annual fit for purpose review.</p> <p>Accordingly, AMPCFM RE proposes:</p> <ul style="list-style-type: none"> <li>&gt; <b>A one-off redemption of the value of 15% of Units on issue at NAV less the costs of redemption.</b></li> <li>&gt; <b>An on-market buy-back of up to 5% of Units on issue as at the close of business on the next business day after the Meeting.</b></li> </ul> <p>The amount received by each Unitholder under the one off redemption will be subject to scale back in accordance with the Corporations Act if the redemption offer is oversubscribed.</p> <p>Subject to receipt of all necessary regulatory approvals, it is currently expected that, if passed, the offer period for the one-off redemption will commence by December 2016, concluding in January 2017 with proceeds being paid in mid to late January 2017.</p> <p>The Capital Management Initiative does not restrict AMPCFM RE offering other capital management opportunities to Unitholders if AMPCFM RE thinks it is appropriate to do so, in exercise of its powers and duties.</p> | See Section 3.2   |
| <b>9. What if the Responsible Entity Resolution is not passed?</b> | <p>If the Responsible Entity Resolution is not passed, AMPCFM RE will implement the Fund Enhancements but not the Capital Management Initiative.</p> <p>Neither the Fund Enhancements nor the Capital Management Initiative will be implemented if the LIM Resolution directing AMPCFM RE to wind up the Fund is passed. Instead, AMPCFM RE will be obliged to wind up the Fund.</p>   | Not applicable  |
| <b>10. What is the Deed Poll?</b>                                  | <p>AMPCFM RE will enter into the Deed Poll in favour of all Unitholders at the conclusion of the Meeting.</p> <p>The purpose of the Deed Poll is to set out the basis upon which AMPCFM RE will undertake to implement the Fund Enhancements, the Capital Management Initiative and the change in management arrangements, depending on which resolutions are passed. The Deed Poll benefits Unitholders because it is able to be enforced by them if AMPCFM RE does not comply with the Deed Poll.</p>  | See Section 3.3. The Deed Poll is set out in full in Appendix 2 |

## LIM Resolution

| QUESTION  | ANSWER  | MORE INFORMATION                    |
|---|---|-------------------------------------|
| <b>11. Who is LIM?</b>                              | LIM Asia Multi-Strategy Fund Inc is an institutional investor in the Fund based in Hong Kong who holds more than 5% of the Units. Together with an associate, LIM Asia Special Situations Master Fund, LIM controls approximately 9.9% of the Units in the Fund.  | Not applicable                      |
| <b>12. What is the LIM Resolution?</b>              | The LIM Resolution is a resolution directing AMPCFM RE to wind up the Fund.   | See Notice of Meeting in Appendix 1 |
| <b>13. Why has LIM proposed the LIM Resolution?</b> | <p>LIM only needs to consider its own interests and not the interests of other Unitholders.</p> <p>LIM has stated publicly that it is proposing the LIM Resolution to wind up the Fund because it would like the opportunity to withdraw its entire investment.</p> <p>AMPCFM RE believes that as an institutional investor, LIM has the capacity to access the China A-share market in other ways. Other Unitholders, particularly retail Unitholders, may not be able to readily access the China A-share market.</p> | Not applicable                      |

## Recommendations of the Responsible Entity

| QUESTION   | ANSWER   | MORE INFORMATION   |
|--|--|--|
| <b>14. What does AMPCFM RE recommend?</b>                              | <p>AMPCFM RE recommends you vote against the LIM Resolution.</p> <p>How you vote on the Responsible Entity Resolution will depend on whether you want a capital management opportunity. If you want it, vote in favour of the Responsible Entity Resolution. If you don't, vote against the Responsible Entity Resolution. In either case the Fund Enhancements will be implemented (provided the LIM Resolution is not passed).</p>   | See Section 2.5  |
| <b>15. What are the reasons for the AMPCFM RE's recommendation?</b>    | <p>The reasons for AMPCFM RE's recommendations are as follows:</p> <ul style="list-style-type: none"> <li>&gt; As a result of Strategic Review 2016 and the fit for purpose review it has undertaken, AMPCFM RE considers that the continuation of the Fund is in the best interests of Unitholders because it provides one of the few ways for Australian retail investors to access the China-A share market.</li> <li>&gt; AMPCFM RE considers that there are a number of benefits to both the Fund Enhancements and, if the Responsible Entity Resolution is passed, the Capital Management Initiative. These include: <ul style="list-style-type: none"> <li>• Potential to improve the Fund's investment returns.</li> <li>• Reduction in the costs of the Fund.</li> <li>• Potential to increase the demand for the Fund which may reduce the Discount.</li> </ul> </li> <li>&gt; Benefits of maintaining an exposure to the China A-share market through the Fund, as set out in Section 2 of this Explanatory Memorandum.</li> <li>&gt; Potential issues associated with a winding up of the Fund.</li> </ul> | See Section 2.6 for more information on the Strategic Review 2016 and FAQs 20 to 27 for further information on wind up |
| <b>16. Why would I vote against the Responsible Entity Resolution?</b> | <p>There may be potential disadvantages associated with the Capital Management Initiative. These include:</p> <ul style="list-style-type: none"> <li>&gt; That the implementation of the Capital Management Initiative will require the Manager to realise some of the portfolio which may impact the performance of the Fund.</li> <li>&gt; That there will be costs associated with the implementation of the Capital Management Initiative although the costs will be borne by the Unitholders who participate in the Capital Management Initiative.</li> <li>&gt; That the Capital Management Initiative will reduce the size of the Fund which may increase the level of administrative costs per Unit and decrease the trading liquidity of the Fund.</li> </ul>   | See Section 2.7  |

## Discount

| QUESTION  | ANSWER  | MORE INFORMATION |
|---|---|------------------|
| <b>17. Why does the Discount exist?</b>   | <p>As previously advised to the market in 2015, AMPCFM RE believes that there is no single reason driving the Fund's Discount and the exact causes for the Discount remain uncertain and cannot be quantified.</p> <p>AMPCFM RE, however, believes there are structural features relating to the Fund's substantial exposure to investments in the China A-share market which contribute to the Discount, including:</p> <ul style="list-style-type: none"> <li>&gt; The significant volatility within the China A-share market.</li> <li>&gt; The observed premium valuation of many individual China A-shares relative to their China H-share listing as with many of the shares to which the Fund has exposure.</li> <li>&gt; Timing and taxation issues regarding repatriation of funds experienced by the Fund and its peers.</li> </ul> <p>AMPCFM RE identified at the time of the initial public offering that the Fund could trade at a Discount.</p> | See Section 2.3  |
| <b>18. Is managing the Discount part of the Fund's objective?</b>                     | No, the Fund's objective is to achieve long-term capital growth with a focus on investing in China-A shares and to outperform its benchmark. This objective has been unchanged since the initial public offering. The Fund's objectives do not include minimising the Discount. AMPCFM RE highlighted the risk of the Discount in the PDS for the initial public offering noting that the Unit price may not fully reflect its underlying NAV and that the market price of the Units is effected by external factors including a variety of general economic and business conditions, exchange rates and regulatory policies.   | See Section 2.3  |
| <b>19. Did AMPCFM RE consider the Discount as part of its evaluation of the Fund?</b> | Yes, the Discount was one of a number of criteria considered when the fit for purpose review was undertaken in relation to the period ended 31 March 2016.  | See Section 2.3  |

## Wind up

| QUESTION  | ANSWER   | MORE INFORMATION                   |
|---|--|------------------------------------|
| <b>20. What could happen if the LIM Resolution is passed?</b> | If the LIM Resolution is passed, AMPCFM RE will be obliged to wind up the Fund in accordance with the Corporations Act.  |                                    |
| <b>21. What is the wind up process?</b>                       | <p>In brief, this process requires AMPCFM RE to realise all of the assets of the Fund as soon as practicable and distribute the net proceeds of realisation on a pro rata basis to Unitholders. While it is anticipated that the net proceeds will be paid in cash, distributions in-specie are permitted.</p> <p>During the wind up process AMPCFM RE will continue to be entitled to its fees for acting as responsible entity and will exercise its powers to the extent necessary to complete the wind up.</p> <p>In a fund of this nature, with underlying assets in China, there may be delays in realising the assets and distributing the net proceeds of your investment.</p>   | See Section 4.2                    |
| <b>22. What will I receive should the Fund be wound up?</b>   | <p>You will receive the proceeds from realisation of the Fund's assets after deduction of costs and expenses including those attributable to the wind up.</p> <p>A wind up <b>does not guarantee a specific price in respect of the extinguishment of a Unitholder's interest in the Fund</b>. The net proceeds under a wind up may depend on market movements and currency fluctuation over the wind up process.</p>  | See Section 4.2                    |
| <b>23. How long would a wind up take?</b>                     | <p>Due to the uncertainties associated with selling all the Fund's assets (including the underlying portfolio) and repatriating funds from mainland China, AMPCFM RE is uncertain how long it will take for Unitholders to receive their wind up proceeds. Based on current information, AMPCFM RE estimates that in the most likely realisation strategy it will take between 9 and 18 months before all of the net proceeds can be distributed to Unitholders. Pro rata distributions of net proceeds may be made progressively.</p> <p>The length of time to complete the wind up is longer than the time to complete the Capital Management Initiative because the size of the Capital Management Initiative means that realising a sufficient proportion of assets and obtaining Chinese regulatory approvals is simpler.</p> | See Sections 4.2 and Section 2.6.4 |

## Wind up (con't)

| QUESTION  | ANSWER  | MORE INFORMATION  |
|---|---|-------------------|
| <b>24. What strategy would AMPCFM RE pursue to wind up the Fund?</b>                            | <p>In developing a wind up strategy for the Fund AMPCFM RE will consider all available options, including the period of time it would take to obtain Chinese regulatory approvals in respect of repatriation of funds from China and the best method of realising the Fund's underlying portfolio.</p> <p>At this stage, AMPCFM RE cannot be certain as to which strategy (or combination of strategies) it would implement to realise the assets of the Fund or the timing for necessary regulatory approvals. This will require detailed work and careful consideration (with associated costs). AMPCFM RE believes this should commence only if the LIM Resolution is passed.</p> <p>In the current circumstances, the realisation strategy that AMPCFM RE considers to be most likely is to distribute wind up proceeds in a number of tranches corresponding to Chinese tax and regulatory approval over a period of approximately 9 to 18 months. AMPCFM RE notes that there is no certainty this timeframe is achievable. See Appendix 3 of this Explanatory Memorandum for KPMG's view of the reasonableness of AMPCFM RE's estimate of the time to complete the wind up of the Fund.</p> | See Section 4.2.2 |
| <b>25. Why would I vote against the LIM Resolution directing AMPCFM RE to wind up the Fund?</b> | <p>You may decide to vote against the LIM Resolution to ensure the Fund continues. If the LIM Resolution is passed, AMPCFM RE must wind up the Fund and neither the Fund Enhancements nor the Capital Management Initiative will be implemented.</p> <p><b>If you want the Fund to continue, you should vote AGAINST the LIM Resolution.</b></p>  | See Section 2.6   |
| <b>26. Why would I vote for the LIM Resolution?</b>   | <p>Even though AMPCFM RE recommends that Unitholders vote against the LIM Resolution directing AMPCFM RE to wind up the Fund, some Unitholders may wish to vote in favour of the LIM Resolution for the following reasons:</p> <ul style="list-style-type: none"> <li>&gt; Unitholders may believe that the net proceeds received from a wind up will exceed the net returns achieved from a continuing investment in the Fund.</li> <li>&gt; Having regard to persistent Discount, Unitholders may prefer to receive the net proceeds of the wind up rather than sell their Units.</li> <li>&gt; Unitholders may consider that there are some disadvantages to the proposed Fund Enhancements, including the following: <ul style="list-style-type: none"> <li>• The change in the Fund's investment mandate may increase the risk associated with the Fund.</li> <li>• The proposed change to the DRP Rules may require the Fund to liquidate some of its investments.</li> </ul> </li> </ul>   | See Section 2.8   |
| <b>27. Will the Trust remain listed during the wind up process?</b>                             | <p>AMPCFM RE has consulted with ASX. ASX noted that, on the most likely realisation strategy, it would be unlikely that trading in the Units will be suspended until nearer the time that Unitholders become entitled to final distribution of the net proceeds of realisation.</p> <p>However, ASX also noted that it may suspend trading in the Units at an earlier time if it formed the view that the Fund did not have sufficient operations for a listed entity as a result of distributions under the winding up.</p> <p>Should the LIM Resolution be passed, AMPCFM RE will continue to consult with ASX as it develops the strategy for the wind up.</p>   | See Section 4.2.3 |



## Tax

| QUESTION   | ANSWER   | MORE INFORMATION |
|--|--|------------------|
| <b>28. What are the tax consequences of the Capital Management Initiative?</b> | The Capital Management Initiative will have tax consequences for Unitholders whose Units are redeemed or bought back. For Australian tax resident Unitholders holding their Units on capital account, the Capital Management Initiative will give rise to a Capital Gains Tax (CGT) event. Unitholders are encouraged to seek professional tax advice regarding the tax implications for them of participating in the Capital Management Initiative.   | See Section 5    |
| <b>29. What are the tax consequences of the wind up?</b>                       | <p>A wind up of the Fund may involve the distribution of income up to the date of wind up, and will also involve distributions to Unitholders which will represent an extinguishment of Unitholders' interests in the Fund.</p> <p>Income distribution(s) prior to and upon wind up will receive their usual treatment.</p> <p>The extinguishment of Unitholders' interest in the Fund will have tax consequences for Unitholders. For Australian tax resident Unitholders holding their Units on capital account, the extinguishment will involve a CGT event and the distributions received in respect of the extinguishment of the Units may give rise to a capital gain or loss.</p> <p>Unitholders are encouraged to seek professional tax advice regarding the tax implications for them of a wind up of the Fund.</p> | See Section 5    |

## About the Fund and its management arrangements

| QUESTION                                  | ANSWER  | MORE INFORMATION |
|---|---|------------------|
| <b>30. Who is the Responsible Entity?</b> | The responsible entity of the Fund is AMP Capital Funds Management Limited (ACN 159 557 721; AFSL 426455). AMPCFM RE is obliged to operate the Fund in the best interests of all Unitholders, putting Unitholders interests ahead of its own where there is a conflict, and to treat all Unitholders equally.   | Not applicable   |
| <b>31. Who is the Manager?</b>            | <p>The Manager of the Fund is AMP Capital Investors Limited (ACN 001 777 591). It holds an Australian Financial Services Licence (AFSL 232497) and a Qualified Foreign Institutional Investment (QFII) quota in relation to the Fund to invest in US\$200 million of China A-shares.</p> <p>The Manager is currently appointed as investment manager under two agreements in relation to the Fund.</p> <p>One agreement is the Investment Management Agreement. That agreement is between InvestCo and the Manager.</p> <p>The second agreement is an Umbrella Investment Management Agreement between the Manager and AMPCFM RE. Under that agreement, the Manager provides AMPCFM RE all services that it requires to manage the Fund.</p> <p>The current Investment Management Agreement will terminate on 9 November 2016 and the Umbrella Investment Management Agreement will continue but with amendments to enable all services to be provided to the Fund that are required.</p> <p>The fees and expenses able to be charged by AMPCFM RE and the Manager are not being changed by reason of the termination of the Investment Management Agreement and amendments to the Umbrella Investment Management Agreement. The reduced base management fee payable to AMPCFM RE, will impact the amount of fees AMPCFM RE will be able to pay to the Manager.</p> | See Section 3.4  |
| <b>32. Who is InvestCo?</b>               | <p>InvestCo is AMP Capital China Growth Fund, a private company limited by shares and registered in Mauritius under the Mauritian Companies Act 2001. The Fund holds 100% of the shares giving an economic interest in InvestCo. InvestCo invests directly in the China A-share market.</p> <p>There is an Investment Management Agreement as described above between InvestCo and the Manager which the parties will terminate on 9 November 2016.</p>   | Not applicable   |
| <b>33. What is the Fund?</b>              | The Fund is a managed investment scheme listed on the ASX (ticker: ASX:AGF). The Fund aims to achieve long-term capital growth for Unitholders with a focus on China A-shares, which are shares in companies listed on China's Shanghai or Shenzhen stock exchanges and outperforming the S&P/CITIC Total Return Index (expressed in Australian dollars).   | Not applicable   |

## About the Fund and its management arrangements (con't)

| QUESTION   | ANSWER   | MORE INFORMATION |          |                                       |        |      |        |                 |
|--|--|------------------|----------|---------------------------------------|--------|------|--------|-----------------|
| 34. What is the Fund's current investment mandate?                                       | <p>The Fund's current investment mandate is to hold, through InvestCo, shares, bonds and warrants listed on China's stock exchanges as well as other financial instruments permitted by the CSRC.</p> <p>The current asset allocation within InvestCo's investment portfolio is as follows:</p> <table><tr><td>China A-shares</td><td>50%-100%</td></tr><tr><td>Bonds (domestic Renminbi denominated)</td><td>0%-30%</td></tr><tr><td>Cash</td><td>0%-20%</td></tr></table> <p>The Fund primarily purchases its China A-shares investments through the Manager's QFII quota but has additional flexibility to acquire China A-shares through Stock Connect, a cross-border investment channel linking the Hong Kong and Shanghai stock exchanges. Stock Connect allows investors in each market to trade securities in the other using their local brokerages, subject to certain quotas. Stock Connect provides the Fund with enhanced liquidity for working capital purposes given the ability to more easily repatriate funds via Hong Kong than via mainland China.</p> <p>The Fund's investment portfolio holds China A-shares in approximately 60 to 80 companies (77 companies as at 31 May 2016) and is run according to the following guidelines:</p> <ul style="list-style-type: none"><li>&gt; A maximum position of 10% of the Fund in any individual security.</li><li>&gt; A maximum share deviation of 5% from the benchmark.</li><li>&gt; A maximum sector deviation of 15% from the benchmark.</li><li>&gt; An expected annual turnover of approximately 50%, although this will vary depending on market conditions.</li><li>&gt; Fund Enhancement #1 involves removing the maximum sector deviation guidelines.</li></ul> | China A-shares   | 50%-100% | Bonds (domestic Renminbi denominated) | 0%-30% | Cash | 0%-20% | See Section 3.1 |
| China A-shares   | 50%-100%   |                  |          |                                       |        |      |        |                 |
| Bonds (domestic Renminbi denominated)  | 0%-30%   |                  |          |                                       |        |      |        |                 |
| Cash   | 0%-20%   |                  |          |                                       |        |      |        |                 |
| 35. How can the Manager be changed?  | <p>Under the existing Investment Management Agreement, the Manager's appointment is entrenched because:</p> <ul style="list-style-type: none"><li>&gt; The contract is between the Manager and InvestCo and does not terminate on a change of responsible entity.</li><li>&gt; The contract can only be terminated by InvestCo if the Manager is in default under the agreement.</li></ul> <p>Under the new arrangements the Manager will not be entrenched (it can be replaced as described in FAQ 36 below.)</p> <p>While the Fund remains listed, AMPCFM RE can be changed by an ordinary resolution (requiring at least 50% of Unitholders voting on the resolution to pass).</p>  | See Section 3.4  |          |                                       |        |      |        |                 |
| 36. Why has AMPCFM RE decided to terminate the existing Investment Management Agreement? | <p>AMPCFM RE and the Manager will terminate the existing Investment Management Agreement at the end of its fixed term on 9 November 2016. From 9 November 2016 the Fund will obtain these services under the existing Umbrella Investment Management Agreement (as amended).</p> <p>AMPCFM RE is taking these steps to simplify the management arrangements which apply to the Fund and to remove entrenchment of the Manager. It considers that the current arrangement is inconsistent with market norms. Under the new arrangements the Manager's appointment can be terminated by notice and will automatically terminate if AMPCFM RE is replaced.</p>  | See Section 3.4  |          |                                       |        |      |        |                 |

## Meeting details, voting and approval thresholds

| QUESTION  | ANSWER   | MORE INFORMATION  |
|---|--|---|
| <b>37. When and where will the Meeting be held?</b>             | The Meeting will be held at 10.00am (AEST) on Thursday, 28 July 2016 at the Theatre, NSW Parliament House, 6 Macquarie Street, Sydney NSW 2000.  | See Notice of Meeting in Appendix 1                                     |
| <b>38. Who will be the Chairman of the Meeting?</b>             | The Chairman of the Meeting will be Ms Deborah Page AM who is an independent chairman.   | See Section 2.9.4   |
| <b>39. What are the voting thresholds?</b>                      | <p><b>Resolution 1: Responsible Entity Resolution is an ordinary resolution.</b> This means that it can be passed by at least 50% of the Unitholders present at the Meeting (in person or by proxy) and eligible to vote.</p> <p><b>Resolution 2: LIM Resolution is an extraordinary resolution</b> which must be passed by at least 50% of the total votes that may be cast by all members entitled to vote on that resolution. This means that at least 50% of all Unitholders eligible to vote must vote in favour of the LIM Resolution for it to pass.</p>  | See Section 2.9.2   |
| <b>40. Can associates of AMPCFM RE vote on the resolutions?</b> | <p>In accordance with section 253E of the Corporations Act, AMPCFM RE and its associates are not entitled to vote their interests if they have an interest in the Resolutions other than as a member of the Fund.</p> <p>AMP Life, a related body corporate of AMPCFM RE, holds approximately 36% of the Units in the Fund on behalf of policyholder interests in its statutory funds.</p> <p>On 27 June 2016, the Supreme Court of NSW considered the entitlement of AMP Life to vote its Units on the Resolutions at the Meeting at proceedings which were initiated by AMPCFM RE. The Court decided in court proceedings that AMP Life is not entitled to vote its Units on the Resolutions at the Meeting because of section 253E of the Corporations Act.</p> <p>Some directors and employees of AMP Group members hold Units in the Fund. Those who are associates of AMPCFM RE will be prevented from voting by section 253E of the Corporations Act. The only director of AMPCFM RE who holds Units is Douglas Talbot and he will not vote his Units at the Meeting.</p> | See Section 2.9.3   |
| <b>41. How can I vote?</b>                                      | <p>You may vote either:</p> <ul style="list-style-type: none"> <li>&gt; in person by attending the Meeting</li> <li>&gt; by proxy or by attorney if you do not want to, or cannot, attend in person in accordance with the instructions in the Notice, or</li> <li>&gt; by corporate representative (in the case of a body corporate) in accordance with the instructions in the Notice.</li> </ul>  | Not applicable  |
| <b>42. Who can I appoint as proxy?</b>                          | <p>You can choose who to appoint as your proxy. You may appoint the chairman of the Meeting. The person appointed as proxy does not have to be a Unitholder.</p> <p>Please refer to the Proxy Form and the cover sheet for information regarding filling in and returning the Proxy Form.</p>  | See Proxy Form and Cover Sheet accompanying this Explanatory Memorandum |
| <b>43. What choices do I have as a Unitholder?</b>              | <p>As a Unitholder, you have the following choices:</p> <ul style="list-style-type: none"> <li>&gt; You can vote at the Meeting in person, by proxy, by attorney or, in the case of a body corporate, by duly appointed corporate representative.</li> <li>&gt; You can choose not to vote at the Meeting.</li> <li>&gt; You can sell your Units.</li> <li>&gt; You can do nothing.</li> </ul>   | Not applicable  |
| <b>44. What happens if I do not vote?</b>                       | <p>Voting is voluntary but if you do not vote you will not have a say in the future of the Fund.</p> <p>Regardless of whether or not you vote, you will be bound by the results of the Resolutions.</p>  | Not applicable  |

## Governance

| QUESTION   | ANSWER   | MORE INFORMATION  |
|--|--|-------------------|
| <b>45. Who are the directors of AMPCFM RE and the Manager?</b>                               | <p>The directors of AMPCFM RE are as follows:</p> <ul style="list-style-type: none"> <li>&gt; Adam Tindall, Chairman</li> <li>&gt; Edwina Maloney</li> <li>&gt; Patricia Margaret Payn</li> <li>&gt; Douglas Talbot</li> </ul> <p>The directors of the Manager are as follows:</p> <ul style="list-style-type: none"> <li>&gt; Adam Tindall, Chairman</li> <li>&gt; Jeffrey Brunton</li> <li>&gt; Patricia Margaret Payn</li> <li>&gt; Douglas Talbot</li> </ul>   | See Section 6.3.2 |
| <b>46. Are the directors of AMPCFM RE and the Manager independent?</b>                       | <p>No. They are executives of AMP Capital with appropriate expertise to operate managed investment schemes including the Fund.</p> <p>However, the Fund has established an independent Advisory Committee. Under its charter, members of the independent Advisory Committee are required to act in the best interests of Unitholders and to the extent there is a conflict between the interests of Unitholders and members of the AMP Group of companies, they are to prefer Unitholders' interests.</p> <p>There is also a statutory compliance committee with a majority of external members, known as the Managed Investment Scheme Compliance Committee (MISCC).</p> <p>Membership of those committees together with further information is set out in Section 6.3.</p>   | See Section 6.3.2 |
| <b>47. What is the purpose of the Advisory Committee and where can I obtain the charter?</b> | <p>As set out in the Advisory Committee's Charter, the purpose of the Advisory Committee is to, at the request of the Board:</p> <ul style="list-style-type: none"> <li>&gt; Advise on strategic issues, other than matters purely related to portfolio management which are not a change to the Fund's investment objectives as set out in the Product Disclosure Statement.</li> <li>&gt; Assist the Board in determining whether the Fund continues to be fit for purpose including by reviewing the draft annual health check report for the Fund.</li> <li>&gt; Assist the Board in situations of conflict.</li> <li>&gt; Be available to consult with the Board on any operational initiatives.</li> <li>&gt; Assist the Board in relation to any complaints by Unitholders as requested by the Board.</li> <li>&gt; Advise in relation to any Unitholders' meetings which may be called by the Responsible Entity or by a Unitholder or Unitholders.</li> <li>&gt; Advise the Board on other matters.</li> </ul> <p>The Advisory Committee's charter is available at <a href="http://www.ampcapital.com.au/other-pages/china-growth-fund-corporate-governance">www.ampcapital.com.au/other-pages/china-growth-fund-corporate-governance</a></p> | See Section 6.3.1 |



## Governance (con't)

| QUESTION  | ANSWER   | MORE INFORMATION  |
|---|--|-------------------|
| <b>48. What is the role of the MISCC?</b>   | <p>Under the Corporations Act, the functions of the MISCC include:</p> <ul style="list-style-type: none"> <li>&gt; To monitor to what extent AMPCFM RE complies with the Fund's compliance plan and to report on its findings to AMPCFM RE.</li> <li>&gt; To report to AMPCFM RE any of the following of which it becomes aware or suspects: <ul style="list-style-type: none"> <li>• Any breach of the Corporations Act involving the Fund.</li> <li>• Any breach of the provisions included in the Constitution in accordance with section 601GA of the Corporations Act.</li> </ul> </li> <li>&gt; To report to ASIC if it becomes aware that AMPCFM RE has not taken, or does not propose to take, appropriate action to deal with a matter reported to it by the MISCC.</li> <li>&gt; To assess at regular intervals whether the compliance plan for the Fund is adequate, to report to AMPCFM RE on that assessment and to make recommendations about any changes that it considers should be made to the plan.</li> </ul> <p>Under the compliance plan for the Fund, the MISCC has oversight responsibilities of AMPCFM RE in relation to the Meeting.</p>  | See Section 6.3   |
| <b>49. Do any members of the AMP Group hold Units?</b>  | <p>AMP Life has been the largest investor in the Fund since the initial public offering.</p> <p>As at the date of this Explanatory Memorandum, AMP Life holds approximately 36% of the Units in the Fund. The Units are held on behalf of policyholder interests in its statutory funds.</p> <p>In addition, various directors and employees of companies within the AMP Group hold Units.</p>   | See Section 2.9.3 |
| <b>50. How has AMP Group managed conflicts of interest in relation to decisions concerning the Meeting and the strategic reviews?</b> | <p>To manage potential conflicts of interest:</p> <ul style="list-style-type: none"> <li>&gt; In accordance with established governance procedures, there are protocols in place relating to the decision making of the Fund including in connection with the Meeting. Potential conflicts in relation to the Meeting include: decisions regarding the investment management arrangements; reductions in fees; consideration of the Capital Management Initiative and winding up. AMPCFM RE and the Manager have ensured that separate directors make determinations on these issues. Adam Tindall and Edwina Maloney currently represent the Fund<sup>8</sup>.</li> <li>&gt; The independent Advisory Committee has reviewed and advised AMPCFM RE on management's recommendations in relation to the strategic reviews, the fit for purpose testing and the Meeting.</li> <li>&gt; Independent legal advisers were appointed to advise the Fund – their role is limited to advising AMPCFM RE in its capacity as the responsible entity of the Fund.</li> <li>&gt; AMP Life has retained its own independent legal and investment advisers whose role is to advise AMP Life in respect of its stake in the Fund, which it holds on behalf of policyholder interests in its statutory funds.</li> </ul> | See Section 6.3   |

## Other matters

| QUESTION   | ANSWER   | MORE INFORMATION |
|--|--|------------------|
| <b>51. What should I do if I have further questions?</b> | <p>If after reading this Explanatory Memorandum you have any questions about the Meeting, you should call the Unitholder Information Line on (Australia) 1800 658 404 or (Overseas) +61 2 8048 8230 between 8.30am and 5.30pm (AEST) Monday to Friday.</p> <p>If you are in any doubt as to what you should do, you should consult an independent, appropriately licensed and authorised professional adviser without delay.</p> <p>如閣下就這些文件有任何疑問，我們可以提供普通話服務。請致電單位持有人服務熱線1800 658 404（澳大利亞）或+61 2 8048 8230（海外）。辦公時間：星期一到星期五，上午八時半到下午五時半。我們將竭誠為您服務！</p> | Not applicable   |

<sup>8</sup> Adam Tindall is a common director of both AMPCFM RE and the Manager. He has not represented the Manager on conflicted issues. Edwina Maloney is not a director of the Manager. The remaining common directors have either been excluded from or not present for decisions on conflicted issues.

# 2. RESPONSIBLE ENTITY'S EVALUATION OF OPTIONS AND RECOMMENDATION

## 2.1. PURPOSE OF THE MEETING

This Explanatory Memorandum relates to the Meeting that AMPCFM RE undertook to convene in 2015 following the meeting convened by LIM, which was ultimately cancelled on 30 October 2015.

The purpose of the Meeting is to consider a number of matters including:

- > Certain additional enhancements and other changes that AMPCFM RE proposes to implement and which are in addition to the enhancements already adopted in 2015.
- > Decisions AMPCFM RE has made in relation to the existing Investment Management Agreement.

AMPCFM RE has determined that the Fund is fit for purpose. Accordingly, this Explanatory Memorandum outlines AMPCFM RE's proposed strategy for the continuation of the Fund. At the Meeting, AMPCFM RE is seeking authorisation to provide the Capital Management Initiative to Unitholders on the basis that the Fund Enhancements will also be implemented.

As described in Section 3 of this Explanatory Memorandum, the Fund Enhancements will be implemented even if the Responsible Entity Resolution is not passed by Unitholders provided that the LIM Resolution is not passed by Unitholders. AMPCFM RE will not implement the Capital Management Initiative without Unitholders' approval to do so.

In determining how you should vote, Unitholders are advised that:

- > If you want the Fund to continue you should vote against the LIM Resolution.
- > If you want the Fund to continue with the Capital Management Initiative, you should vote for the Responsible Entity Resolution and against the LIM resolution.
- > If you want the Fund to continue but without the Capital Management Initiative you should vote against the Responsible Entity Resolution and the LIM Resolution.
- > If you want the Fund to be wound up you should vote for the LIM Resolution.

See Section 2.8 of this Explanatory Memorandum for information on the LIM Resolution.

AMPCFM RE also announced on 26 October 2015 that the Meeting would deal with the Investment Management Agreement. AMPCFM RE has decided to simplify the management arrangements that apply to the Fund. As that decision involves a termination of the Investment Management Agreement, no vote will be held on renewing the Investment Management Agreement at the Meeting. See Section 3.4 of this Explanatory Memorandum for further information.

Unitholders will also have the opportunity to ask questions regarding AMPCFM RE's strategy and the Resolutions at the Meeting.

## 2.2. STRATEGIC REVIEW 2015

On 13 July 2015, AMPCFM RE announced it would conduct a strategic review of the Fund (being Strategic Review 2015). As part of Strategic Review 2015, AMPCFM RE considered the Discount. It also analysed the performance of the Fund (as compared to its peers) and undertook other operational benchmarking.

Strategic Review 2015 focused on two main options for the Fund's future:

1. Continue to operate the Fund in a manner largely consistent with its present form, with some changes aimed at improving the Fund's operations (including potential changes to disclosure, governance and capital management); or
2. Fundamental changes to the Fund's structure such as a potential de-listing or wind up of the Fund.

After careful consideration of the interests of all Unitholders, AMPCFM RE decided the Fund should continue in substantially the same form. However, AMPCFM RE formed the view that a number of enhancements to the Fund would be in the best interests of Unitholders. These enhancements were to:

- > Implement the Stock Connect trading platform.
- > Alter the default Distribution Reinvestment Plan election to allow new Unitholders to opt-in to participate in the Distribution Reinvestment Plan, rather than requiring them to opt-out.
- > Improve the marketing of the Fund including the appointment of a dedicated Head of Investor Relations.
- > Establish an ongoing independent Advisory Committee composed of external members.
- > Enhance the Fund's disclosure by providing daily NAV estimates and a breakdown of the Fund's fees to make the underlying components more transparent.

Following the conclusion of Strategic Review 2015, AMPCFM RE announced a timetable for the implementation and monitoring of these enhancements. The enhancements were to be implemented by 1 January 2016 and AMPCFM RE was to monitor the effectiveness of the enhancements up until 31 March 2016. This timetable was met, with an ASX announcement on 8 April 2016 confirming that the enhancements were implemented and the monitoring period had ended. Key observations from the monitoring period included that:

- > The Fund's total Unitholder return has generally performed in line with Tier-1 Peers during the monitoring period although total NAV return modestly underperformed Tier-1 Peers over the three-month monitoring period.
- > When considered on an Australian dollar basis, the Fund's total Unitholder return and total NAV return have been generally in line with Tier-1 Peers during the three-month monitoring period.

For the findings in relation to the Discount see the findings in Section 2.3 of this Explanatory Memorandum.

## 2.3. FIT FOR PURPOSE REVIEW AND DISCOUNT

### 2.3.1 FIT FOR PURPOSE REVIEW

During the first half of 2016, AMPCFM RE and the independent Advisory Committee analysed whether the Fund remains fit for purpose. That analysis was performed in the context of the Fund's purpose as described in its Product Disclosure Statement. In particular, the purpose of the Fund is to:

- > Provide Unitholders with access to the China A-share market via a liquid investment structure through continuing to be listed on ASX to enable trading of Units on ASX.
- > Outperform the S&P/CITIC Total Return Index (expressed in Australian dollars).
- > Continue to achieve its investment objectives including achieving long-term capital growth (as opposed to regular income) with a focus on exposure to the China A-share market.

Under its charter, the independent Advisory Committee is obliged to approve a set of criteria against which it will analyse whether the Fund continues to be fit for purpose.

The independent Advisory Committee adopted the following criteria:

- > Does the Fund provide access to the China A-share market?
- > Does the Fund access the China A-share market via all appropriate channels?
- > Does the Fund provide Unitholders with a liquid investment structure?
- > How has the Fund performed against investment objectives as set out in the Product Disclosure Statement?
- > How has the Fund performed against sufficiently similar funds?
- > Does the Manager have the resources to operate and manage the Fund to meet its investment objectives?
- > Are the risks of investing in the Fund consistent with those set out in the Product Disclosure Statement?
- > Does the Fund still offer the benefits to investors as set out in the Product Disclosure Statement?
- > What is the difference between the NAV and traded unit price per Unit of the Fund?

After analysing each of the above criteria, the independent Advisory Committee recommended to AMPCFM RE that it should determine that the Fund remains fit for purpose. After careful consideration and consultation with the independent Advisory Committee, AMPCFM RE accepted this recommendation.

AMPCFM RE formed its view, despite the fact that the Discount continues to persist and that it is above the Discount Reference Point that AMPCFM RE had determined to take into account as part of the overall fit for purpose analysis. The 3 month average discount of the Fund to 24 June 2016 was 18.5%.<sup>9</sup>

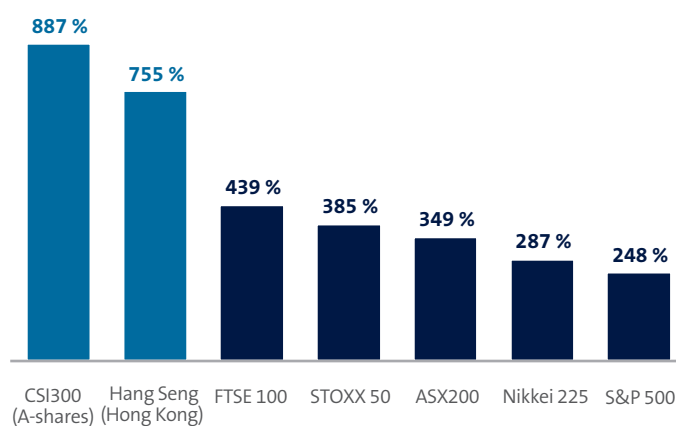
### 2.3.2 THE FUND'S DISCOUNT

The exact causes for the Discount are uncertain. As mentioned in the Overview, AMPCFM RE believes that the causes of the Discount are structural in nature and relate to the Fund's substantial exposure to investments in the China A-share market. The structural features AMPCFM RE believes contribute to the Discount as described in turn below:

#### Significant volatility within the China A-share market

Compared with more developed markets, the China A-share market continues to demonstrate volatility. For example, in early January 2016 (on 4 January 2016 and 7 January 2016) the CSI300 Index declined by more than 7% resulting in trading being halted for the remainder of trading sessions as a result of circuit breakers (which were announced in 2015 in an attempt to manage market volatility).

The table below shows monthly variations in total returns of various markets<sup>10</sup>. It illustrates that the China A-share market is significantly more volatile than more developed markets such as the UK, Eurozone, Australia, Japan and the USA.



#### Monthly Variations in Total Return (Past 4 Years)<sup>10</sup>

**The observed premium valuation of many individual China A-shares relative to their China H-share listing as with many of the shares to which the Fund has exposure**

As a 24 June 2016, according to Bloomberg, on a market-cap weighted basis cross-listed companies traded at a 39.9% premium on the China A-share market as compared to the Hong Kong listing (based on 89 stocks).

#### Timing and taxation issues regarding repatriation of funds experienced by the Fund and other institutional investors.

As described in Section 4.2 of this Explanatory Memorandum, there are regulatory limits affecting the repatriation of funds from investments in China A-shares. This includes a monthly limit on the amount of capital that can be repatriated from China.

This issue was specifically identified by MSCI as part of their basis for not including the China A-share market within their benchmark indices at this time (see Section 2.6.3 of this Explanatory Memorandum). As MSCI disclosed on 14 June 2016, "The 20% monthly repatriation limit remains a significant hurdle for investors that may be faced with redemptions such as mutual funds and must be satisfactorily addressed".

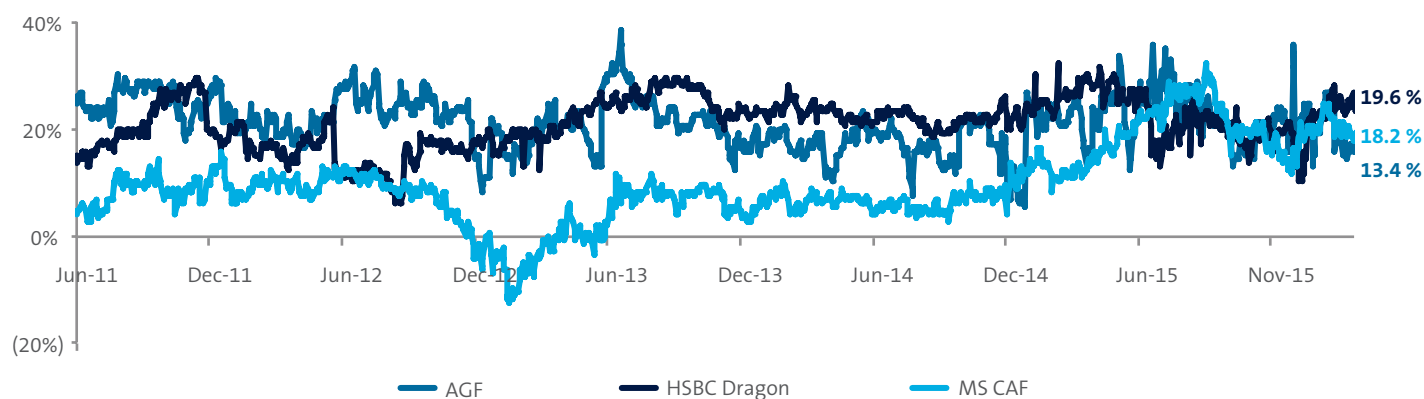
<sup>9</sup> The 12 month average discount of the Fund to 24 June 2016 was 20.7%. AMPCFM RE takes this into account in considering whether to accept the Advisory Committees recommendations.

<sup>10</sup> Source: Bloomberg. Coefficient of variation based on monthly returns as at 31 May 2016. The coefficient of variation (also known as relative standard deviation) provides a measure of relative historical volatility. It is calculated as the ratio of the standard deviation to the absolute value of the mean.

### Discount is comparable to the Fund's Tier-1 Peers

As seen in the chart and tables below, the Fund's Tier-1 Peers which also are predominantly focused on the China A-share market trade at comparable discount levels and have for a considerable period of time.

#### Discount to NAV (the Fund and Tier-1 Peers to 31 May 2016)<sup>11</sup>



|  | 24-JUN-16<br>(%) | 3M AVG.<br>(%) | 6M AVG.<br>(%) | LTM AVG.<br>(%) | 2 YR AVG.<br>(%) | 3 YR AVG.<br>(%) | 5 YR AVG.<br>(%) | AGF IPO<br>(%) |
|--|------------------|----------------|----------------|-----------------|------------------|------------------|------------------|----------------|
| <b>AMP China Growth Fund</b>             | <b>13.4</b>      | <b>18.5</b>    | <b>19.6</b>    | <b>20.7</b>     | <b>20.0</b>      | <b>19.9</b>      | <b>20.9</b>      | <b>19.6</b>    |
| <b>Tier-1 Peers</b>                      |                  |                |                |                 |                  |                  |                  |                |
| HSBC China Dragon Fund (HK:0820)         | 19.6             | 22.6           | 22.0           | 20.8            | 22.3             | 23.0             | 21.1             | NA             |
| MS China A Share Fund (CAF)              | 18.2             | 18.5           | 19.0           | 20.6            | 15.8             | 12.8             | 10.0             | 7.3            |
| <b>Tier-1 Peers - Avg.</b>               | <b>18.9</b>      | <b>20.5</b>    | <b>20.5</b>    | <b>20.7</b>     | <b>19.1</b>      | <b>17.9</b>      | <b>15.6</b>      | <b>7.3</b>     |
| <b>Tier-2 Peers</b>                      |                  |                |                |                 |                  |                  |                  |                |
| Templeton Dragon Fund (TDF)              | 13.9             | 14.0           | 13.8           | 13.8            | 12.5             | 12.1             | 11.4             | 11.0           |
| Aberdeen Greater China Fund (GCH)        | 16.1             | 15.6           | 15.5           | 15.4            | 13.5             | 12.9             | 11.1             | 9.9            |
| JP Morgan China Region Fund (JFC)        | 11.4             | 11.0           | 12.1           | 14.2            | 13.3             | 12.9             | 12.4             | 11.6           |
| Fidelity China Special Situations (FCSS) | 17.0             | 17.5           | 17.4           | 16.7            | 14.4             | 12.6             | 9.1              | NA             |
| The China Fund, Inc. (CHN)               | 14.0             | 13.6           | 13.3           | 13.6            | 12.5             | 12.2             | 11.1             | 10.5           |
| JP Morgan China Investment Trust (JMC)   | 13.1             | 15.2           | 16.0           | 15.6            | 13.5             | 12.9             | 11.5             | 8.1            |
| <b>Tier-2 Peers - Avg.</b>               | <b>14.3</b>      | <b>14.5</b>    | <b>14.7</b>    | <b>14.9</b>     | <b>13.3</b>      | <b>12.6</b>      | <b>11.1</b>      | <b>10.2</b>    |
| <b>High</b>                              | <b>19.6</b>      | <b>22.6</b>    | <b>22.0</b>    | <b>20.8</b>     | <b>22.3</b>      | <b>23.0</b>      | <b>21.1</b>      | <b>11.6</b>    |
| <b>Low</b>                               | <b>11.4</b>      | <b>11.0</b>    | <b>12.1</b>    | <b>13.6</b>     | <b>12.5</b>      | <b>12.1</b>      | <b>9.1</b>       | <b>7.3</b>     |
| <b>Median</b>                            | <b>15.1</b>      | <b>15.4</b>    | <b>15.8</b>    | <b>15.5</b>     | <b>13.5</b>      | <b>12.8</b>      | <b>11.2</b>      | <b>10.2</b>    |

<sup>11</sup> Source: Bloomberg. Discount to NAV for the last five years until 24 Jun 2016. The discount is calculated using the daily reported unit price compared to the last reported NAV (or NAV estimate) disclosed. Past performance is not necessarily an indicator of future performance.

Certain investors have suggested that sizable or unconstrained capital management could reduce the Fund's Discount, however detailed analysis of capital management initiatives undertaken by peer funds demonstrates that capital management has not been able to achieve a sustainable impact on the Discount.

As disclosed in the case study published on 8 April 2016, one of the Fund's Tier-1 Peers, the HSBC China Dragon Fund (Dragon Fund) undertook a redemption offer for 20% of the Dragon Fund's units at a net asset value based price in early 2016. While the discount closed to 10% during the redemption offer period, after the offer period closed the discount increased and, as at 24 June 2016, it remains in line with the Dragon Fund's five year average. This redemption followed a redemption undertaken in 2012 for 40% of the Dragon Fund's units. Since this time over 50% of the Dragon Fund's units have been redeemed without a sustainable impact on the Dragon Fund's discount.

Similarly, as disclosed on the Fund's Strategic Review 2015, a Tier-2 Peer from the table on page 25, the Greater China Fund, undertook a substantial redemption offer in early 2013 of up to 70% of the Fund's units with 66% of the units ultimately being redeemed. Despite this substantial redemption, the Greater China Fund's discount at 24 June 2016 is 16.1%.

## 2.4. STRATEGIC REVIEW 2016 – EVALUATION OF OPTIONS CONSIDERED BY AMPCFM RE

Concurrently with the fit for purpose review, AMPCFM RE undertook a review of the strategic alternatives available for the Fund as part of its second strategic review, Strategic Review 2016<sup>12</sup>. This involved a comprehensive process including consultation with management, the Fund's independent Advisory Committee, retail Unitholders, institutional Unitholders and investment professionals.

As a result of this consultation process, AMPCFM RE developed a list of more than 40 strategic options for the Fund. Each option was then assessed using the following criteria:

- > NAV performance – What impact would the implementation of this option have on the NAV of the Fund?
- > Unit price performance (including Discount) – What impact would the implementation of this option have on the traded Unit price of the Fund?
- > Governance – What impact would the implementation of this option have on the governance of the Fund?
- > Consistency with original offering – How is this option aligned to the original offering of the Fund in the Product Disclosure Statement?

From these 40 options, a shortlist of options was selected for further analysis by AMPCFM RE which included:

- > Converting the Fund to an open-ended fund structure
- > De-listing the Fund
- > Offering actively managed exchange traded products through the Fund
- > Winding up the Fund
- > Maintaining the Fund but with certain enhancements.

<sup>12</sup> Results of Strategic Review were announced on 20 May 2016.



Set out below are the main options considered as part of the Strategic Review 2016.

|  |   |
|--|---|
| <b>Convert the Fund to an open ended fund structure</b>  | <p>Under this option, the Fund would be converted to an open-ended fund with Unit issues and Unit redemptions.</p> <p>The key benefit of this option, if it could be implemented, is that the Unitholders would continue to have access to the unique exposure that the Fund provides but with a liquidity opportunity that is not at a Discount.</p> <p>Following a thorough analysis, AMPCFM RE concluded that this option was not in the best interests of Unitholders for the following reasons:</p> <ul style="list-style-type: none"><li>&gt; <b>Inappropriate to be operated as an open-ended fund:</b> AMPCFM RE considers that it would be impractical for the Fund at this stage to offer the type of ongoing issue and redemption opportunities typical of an open-ended fund. This is for two reasons:<ol style="list-style-type: none"><li>1. Continual issuances of Units will be difficult in circumstances where there is unlikely to be significant demand from investors at NAV; and</li><li>2. The difficulty in issuing new Units will impact on the ability to redeem at NAV – this is because a significant percentage of ongoing redemptions will generally need to be funded by new issuances given the difficulties involved in making timely repatriations of funds from China described in Section 2.6.4 of this Explanatory Memorandum.</li></ol></li><li>&gt; <b>Impediments to implementation:</b> There are a number of impediments to implementing this option including the need for regulatory relief and approvals from Chinese regulatory authorities and wholesale amendments to the Constitution. While AMPCFM RE considered it may have been able to work through each of these impediments, the process would involve substantial costs for the Fund. AMPCFM RE considered that, given the issues described in the preceding bullet, the difficulties and costs of converting to an open-ended fund structure would be likely to outweigh any benefits.</li></ul> |
| <b>Delist the Fund</b>                                   | <p>Under this option, AMPCFM RE would delist the Fund and offer Unitholders the opportunity to dispose of their Units in some other way (whether by way of successive redemption opportunities, a sale facility or some combination of either of them).</p> <p>Following a thorough analysis, AMPCFM RE concluded that this option was not in the best interests of Unitholders for the following reasons:</p> <ul style="list-style-type: none"><li>&gt; <b>Unitholder demand:</b> Unitholders have expressed a clear preference for maintaining the Fund as a listed vehicle so that they can continue to trade their Units on market.</li><li>&gt; <b>Liquidity issues:</b> AMPCFM RE did not consider that any of the other methods for providing Unitholders with the opportunity to dispose of their Units would provide sufficient liquidity.</li></ul>  |
| <b>Issue an actively managed exchange traded product</b> | <p>Under this option, AMPCFM RE would offer the Fund as an actively managed exchange traded product (ETP) in accordance with the AQUA Rules of the ASX.</p> <p>Following a thorough analysis, AMPCFM RE concluded that this option was not in the best interests of Unitholders for the following reasons:</p> <ul style="list-style-type: none"><li>&gt; <b>Features of this type of product are not consistent with the Fund:</b> Given the nature of the investments in the Fund, the features of the Fund are not consistent with the types of fund that are typically quoted as an ETP in accordance with the AQUA Rules of the ASX. It is likely that the Fund would not be able to take advantage of a number of the usual benefits of being an ETP including a trading price that is close to NAV as a result of market-making activities and continuously issuing/redeeming Units. There is also a risk, given the nature of the Fund's assets that ASX may not agree to quote the Fund's Units on the AQUA trading platform.</li><li>&gt; <b>Impediments to implementation:</b> There are a number of impediments to implementing this option, which are similar to the impediments described for open-ended funds above. AMPCFM RE considered that the difficulties and costs of converting to an ETP structure would be likely to outweigh the limited benefits (if any).</li></ul>   |

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## Wind up the Fund

Under this option, AMPCFM RE would realise the assets of the Fund and return the net proceeds to Unitholders during the wind up process.

Following a thorough analysis, AMPCFM RE concluded that this option was not in the best interests of Unitholders for the following reasons:

- > **Removal of opportunity for investors:** As part of its review, Unitholder feedback was that the China A-share exposure provided by the Fund is very attractive to Unitholders. AMPCFM RE has also concluded that the Fund remains fit for purpose. This option would mean that Unitholders would no longer have access to the investment opportunity afforded by the Fund.
- > **Tax impact:** As a consequence of winding up the Fund, a Unitholder's interest will be extinguished. This will, for taxation purposes, be treated as a disposal which may lead to adverse tax consequences for some Unitholders (see further details in Section 5 of this Explanatory Memorandum).
- > **Expected lengthy period for disposal and repatriation of net proceeds:** As described in Section 4.2.2 of this Explanatory Memorandum, based on current information, AMPCFM RE estimates that in the most likely realisation strategy it will take between 9 and 18 months before all of the net proceeds can be distributed to Unitholders. Pro rata distributions of net proceeds may be made progressively.

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## Maintain the Fund but with certain enhancements

Under this option, the Fund would be maintained on the ASX but with certain enhancements. These enhancements are the Fund Enhancements and the potential Capital Management Initiative.

The rationale for each of the Fund Enhancements and the Capital Management Initiative is set out in Section 2.6.2 of this Explanatory Memorandum.

In brief, the Fund Enhancements are expected to lead to the following benefits:

- > a reduction in the costs of the Fund
- > increased demand for the Fund which may lead to a reduction in the Discount.

Some Unitholders had expressed a desire for a capital management opportunity to enable them to liquidate some or all of their holdings other than by selling their Units on the market. Accordingly, AMPCFM RE devised the Capital Management Initiative described in Section 3.2 of this Explanatory Memorandum in relation to approximately 20% of the Units on issue. AMPCFM RE considers that an opportunity to redeem or buy-back up to approximately 20% of the Units on issue would not impact the sustainability of the Fund.

In addition, AMPCFM RE decided that it would simplify the management arrangements in a way that does not entrench the Manager as outlined in Section 3.4 of this Explanatory Memorandum.

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AMPCFM RE would like to highlight that certain investors suggested specific initiatives to close the Discount. These initiatives were fully addressed as part of Strategic Review 2015 and Strategic Review 2016 (e.g. the 40 strategic options addressed above). Examples of some of the specific suggestions from unitholders include certain initiatives that were adopted in part or full include:

- > **Increase transparency including via daily NAV reporting:** This was implemented as part of Strategic Review 2015
- > **Increase the Fund's flexibility to utilise other avenues to access China A-shares as the market liberalises:** As part of Strategic Review 2015, the Fund changed its investment mandate to allow a portion of the Fund to invest in China A-shares via Stock Connect.
- > **Stimulate more demand for the Fund by more regular marketing:** This was completed as part of Strategic Review 2015 including through hiring a new head of investor relations for the Fund. Strategic Review 2016 confirmed commitment to improved marketing of the Fund.
- > **Increase the cash portion of the distribution which could increase the Fund's attractiveness to retail and high net worth investors:** While the Fund's primary purpose remains capital appreciation, this was addressed through both Strategic Review 2015 and Strategic Review 2016, allowing Unitholders that make the requisite election to have 100% of their distribution paid in cash.
- > **Improve the Fund's investment flexibility to potentially generate higher returns:** As part of Strategic Review 2016, AMPCFM RE has decided to improve the investment flexibility of the Fund.
- > **Reduce the Fund's fees to make it more competitive with other China closed end funds:** As part of Strategic Review 2016, AMPCFM RE intends to reduce the base management fee below its Tier-1 Peers and remove the performance fee.
- > **Improve the Governance of the Fund to reduce conflicts of interest:** As part of Strategic Review 2015, the Fund established a fully independent Advisory Committee. AMPCFM RE also implemented a number of protocols to help manage conflicts of interests (See Section 6.3 of this Explanatory Memorandum).

However, there were also a number of suggestions that were not adopted by the Fund including:

- > **Creating a US\$ class of units or a dual-listing to increase demand from international investors:** AMPCFM RE considered potential options but decided these options were not in the best interest of unitholders or could not be implemented. Under ASX listing rules, listings can only be in Australian dollars. Additionally, the Fund has peers (including Tier-1 Peers) that operate on major exchanges in Hong Kong, the USA and London, given the persistent Discount of these peers, it was not clear that demand from these markets would significantly reduce the Discount. Further, given the meaningful costs and operational challenges of implementing this suggestion, AMPCFM RE determined this would not be in the best interest of Unitholders.
- > **Unconstrained redemption or a wind up of the Fund:** As described above, these were not deemed to be in the best interests of Unitholders.
- > **Introduction of Discount Ceiling:** As discussed in the Overview, the aim over the life of the Fund has been to manage the Fund in accordance with the objectives set out in the Product Disclosure Statement. These objectives do not include minimising any discount between the trading price and the NAV. The risk that the Fund could trade at a discount to NAV was clearly identified in the Product Disclosure Statement for the initial public offering. Given the structural features of the Discount, AMPCFM RE determined a Discount ceiling would not be appropriate. However, AMPCFM RE did determine to take the Discount into account as part of the fit for purpose review (See Section 2.3 of this Explanatory Memorandum).

## 2.5. RESPONSIBLE ENTITY'S CONCLUSIONS AND RECOMMENDATIONS AS A RESULT OF STRATEGIC REVIEW 2016

After considering each option thoroughly, AMPCFM RE determined that maintaining the Fund but with certain enhancements was the preferred option to pursue as it was in the best interests of all Unitholders. These enhancements are the Fund Enhancements and if approved by Unitholders, the Capital Management Initiative described in Section 3 of this Explanatory Memorandum.

AMPCFM RE will implement the Fund Enhancements if Unitholders vote against the LIM Resolution directing AMPCFM RE to wind up the Fund because they want the fund to continue. However, if the Responsible Entity Resolution is not passed, AMPCFM RE will not implement the Capital Management Initiative. This is because AMPCFM RE believes that it would only be appropriate to provide this capital management opportunity if Unitholders pass the Responsible Entity Resolution. In forming this view AMPCFM RE took into account that there were differing views expressed by Unitholders concerning capital management.

- > **AMPCFM RE recommends you vote against the LIM Resolution**
- > **How you vote on the Responsible Entity Resolution will depend on whether you want the Capital Management Initiative. If you want it, vote in favour of the Responsible Entity Resolution. If you don't, vote against the Responsible Entity Resolution. In either case Fund Enhancements will be implemented (provided the LIM Resolution is not passed).**

## 2.6. REASONS WHY UNITHOLDERS MAY FOLLOW THE RESPONSIBLE ENTITY'S RECOMMENDATIONS

### 2.6.1. THE CONTINUATION OF THE FUND IS IN THE BEST INTERESTS OF UNITHOLDERS

As described in Section 2.5 of this Explanatory Memorandum AMPCFM RE has concluded that the Fund is fit for purpose and should continue but with certain enhancements.

The Fund's original objective – to give Australian retail investors access to the China A-share market in order to generate long-term capital growth – remains true today. The Fund is still one of the few ways Australian retail investors can access actively-managed exposure to China via China A-shares.

Feedback received by AMPCFM RE as part of the Strategic Review 2016 from a large majority of Unitholders highlighted that:

- > The China A-share exposure provided by the Fund is very attractive to them.
- > They recognise the benefits of liquidity achieved through the current Fund structure.
- > They have a strong preference for the Fund to continue in substantially the same form and to remain listed.

If the Fund is wound up, they will no longer have access to China A-shares via this Fund.

### 2.6.2. THE BENEFITS OF THE FUND ENHANCEMENTS AND, IF PASSED, THE CAPITAL MANAGEMENT INITIATIVE

The Fund Enhancements and, if the Responsible Entity Resolution is passed, the Capital Management Initiative will provide significant benefits for Unitholders. Unitholders will not be able to share in these benefits if the LIM Resolution is passed and the Fund is wound up. The benefits are described in Section 3.1 of this Explanatory Memorandum. In brief, they are as follows:

#### Improve the Fund's investment return generation potential

The implementation of Enhancement #1 (Increase Investment Flexibility) will mean a change to the Fund's current investment mandate described in Section 3.1 of this Explanatory Memorandum to make it more flexible. In short, the proposed change allows the Fund's portfolio managers to make investments that may deviate further from the S&P/CITIC Total Return Index than is permitted under the Fund's current investment mandate.

Under the Fund's current mandate, the Manager is only able to allow a maximum sector deviation of 15% from the S&P/CITIC Total Return Index benchmark. The current sector deviation restriction can reduce the ability of the Manager to potentially generate returns above the benchmark. If the LIM Resolution is not passed, AMPCFM RE intends to change the Fund's investment mandate by removing the maximum sector deviation from the investment guidelines.

AMPCFM RE believes that this enhancement will provide the Fund with a greater potential to outperform, particularly in periods of market turbulence.

To ensure that this increased flexibility does not result in excessive risk relative to the Fund's benchmark, the Fund's volatility of performance versus the benchmark will be monitored. Portfolio holdings can then be adjusted if required in order to manage overall risk versus the benchmark.

#### Reduce the costs of the Fund

The Fund Enhancements are expected to reduce the costs of the Fund in a number of ways:

- > Enhancement #2 (Reduce the base fee) is a reduction of the Fund's base management fee to 1.35%<sup>13</sup> from 1.65% per annum;<sup>14</sup>
- > Enhancement #3 (Remove the performance fee) will remove the Fund's current performance fee; and
- > Enhancement #5 (Unit sale facility), the small parcel redemption, may reduce the Fund's administrative costs. For example, there will be a smaller register and therefore reduced mailing costs.

This reduction in costs should have an immediate positive impact on NAV returns. In turn, the increase in NAV may increase the value of Units.

The reduction in costs will also mean the Fund will have the lowest base management fee of its global Tier-1 Peers.

<sup>13</sup> Inclusive of GST, less any input tax credits.

<sup>14</sup> This is separate from and excludes recoverable expenses.

### Increase demand for the Fund, which may reduce the Discount

AMPCFM RE believes the Fund Enhancements should make the Fund more attractive to new Unitholders. The combination of the potential for increased returns, a reduction in the costs, the potential for 100% annual cash distribution and an increase in awareness of the Fund may make more people want to invest in the Fund. A higher demand for the Fund may decrease the Discount as the higher number of buyers relative to sellers may mean an increase in the selling price of each Unit.

The on-market buyback, which would be introduced as part of the Capital Management Initiative (if the Responsible Entity Resolution is passed), will generate additional demand for the period of time that it is undertaken. This may provide an increase in Unit prices which might reduce the Discount.

### Provide an option to redeem Units at NAV (less costs), which is currently a premium to the current trading price

If the Responsible Entity Resolution is passed, the Capital Management Initiative will provide Unitholders with an option to redeem Units at NAV less the costs of redemption. The 3 month average discount of the Fund to 24 June 2016 was 18.5%<sup>15</sup>. The one-off redemption offer will provide Unitholders an opportunity to dispose of some of their Units at an NAV based price.

## 2.6.3. ACCESS TO THE CHINA A-SHARE MARKET VIA A LIQUID INVESTMENT STRUCTURE

The Fund's original purpose was to provide Australian investors with access to the China A-share market. The key investment objective is to achieve long-term capital growth for investors by investing in China, with a focus on the China A-share market<sup>16</sup>. This is beneficial for the following reasons:

### China A-share market is more representative of Chinese markets

The China A-share market is the second largest equity market in the world by market capitalisation. The size and the depth of the China A-share market make it a better reflection of China's economic performance than China H-shares (shares of a company incorporated in the Chinese mainland that is listed on the Hong Kong stock exchange or other foreign exchange) which provide limited access to China and are less representative of overall Chinese performance as they are more focused on certain industries (such as financials).

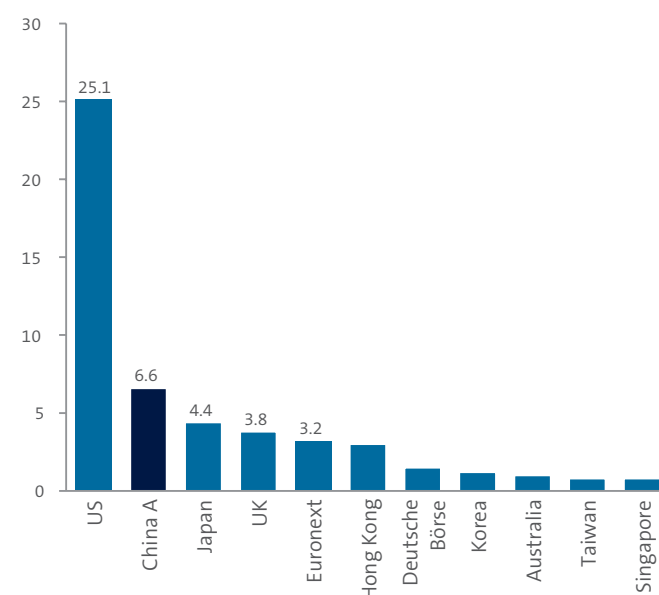
The China A-share market importantly provides investors with access to the Chinese economy, the second fastest growing economy globally. Chinese gross domestic product (GDP), one of the primary indicators used to gauge the health of a country's economy, is forecast at 6.5% in 2016 and 6.2% in 2017. This compares favourably to the average world growth GDP forecast of 3.2% and 3.5%.<sup>17</sup>

At present, the Fund continues to be one of the few ways for Australian retail investors to access the China A-share market and gain exposure to this significant emerging market.

If the LIM Resolution is passed, the Fund will be wound up and investors will lose this access to the China A-share market.

### Total Listed Market Capitalisation<sup>18</sup>

US\$ Trillion as at 31 March 2016



### Niche Sectors Only Available in China A-Share Market as at 27 June 2016<sup>19</sup>

| GICS SUB-INDUSTRY                    | INDUSTRY AVAILABILITY |                |
|--------------------------------------|-----------------------|----------------|
|                                      | CHINA A-SHARES        | CHINA H-SHARES |
| Cable & Satellite                    | ✓                     | ✗              |
| Catalog Retail                       | ✓                     | ✗              |
| Commercial Printing                  | ✓                     | ✗              |
| Drug Retail                          | ✓                     | ✗              |
| Electric Utilities                   | ✓                     | ✗              |
| General Merchandise Stores           | ✓                     | ✗              |
| Health Care Technology               | ✓                     | ✗              |
| Homebuilding                         | ✓                     | ✗              |
| Housewares & Specialties             | ✓                     | ✗              |
| Multi-line Insurance                 | ✓                     | ✗              |
| Office Services & Supplies           | ✓                     | ✗              |
| Oil & Gas Refining & Marketing       | ✓                     | ✗              |
| Other Diversified Financial Services | ✓                     | ✗              |
| Precious Metals & Minerals           | ✓                     | ✗              |
| Publishing                           | ✓                     | ✗              |
| Railroads                            | ✓                     | ✗              |
| Research & Consulting Services       | ✓                     | ✗              |
| Soft Drinks                          | ✓                     | ✗              |
| Specialty Stores                     | ✓                     | ✗              |

<sup>15</sup> The 12 month average discount of the Fund to 24 June 2016 was 20.7%.

<sup>16</sup> See the Product Disclosure Statement for the initial public offering of the Fund which can be found on the Fund's website [www.ampcapital.com.au/china](http://www.ampcapital.com.au/china).

<sup>17</sup> Source: Bloomberg.

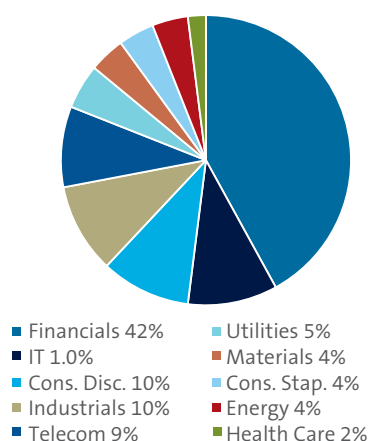
<sup>18</sup> Source: World Federation of Exchange, Bloomberg, Goldman Sachs Global Investment Research.

<sup>19</sup> Source: Bloomberg, for China H-shares only includes those companies listed on the Hong Kong stock exchange which are considered to have China as their Country of Risk.

## Sector Comparison By Stock Exchange<sup>20</sup>

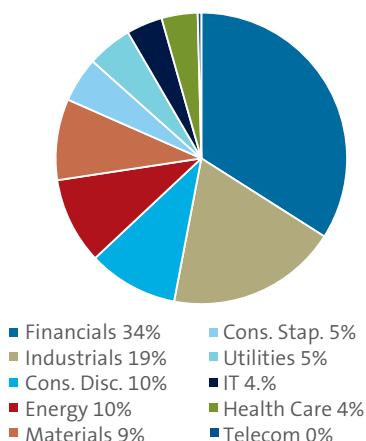
### China H-shares

#### Sector Breakdown in Hong Kong

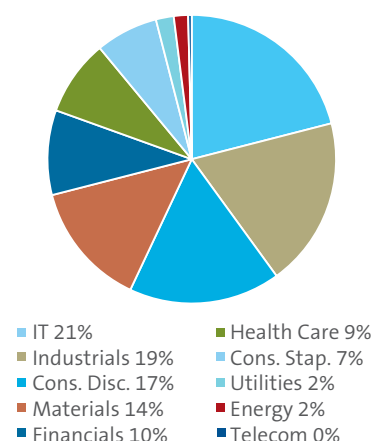


### China A-shares Sector Breakdown in Shanghai and Shenzhen

#### Sector Breakdown in Shanghai



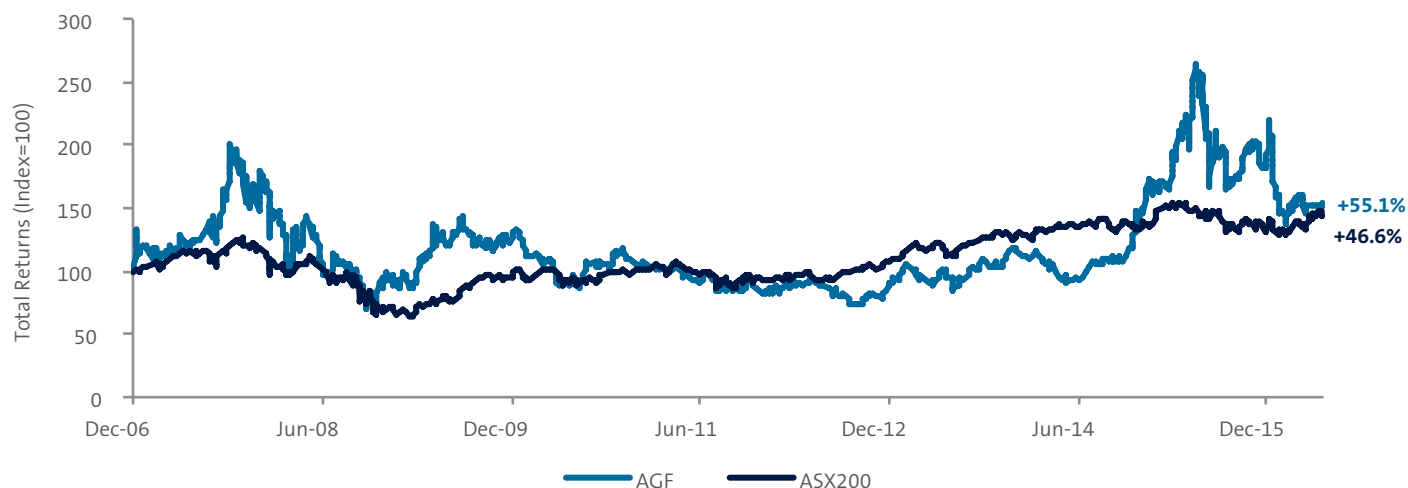
#### Sector Breakdown in Shenzhen



### The Fund, by providing access to the China A-share market, has historically delivered strong returns compared to other Australian investment opportunities

The Fund, by providing access to the China A-share market, has delivered strong returns to investors compared with the local benchmark, the S&P/ASX 200 Index. Since its initial public offering, the Fund has delivered a return of 55.1% compared to a return of 46.6% by the S&P/ASX 200 Index.

### The Fund total unitholder return relative to the ASX 200 since initial public offering<sup>21</sup>



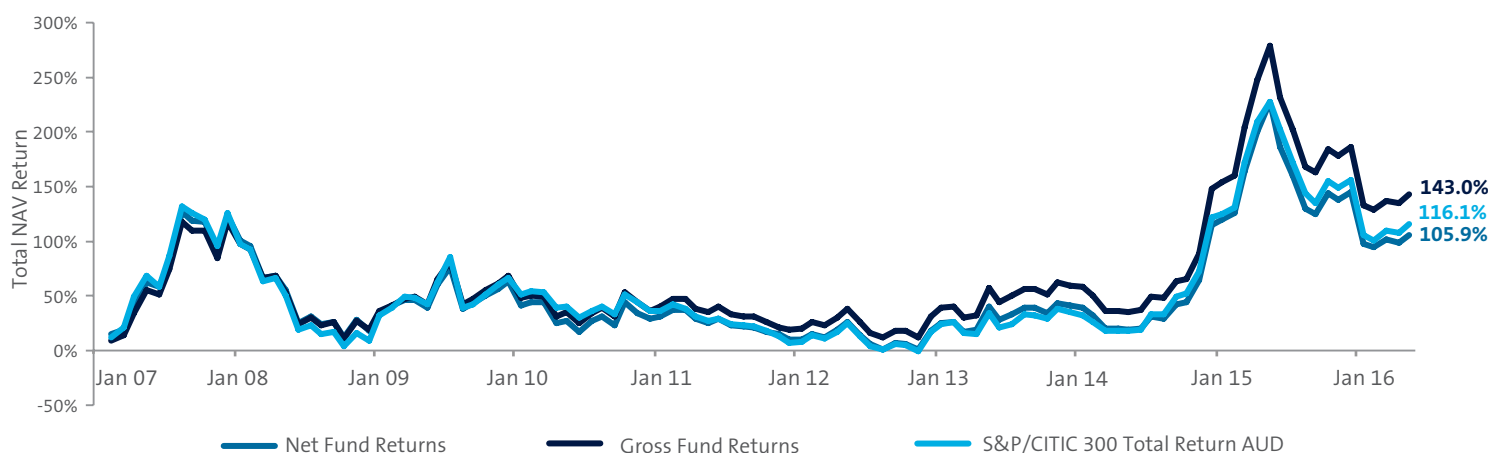
<sup>20</sup> Source: UBS Investment Research, Shenzhen-Hong Kong Stock Connect – unveiling new opportunities” 20 April 2016

<sup>21</sup> Source: Bloomberg. Performance since 21 December 2006 (being the date of official quotation of the Units on ASX) until 31 May 2016. Past performance is not necessarily an indicator of future performance.



## The Fund total NAV return since inception (AUD)<sup>22</sup>

Since its initial public offering, the Fund has delivered total NAV return of 143.0% (gross of fees)<sup>23</sup> and 105.90% (net of fees)<sup>24</sup> compared to a return of 116.1% by the S&P/CITIC Total Return Index (expressed in Australian dollars).



## Potential for China A-shares to be included in the MSCI Emerging Markets Index

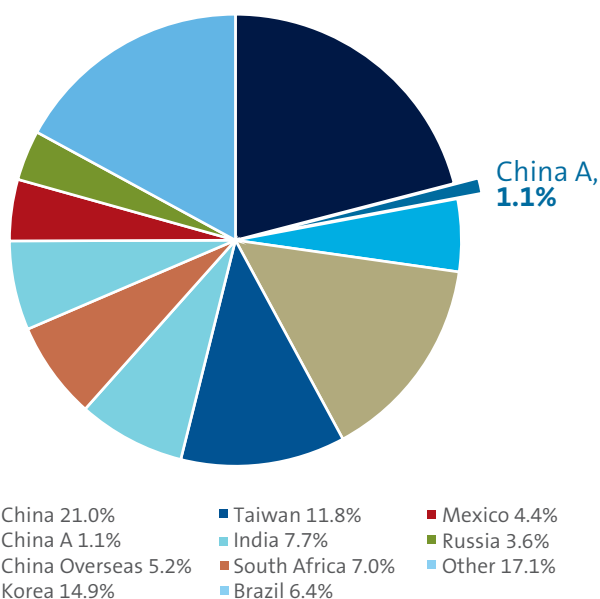
While China A-shares are not currently included in the MSCI Emerging Markets Index (MSCI Index) it is possible that partial inclusion will be achieved. The MSCI Index is a widely used benchmark for investment funds, investing in global equities.

On 14 June 2016, MSCI announced that China A-shares will remain on its 2017 review list for partial inclusion into the MSCI Index. The next MSCI Index review is scheduled for mid-2017, but there is scope for this to occur earlier.

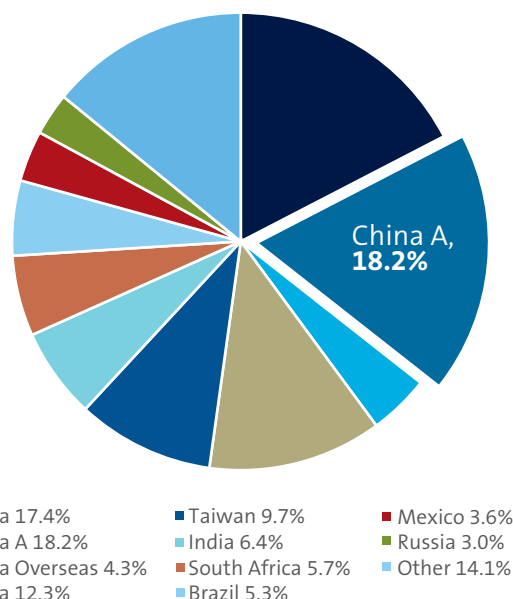
If China A-shares are included in the MSCI Index, it is expected to increase liquidity in China A-shares and this may also increase demand for investment vehicles, such as the Fund, which provide access to the China A-share market. These benefits may increase over time (depending upon the degree of inclusion of China A-shares in the MSCI index.) For example:

- > MSCI estimates China A-shares will be initially granted a partial inclusion of up to 5% of MSCI's China Index (MSCI China Index USD). This equates to a 1.1%<sup>25</sup> weighting in MSCI Index.
- > A 100% inclusion of China A-shares would represent approximately 18.2%<sup>25</sup> of the MSCI Index, making it the largest constituent within the MSCI Index, exceeding even Korea. (See below).

### Partial China A-Share MSCI Index Inclusion (5%<sup>26</sup>)



### Potential Full China A-Share MSCI Inclusion<sup>26</sup>



22 Source: AMP Capital. Data from AGF inception date 10 Jan 2007 (as at that date, 90% of the funds managed under the QFII quota had been invested into Chinese equities) until 31 May 2016. Returns assume distributions are reinvested. Net performance is calculated after fees, expenses and taxes. Gross performance is calculated before fees, expenses and taxes. Benchmark for the fund is the S&P/CITIC Total Return Index. Past performance is not necessarily an indicator of future performance.

23 Gross performance is calculated before fees, expenses and taxes.

24 Net performance is calculated after fees, expenses and taxes.

25 Consultation on China A-Shares Index inclusion roadmap, MSCI April 2016.

26 The percentage number refers to the Inclusion Factor applied to the free float-adjusted market capitalisation of China A-share constituents in the pro forma MSCI Index. China A-share securities are subject to a foreign ownership limit of 30%.

### **QFII quota offers a greater investment universe than Stock Connect; Shenzhen stock exchange not yet available on Stock Connect**

While the Fund uses the QFII Quota available to it as well as Stock Connect to obtain its exposure to China A-shares, the QFII Quota provides a number of advantages not currently available under Stock Connect. These include:

- > The QFII Quota allows the Fund to invest in 2,682 China A-shares on the Shanghai and Shenzhen stock exchanges, compared to 568 through Stock Connect only.
- > The Shenzhen stock exchange is not currently available through Stock Connect.
- > Stock Connect maintains a bias towards companies which have a large market capitalisation<sup>27</sup>.
- > Stock Connect is subject to daily limits, meaning investors may not be able to buy certain stocks through Stock Connect on a particular day when the daily limit is reached.

### **Listing on the ASX provides investors with a liquid investment structure**

The Fund's ASX listing provides investors with the ability to sell their Units in the Fund in a convenient and timely manner. This means investors can buy and sell Units in the Fund.

The Fund's listed structure allows Australian retail investors access to the China A-share market through an ASX listed vehicle as opposed to facing the challenges of directly obtaining China A-share market exposure.

### **2.6.4. DISADVANTAGES OF A WIND UP**

Under a wind up Unitholders would no longer have access to the investment opportunity afforded by the Fund.

A wind up does not guarantee a specific price for the extinguishment of a Unitholder's interest in the Fund. The net proceeds under a wind up will depend on market movements and currency fluctuations during the wind up process. The value of the net proceeds that Unitholders receive from a wind up may differ from the NAV at the date of the Meeting, being the date that the LIM Resolution, if passed, would direct AMPCFM RE to wind up the Fund. Assuming a sale of the underlying portfolio as the most likely realisation strategy (See Section 4.2.2 of this Explanatory Memorandum), the net proceeds will reflect the net realisation values at the time of sale of the assets, currency fluctuations and the costs of winding up the Fund.

Due to the uncertainties associated with selling all the Fund's assets (including the Fund's underlying portfolio) and repatriating funds from mainland China, AMPCFM RE is uncertain how long it will take for Unitholders to receive their cash. Based on current information, AMPCFM RE estimates that in the most likely realisation strategy it will take between 9 and 18 months before all of the net proceeds can be distributed to Unitholders. Pro rata distributions of net proceeds may be made progressively.

The length of time to complete the wind up is longer than the time to complete the Capital Management Initiative because the size of the Capital Management Initiative means that realising a sufficient proportion of assets and obtaining Chinese regulatory approvals is simpler.

As a consequence of winding up the Fund, a Unitholder's interest will be extinguished. This will, for taxation purposes, be treated as a disposal which may lead to adverse tax consequences for some Unitholders (see further details in Section 5 of this Explanatory Memorandum).

Unitholders would also be foregoing the future risk/return profile of the Fund.

### **2.7. REASONS UNITHOLDERS MAY VOTE AGAINST THE RESPONSIBLE ENTITY RESOLUTION**

There may be potential disadvantages associated with the Capital Management Initiative. These are outlined below.

#### **The implementation of the Capital Management Initiative will require the Manager to realise some of the portfolio**

The Capital Management Initiative would require the Fund to reduce the number of Units on issue. Executing these initiatives requires cash and this will cause the Manager to realise some of the Fund's portfolio. The value at which the Fund's portfolio can be realised and the funds repatriated from mainland China will depend on market movements in the China A-share market and currency fluctuations.

#### **There will be costs associated with the implementation of the Capital Management Initiative**

The implementation of the Capital Management Initiative will require some expenditure which will need to be borne by the Unitholders participating in the Capital Management Initiative.

#### **The Capital Management Initiative will reduce the size of the Fund**

If implemented, the Capital Management Initiative will reduce the size of the Fund. This has the potential to increase the administrative costs per Unit because the fixed costs of the Fund will be shared over a smaller number of Units. The reduction in the size of the Fund may also decrease the trading liquidity of the Fund as there are a smaller number of Units to trade.

<sup>27</sup> The constituents are made up of eligible China A-shares within the Shanghai stock exchange (SSE 180 Index), the SSE 380 Index and shares of all SSE-listed companies that maintain both China A-shares and China H-shares

## 2.8. REASONS UNITHOLDERS MAY VOTE FOR THE LIM RESOLUTION

Even though AMPCFM RE recommends that Unitholders vote against the LIM Resolution for the reasons set out in Section 2.6 of this Explanatory Memorandum, some Unitholders may wish to vote in favour of the LIM Resolution directing AMPCFM RE to wind up the Fund for the following reasons:

### **Unitholders believe that the returns from a wind up will be above the returns from the Fund continuing**

The wind up of the Fund will return the net proceeds of realising all the Fund's assets to Unitholders. Depending on market movements during the wind up process these net proceeds may be at a value which is higher than the current market value of the Fund.

If Unitholders believe that the net proceeds that could be received from a wind up will exceed the net returns that could be achieved from a continuing investment in the Fund, Unitholders may decide to vote in favour of the LIM Resolution. They may also decide to vote in favour of the LIM Resolution if, having regard to the persistent Discount, Unitholders prefer to receive the net proceeds of the wind up rather than sell their Units.

### **Disadvantages of the Fund Enhancements**

While AMPCFM RE has concluded that the Fund Enhancements are in the best interest of all Unitholders, Unitholders may consider there are some disadvantages to the implementation of the Fund Enhancements which may lead them to vote in favour of the LIM Resolution directing AMPCFM RE to wind up the Fund. Some of these disadvantages may include:

- > The change in the Fund's investment mandate may increase the risk associated with the Fund. The change in the Fund's investment mandate will allow greater portfolio concentration. This may lead to a less diversified portfolio which could increase the risk of the Fund (as well as the potential returns). In comparison to the benchmark index (the S&P/CITIC Total Return Index), the change in the Fund's investment mandate may mean the Fund underperforms the benchmark index by a larger amount.
- > The change to the Distribution Reinvestment Plan may lead to the Fund needing to liquidate part of its portfolio to enable AMPCFM RE to fund cash distributions. This could impact the long-term capital appreciation potential of the Fund.

## 2.9. REQUIRED VOTING MAJORITIES, ENTITLEMENTS TO VOTE AND VOTING EXCLUSIONS

### 2.9.1. PERSONS ENTITLED TO VOTE AT THE MEETING

Subject to the voting restrictions set out in the Explanatory Memorandum, each Unitholder who is on the Register at the Voting Record Date is entitled to attend and vote at the Meeting either in person, by proxy, by attorney or, in the case of a body corporate, by its corporate representative appointed in accordance with section 253B of the Corporations Act.

It is intended that voting on all Resolutions will be by poll. In a resolution of the Fund determined by poll, each Unitholder present in person or by proxy has one vote for every dollar of its total interest held in the Fund (held via Units). The value of a Unitholder's total interest in the Fund will be calculated by reference to the last sale price of Units on ASX on 27 July 2016.

### 2.9.2. VOTING REQUIREMENTS FOR THE RESOLUTIONS TO BE CONSIDERED AT THE MEETING

Voting on the Responsible Entity Resolution will be by ordinary resolution. This means that to be approved, the Responsible Entity Resolution must be passed by at least 50% of the total number of votes cast on the resolution by members present (in person or by proxy), voting and entitled to vote.

Voting on the LIM Resolution will be by extraordinary resolution. To be approved, an extraordinary resolution must be passed by at least 50% of the total votes that may be cast by members entitled to vote on that resolution (including members who are not present in person or by proxy). This means that 50% of ALL Unitholders eligible to vote must vote in favour of the LIM Resolution for it to pass.

### 2.9.3. VOTING EXCLUSIONS

For the purposes of the Resolutions, and in accordance with Section 253E of the Corporations Act, AMPCFM RE and its associates are not entitled to vote their interests if they have an interest in the resolution other than as a member of the Fund.

AMP Life, a related body corporate of AMPCFM RE, holds approximately 36% of the Units in the Fund on behalf of policyholder interests in its statutory funds.

On 27 June 2016, the Supreme Court of NSW considered the entitlement of AMP Life to vote its Units on the Resolutions at the Meeting at proceedings which were initiated by AMPCFM RE. The Court decided in court proceedings that AMP Life is not entitled to vote its Units on the Resolutions at the Meeting because of section 253E of the Corporations Act.

Some directors and employees of AMP Group members hold Units in the Fund. Those who are associates of AMPCFM RE will be prevented from voting by section 253E of the Corporations Act. The only director of AMPCFM RE who holds Units is Douglas Talbot and he will not vote his Units at the Meeting.

### 2.9.4. WHO IS THE CHAIRMAN OF THE MEETING?

The Chairman of the Meeting will be Ms Deborah Page AM who is an independent chairman. AMPCFM RE has previously undertaken to Unitholders that it would appoint an independent Chairman for the Meeting. AMPCFM RE believes it is important for the Chairman of the Meeting to be a suitably qualified chairman, who is independent of AMPCFM RE, the AMP Group and LIM.

Deborah, a Chartered Accountant, has worked exclusively as a Non-Executive Director across a range of industries, including energy, insurance, financial services and property since 2001. Prior to that she held senior executive positions with the Commonwealth Bank; Allen, Allen & Hemsley; and the Lend Lease Group (including MLC Life and a joint venture with IBM) and is a former KPMG partner. Deborah is currently a Non-Executive Director of Brickworks Limited, BT Investment Management Limited and Service Stream Limited. She was also, until recently, Chairman of Investa Listed Funds Management Limited, the responsible entity of the ASX-listed Investa Office Fund.

# 3. DETAIL ABOUT THE ENHANCEMENTS AND OTHER CHANGES

## 3.1. THE FUND ENHANCEMENTS

The Fund Enhancements are detailed below along with the rationale for each Fund Enhancement together with commentary.

AMPCFM RE has power<sup>28</sup> to implement the Fund Enhancements without Unitholder approval or consent. The basis on which it will implement these measures is set out in the Deed Poll (see Section 3.3 of this Explanatory Memorandum).

| FUND ENHANCEMENT                          | DESCRIPTION OF THE FUND ENHANCEMENT  | RATIONALE FOR THE FUND ENHANCEMENT AND COMMENTARY   |
|---|--|---|
| <b>#1 Increase investment flexibility</b> | <p>This is a change in the Fund's current investment mandate to make it more flexible.</p> <p>In short, the proposed change allows the Fund's portfolio managers to make investments that may deviate further from the S&amp;P/CITIC Total Return Index than is permitted under the Fund's current investment mandate (See FAQ 34).</p> <p>The Fund's current investment mandate is described in FAQ 34 of this Explanatory Memorandum.</p> <p>If the LIM Resolution is not passed, AMPCFM RE intends to change the Fund's investment mandate by removing the maximum sector deviation from the investment guidelines.</p> | <p>AMPCFM RE believes that this will provide the Fund with a greater opportunity to outperform its benchmark, particularly in periods of market turbulence.</p> <p>This increases the risk that the Fund will under-perform the Fund's benchmark because it allows greater portfolio concentration which could increase the risk of the Fund relative to its benchmark.</p> <p>To ensure that this increased flexibility does not result in excessive risk relative to the Fund's benchmark, the Fund's volatility of performance versus the benchmark will be monitored. Portfolio holdings can then be adjusted if required in order to manage overall risk versus the benchmark.</p> |
| <b>#2 Reduce the base fee</b>             | <p>AMPCFM RE will reduce the Fund's base management fee to 1.35%<sup>29</sup> from 1.65% per annum.<sup>30</sup> This will be implemented by a fee waiver<sup>31</sup> which will be set out in the Deed Poll.</p>   | <p>After benchmarking the management fees charged by competitor funds and consultation with Unitholders, AMPCFM RE concluded that the fees should be reduced.</p> <p>It considers that the proposed level of base management fees is sufficient to ensure that an adequate level of services are provided to the Fund and reflects the complexity of investing in China A-shares.</p>   |
| <b>#3 Remove the performance fee</b>      | <p>AMPCFM RE will remove the Fund's performance fee. The performance fee is currently payable if the Fund outperforms its benchmark. The performance fee payable is 20% of the outperformance.</p> <p>This will be implemented by a permanent waiver of the entitlement to the fee which is provided for in the Deed Poll.</p>   | <p>This Fund Enhancement would bring the Fund's fee structure into line with peers as most peers do not have performance fees.</p>  |

<sup>28</sup> Under the Constitution and as set in the Product Disclosure Statement for the Fund.

<sup>29</sup> Inclusive of GST, less any input tax credits.

<sup>30</sup> This is separate from and excludes recoverable expenses.

<sup>31</sup> See Appendix 2 Deed Poll. This is a further waiver from the maximum amount payable under the Constitution

| FUND ENHANCEMENT  | DESCRIPTION OF THE FUND ENHANCEMENT   | RATIONALE FOR THE FUND ENHANCEMENT AND COMMENTARY   |
|---|---|---|
| <b>#4 100% cash annual distributions</b>  | <p>Under amendments to the DRP Rules, Unitholders who are deemed to have elected (or who elect) to receive their distributions in cash will receive 100% in cash.</p> <p>This is an improvement because currently Unitholders are required to either invest all or part of their distributions through the Distribution Reinvestment Plan. Unitholders receiving a partial cash distribution receive in cash that part of the distribution that is equivalent to the highest marginal rate of tax plus the Medicare Levy and other applicable levies (currently 49.0%). The balance is reinvested in additional Units.</p> <p>In limited circumstances, despite an election to receive cash, AMPCFM RE may require that under the DRP Rules Unitholders receive Units rather than cash.</p> | <p>AMPCFM RE believes that this Fund Enhancement is likely to reduce the dilutionary effect of the Distribution Reinvestment Plan as less Units will be issued on a yearly basis. The enhancement may be attractive, particularly for retail Unitholders who value receiving cash rather than Units.</p>  |
| <b>#5 Unit sale facility</b>  | <p>The Constitution and the ASX Listing Rules enable AMPCFM RE to implement a process under which it will sell the Units held by any Unitholder who holds less than \$500 worth of Units unless the Unitholder notifies AMPCFM RE that they do not wish their Units to be sold.</p> <p>If the Responsible Entity Resolution is implemented, AMPCFM RE will notify Unitholders who hold less than \$500 worth of Units that those Units will be sold under a sale facility unless the Unitholder notifies AMPCFM RE that they do not wish their Units to be sold.</p> <p>It is anticipated that the facility will be implemented prior to 31 December 2016.</p>  | <p>This Fund Enhancement should reduce the cost of managing a number of small Unitholders holdings.</p> <p>The Fund has a number of small Unitholders with unmarketable parcels. This Fund Enhancement will give those Unitholders an opportunity to exit the Fund which they would not otherwise have. As at 23 June 2016, there were 911 Unitholders with unmarketable parcels able to participate in the sale facility equating to 0.033% of the total number of Units on issue.</p> |
| <b>#6 Maintain the marketing and communications improvements announced as a part of Strategic Review 2015</b> | <p>A number of Unitholders have expressed the opinion that, the Fund should maintain its focus on marketing. AMPCFM RE agrees and intends to continue to market the Fund.</p>   | <p>The increased marketing may increase demand for the Fund.</p>  |
| <b>#7 Annual capital management review</b>  | <p>As part of the Fund's annual fit for purpose testing on an annual basis, AMPCFM RE will consider capital management opportunities for Unitholders.</p>   | <p>This provides a process to assess the merits of additional capital management opportunities for Unitholders in the context of the fit for purpose review. The practical effect of this enhancement is that AMPCFM RE could announce a further capital management opportunity in 2017, as a result of the outcome of the next fit for purpose review.</p>   |

### 3.2. CAPITAL MANAGEMENT INITIATIVE

AMPCFM RE is seeking approval from Unitholders to undertake the Capital Management Initiative. AMPCFM RE has the power to undertake this without Unitholder approval. However, it is seeking Unitholder approval because differing views were expressed by Unitholders concerning capital management.

The Capital Management Initiative was designed to offer benefits to Unitholders. In particular, the one-off redemption allows Unitholders who participate, to realise a portion of their investment at a likely premium to market price that is nearer to NAV. The on-market buyback will provide Unitholders with enhanced liquidity and NAV accretion on their Units (that is to say, the on-market buyback will increase NAV per Unit). Furthermore, the Capital Management Initiative was created with reference to levels that would be achievable within a reasonable timeframe given the issues associated with repatriating funds from mainland China.

AMPCFM RE carefully considered the level and form of capital management opportunity that would be appropriate. AMPCFM RE concluded that a capital management opportunity in relation to approximately 20% of Units on issue will not impact the sustainability of the Fund or prevent AMPCFM RE from considering further capital management opportunities including as part of its annual fit for purpose review.

The Capital Management Initiative does not restrict AMPCFM RE offering other capital management opportunities to Unitholders if AMPCFM RE thinks it is appropriate to do so in exercise of its powers and duties.

| CAPITAL MANAGEMENT INITIATIVE | DESCRIPTION OF THE CAPITAL MANAGEMENT INITIATIVE  | RATIONALE FOR THE CAPITAL MANAGEMENT INITIATIVE  |
|-------------------------------|---|--|
| <b>One-off 15% redemption</b> | <p>A one-off redemption of the value of 15% of Units on issue at NAV less the costs of the redemption. It is intended that net withdrawal proceeds payable in respect of redemptions will be calculated by reference to the NAV and will be net of the costs of any redemption. AMPCFM RE will announce the withdrawal price once it has been determined.</p> <p>The timing of the one-off redemption is subject to the ability of the Responsible Entity to realise the China A-shares to fund the redemption and the ability to repatriate funds from that realisation. The Responsible Entity expects that the one-off redemption will commence in late December 2016 and continue until January 2017 (with participating Unitholders able to receive net proceeds by mid to late January 2017).</p> | <p>This opportunity will provide an exit (at NAV less the costs of redemption) for Unitholders to reduce or potentially exit their position in the Fund. It may increase demand for Units.</p> <p>Case studies including those outlined in Strategic Review 2015 suggest this will not generate a long-term, sustainable, Discount reduction. However, AMPCFM RE still considers that it is appropriate to offer capital management opportunities to Unitholders given the feedback it has received.</p> <p>AMPCFM RE has already received some of the approvals required from Chinese regulatory authorities to facilitate the one-off redemption of approximately 15% of Units on issue which will assist in meeting the proposed timetable for that one-off redemption.</p> |
| <b>5% On-market buy-back</b>  | <p>An on-market buy-back of up to 5% of Units on issue as at the close of business on the next business day after the Meeting over a 12 month period conducted in accordance with the Fund's constitution, the Listing Rules and the Corporations Act<sup>32</sup></p>  | <p>The on-market buy-back assists Unitholders requiring liquidity at the market price. This may reduce the Discount in the short term. A buy-back is also likely to be accretive to those Unitholders who choose not to participate in the buy-back.</p>   |

<sup>32</sup> The effect of the Listing Rules and the Corporations Act is that the price for the on-market buy-back must be based on a 5 day VWAP with no more than a 5% premium



### 3.3. THE DEED POLL

At the conclusion of the Meeting, AMPCFM RE will enter into the Deed Poll. On execution, the Deed Poll will, subject to its terms, be a binding undertaking in favour of all Unitholders. The purpose of the Deed Poll is to set out the basis upon which AMPCFM RE will undertake to implement the Fund Enhancements, the Capital Management Initiative and the change in management arrangements. The Deed Poll benefits Unitholders because it can be enforced by them if AMPCFM RE does not comply with the Deed Poll.

If the Resolutions are not passed, AMPCFM RE will enter into the Deed Poll but only as it relates to the Fund Enhancements and the change in management arrangements.

If the LIM Resolution is passed, AMPCFM RE will enter into the Deed Poll but only as it relates to the change in management arrangements.

See Appendix 2 of this Explanatory Memorandum for the form of the Deed Poll.

### 3.4. CHANGES TO INVESTMENT MANAGEMENT AGREEMENT

As previously announced, InvestCo is currently party to the Investment Management Agreement. The agreement comes to the end of its fixed term period on 9 November 2016. Prior to that date, the Manager's appointment is entrenched because:

- > The contract is between the Manager and InvestCo and does not terminate on a change of responsible entity.
- > The contract can only be terminated by InvestCo if the Manager is in default under the agreement.

This agreement could be extended for another 10-year fixed term (with Unitholder approval) or continue indefinitely, subject to termination by an ordinary resolution of Unitholders.

AMPCFM RE has decided to simplify the management arrangements as they apply to the Fund. Accordingly, AMPCFM RE will not seek Unitholder approval to continue the Investment Management Agreement. Rather, the parties will terminate the Investment Management Agreement.

The Manager will instead provide required investment management services to AMPCFM RE for the Fund under an existing Umbrella Investment Management Agreement in place between the parties. That agreement will be amended to ensure that all services required by the Fund and/or InvestCo (including the availability of its QFII quota) are covered. The Umbrella Investment Management Agreement will remain operative while AMPCFM RE is the responsible entity of the Fund but will cease to apply to the Fund if AMPCFM RE is replaced.

While the Fund remains listed, AMPCFM RE can be changed by an ordinary resolution. All Unitholders including associates of AMPCFM RE, can vote on a resolution to change the responsible entity and appoint a new responsible entity in its place.

The Umbrella Investment Management Agreement (as it applies to the Fund) is also terminable by AMPCFM RE on 20 business days' notice.

The fees and expenses able to be charged by AMPCFM RE and the Manager will not change upon the termination of the Investment Management Agreement. As a AMPCFM RE pays the Manager out of the fees it receives from Unitholders, the reduced base management fee payable to AMPCFM RE, will impact the amount of fees AMPCFM RE will be able to pay to the Manager.

AMPCFM RE has determined to implement the changes to management arrangements described in this section irrespective of whether Unitholders vote in favour of the Responsible Entity Resolution or the LIM Resolution. Accordingly, Unitholders are not being asked to vote on implementation of the change.

# 4. FURTHER DETAIL ON LIM RESOLUTION – WIND UP PROCESS

## 4.1. BACKGROUND

On 26 October 2015, AMPCFM RE announced that it intended to call an extraordinary general meeting which would be held during July 2016. Unitholders who were entitled to propose a resolution under the Corporations Act would be able to move those resolutions at that meeting.

Unitholders who hold 5% or more of the Units on issue in the Fund are able to give AMPCFM RE notice of a special or extraordinary resolution that the Unitholder proposes to move at a meeting of Unitholders. AMPCFM RE is then required to include that resolution in a notice of meeting for a meeting to be held not later than 2 months after the resolution is received.

LIM is a Unitholder entitled to propose a resolution and has proposed the LIM Resolution directing AMPCFM RE to wind up the Fund. No other Unitholder has proposed a resolution to be considered at the Meeting.

## 4.2. WIND UP PROCESS

### 4.2.1. CONSTITUTIONAL PROCESS

If the LIM Resolution is passed AMPCFM RE will be obliged, under the Corporations Act, to wind up the Fund in accordance with the Constitution.

This will lead to AMPCFM RE having an obligation to implement the following steps:

- > **Realise the assets of the Fund:** to realise the assets of the Fund in such manner as AMPCFM RE considers appropriate – although AMPCFM RE may postpone realisation if it is in the interests of Unitholders to do so.
- > **Make final distribution:** AMPCFM RE will be obliged to distribute the net proceeds from realisation of the assets to Unitholders, in proportion to the number of Units they hold. The net proceeds are the net proceeds from sale or other realisation of assets after paying or providing for all liabilities (actual or contingent) of the Fund, any unpaid fees payable to AMPCFM RE and the expenses of the wind up. AMPCFM RE may also retain assets for as long as it sees fit as required to meet any outgoing or liabilities in respect of the Fund. Any asset retained that is ultimately found not to be required must be distributed to Unitholders<sup>33</sup>.

In lieu of distributing net proceeds, AMPCFM RE is able to transfer assets to any Unitholder from the Fund. The value of the assets transferred will be calculated at market value (as determined by AMPCFM RE) and the expenses incurred in transferring the asset will be incurred by the transferee Unitholder.

During the wind up, AMPCFM RE will continue to be entitled to its responsible entity fees and will exercise all of its powers to the extent necessary to complete the wind up.

### 4.2.2. KEY DECISIONS AND TIMING OF A WIND UP

If the LIM Resolution directing AMPCFM RE to wind up the Fund is passed, AMPCFM RE will need to consider how to wind up the Fund in a manner that is consistent with the best interests of Unitholders and the Constitution. There will be two key issues for AMPCFM RE to consider.

#### Regulatory approvals

Significant uncertainty exists regarding the Chinese regulations that apply to the process of obtaining regulatory approvals associated with repatriating the net proceeds of selling any China A-shares. Historically, the process of repatriating funds from China has taken 6 to 24 months. The timeframes for repatriation of funds from China can vary significantly and the processes may be subject to delay when there is any change in applicable regulations or when regulatory approval requires additional information or analysis.

It is AMPCFM RE's current understanding that approvals may be required from a number of regulatory authorities including the Chinese tax authorities and the State Administration of Foreign Exchange (SAFE). Based on prior experience and advice received from the Fund's advisors, AMPCFM RE is not able to determine, with certainty the timeframe for achieving all of the required regulatory approvals.

InvestCo has agreed and paid all taxes relating to profits realised in the five years to November 2014, at which point there was a change in Chinese tax regulations. Following this change, the process for repatriating profits (interest income, dividend income and capital gains) is expected to be simplified. However, significant uncertainty remains, as no tax assessments have yet been made in respect of profits realised by InvestCo after November 2014 and the Chinese tax authorities do not currently have an established procedure for the repatriation of these profits.

InvestCo has never sought to repatriate capital invested in China and the process and timeframe for a full repatriation of capital remains untested.

Due to SAFE rules that apply to the QFII quota there is a maximum amount of funds which can be repatriated each month (no more than 20% of the portfolio each month, calculated in accordance with Chinese regulations). Following the finalisation of all tax assessments/approvals, the repatriation of all funds from China would then be subject to the SAFE limits.

#### Process for realisation

On the wind up of the Fund, AMPCFM RE is required to realise the assets of the Fund as soon as practicable but may postpone the sale or realisation of any asset in the interests of Unitholders.

In order for the Fund to realise its assets (which are loans to and shares in InvestCo), it will likely be necessary for InvestCo to realise underlying China A-shares and exposures through Stock Connect and to repatriate the net proceeds via InvestCo to the Fund for distribution to Unitholders. This is because at this stage, AMPCFM RE does not consider it would be practicable to sell its holding of loans and shares in InvestCo to a third party.

33 The assets could be realised or distributed to holders.

At present, most of the shares in the underlying portfolio trade with a reasonable level of liquidity and could be sold relatively quickly, however a small proportion of that portfolio involves China A-shares suspended from trading (6.3% as at 31 May 2016). These China A-shares typically remain suspended for one to six months, however longer suspensions may occur. During the wind up process it is possible that additional China A-shares could be suspended or made subject to trading restrictions. Suspended China A-shares impact on the realisation of assets and completion of the winding up because when China A-shares are suspended from trading, they can only be sold off-market. The completion of off-market sales of China A-shares depend on there being willing buyers to acquire those shares. These sales may also be at prices below their respective last traded prices.

AMPCFM RE considers that there are a number of strategies available to it to realise InvestCo's portfolio. This includes two main options:

- > **Option 1:** an immediate sell-down, with InvestCo holding, through a custodian, the net proceeds of the sell-down in cash in China or other products for distribution to Unitholders as and when repatriation is authorised by the Chinese regulatory authorities; or
- > **Option 2:** a sell-down in tranches to match the timing at which repatriation becomes possible.

#### **Possible process and timing**

In developing a wind up strategy for the Fund, AMPCFM RE will consider all available options, including the period of time it would take to obtain Chinese regulatory approvals in respect of repatriation of funds from China and the best method of realising the Fund's underlying portfolio. AMPCFM RE would also consider obtaining guidance from the courts in relation to the administration of the wind up of the Fund, by seeking judicial advice, if it believes it would be appropriate to do so.

At this stage, AMPCFM RE cannot be certain as to which strategy (or combination of strategies) it would implement to realise the assets of the Fund or the timing for necessary regulatory approvals. This will require detailed work and careful consideration (with associated costs). AMPCFM RE believes this should commence only if the LIM Resolution is passed. At the date of the Explanatory Memorandum there can be no certainty as to whether AMPCFM RE will be required to wind up the Fund.

In the current circumstances, the realisation strategy that AMPCFM RE considers to be most likely is for the Manager to distribute wind up proceeds in a number of tranches corresponding to Chinese tax and regulatory approvals (see Option 2 above). If this strategy were pursued, distributions would be made as approvals are obtained. AMPCFM RE would seek to keep a diversified portfolio for as long as practical but this would become more difficult as the portfolio reduces in size.

On the basis of this strategy, AMPCFM RE's current estimate is that it would take between approximately 9 and 18 months to finalise the wind up. During this period, pro rata distributions of net proceeds may be made progressively. See Appendix 3 of this Explanatory Memorandum for KPMG's view of the reasonableness of AMPCFM RE's estimate. There can be no certainty that this timeframe is achievable, particularly as repatriation of funds depends on obtaining the regulatory approvals described above. Under this scenario, the Fund would remain invested in China A-shares for a substantial part of the wind up process.

While AMPCFM RE considers, on the basis of information currently available, that the above is the most likely strategy, AMPCFM RE might pursue other options (or a combination) if it believes they will provide a better outcome for Unitholders.

A wind up does not guarantee a specific withdrawal price in respect of a Unitholder's exit from the Fund. Unitholders should take into account that the value of net proceeds received under the wind up are likely to differ from the NAV at the date of the meeting. This is because the net proceeds will reflect the net realisation values of the underlying portfolio at the time of sale of the assets, currency fluctuations and the costs of winding up the Fund noting that the wind up will occur over a period of time.

#### **4.2.3. CONTINUED LISTING OF THE FUND**

ASX has the power to suspend trading in Units and to delist the Fund. AMPCFM RE may also seek suspension of trading and request delisting.

AMPCFM RE has consulted with ASX. ASX noted that, on the basis of the most likely realisation strategy, it would be unlikely that trading in the Units will be suspended until nearer the time of that Unitholders become entitled to final distribution of the net proceeds of realisation. However, ASX also noted that it may suspend trading in the Units at an earlier time if it formed the view that the Fund did not have sufficient operations for a listed entity as a result of distributions under the winding up.

Should the LIM Resolution be passed, AMPCFM RE will continue to consult with ASX as it develops the strategy for the wind up.

# 5. TAX

If either the LIM Resolution or the Responsible Entity Resolution (in respect of the Capital Management Initiative) is passed there will be tax implications for InvestCo, the Fund and each Unitholder. Each Unitholder should seek its own professional tax advice regarding the tax implications to its Units.

The high level tax outcomes arising from the relevant Resolutions for Australian tax resident Unitholders holding their investment on capital account are summarised below.

Unitholders who are not Australian tax residents or who hold their Units on revenue account should seek their own professional tax advice.

KMPG has reviewed this Section 5. See Appendix 3 of this Explanatory Memorandum.

## 5.1. CAPITAL MANAGEMENT INITIATIVE

### 5.1.1. OVERVIEW

#### Impact to the Fund

In order to fund both the one-off redemption and the on-market buyback the underlying portfolio held by InvestCo will need to be sold. The sale of assets should not give rise to tax in China or Mauritius. Because InvestCo is treated as a controlled foreign company (CFC) under Australian taxation law the disposal of underlying assets may also cause income (gains) to be included in the attributable income of InvestCo and hence to the Fund (though losses will be quarantined in InvestCo, which may be offsettable in future income years against any attributable income of InvestCo).

#### Impact to Unitholders

Under the one-off redemption, Units held by Unitholders who participate in the redemption will be redeemed by the Fund and as such there will be a CGT disposal by those Unitholders which may result in a capital gain where the proceeds exceed the cost base of the Units. A capital loss will result if the reduced cost base of the Units exceeds the proceeds, which loss may be used to reduce capital gains derived by Unitholders in the same or subsequent income years.

The CGT consequences for Unitholders participating in the on-market buyback of Units to be bought by the Fund will have the same CGT consequences as arise under the one-off redemption.

AMPCFM RE intends to ensure that an income distribution is made prior to any redemption occurring (which is currently expected to be the income distribution for the financial year ending 31 December 2016). If this occurs then all Unitholders who hold Units on 31 December 2016 will be presently entitled to the Fund's income for the financial year. This income would include income (if any) that arises as a result of actions taken to fund the one-off redemption. Unitholders are to include their share of the net (taxable) income of the Fund in their assessable income for the income year in which they become presently entitled to the income distribution, e.g. 30 June 2017.

### 5.1.2. DETAILED ANALYSIS

#### China

*Repatriation of profits realised between 17 November 2009 to 16 November 2014*

InvestCo has agreed and paid all taxes relating to profits realised during the period 17 November 2009 to 16 November 2014. There should therefore be no further Chinese tax payable to the extent these profits fund the Capital Management Initiative.

InvestCo will need to obtain a Repatriation Registration Form from the Chinese tax authorities to repatriate any profits realised during the period 17 November 2009 to 16 November 2014. In our experience, this approval takes 4 to 12 weeks to obtain.

*Repatriation of profits realised either before 17 November 2009 or after 17 November 2014*

In respect of profits realised before 17 November 2009, the relevant tax regulations governing these profits remain unclear. Consequently, whether Chinese withholding tax applies to repatriations of these profits would need to be further checked with the relevant Chinese tax authorities.

To the extent that the Capital Management Initiative is funded from the proceeds from the disposal of China A shares after 17 November 2014, Circular 79 Notice on Temporary Exemption of Withholding Income Tax on Income from Disposal of Equity Investments of Shares Within China by QFII and RQFII (Circular 79) should apply to exclude such capital gains from Chinese withholding income tax. Therefore, there should be no further Chinese tax payable to the extent these profits fund the Capital Management Initiative.

For repatriation purposes, InvestCo will need to obtain a Repatriation Registration Form from the relevant Chinese tax authorities to repatriate profits realised either before 17 November 2009 or after 17 November 2014. However, the relevant Chinese tax authorities do not currently have an established procedure for the remittance of these profits. It is therefore not possible to reliably estimate the timeframe it would take to obtain the Repatriation Registration Form.

#### Mauritius

There is no CGT in Mauritius. As such, any capital gains to InvestCo on the sale of China A shares should not be subject to tax in Mauritius provided that InvestCo continues to hold a valid Category 1 Global Business License (GBL1) (which is expected).

The repatriation of funds by way of profit dividends paid to the Fund should not be subject to Mauritius withholding tax. Any funds repatriated by way of a return of capital to the Fund should not be subject to Mauritius withholding tax.

## Australia

### *Disposal of the China A-shares by InvestCo*

InvestCo is a CFC of the Fund. Under the CFC regime, certain types of foreign income derived by a foreign (non-Australian) company controlled by an Australian shareholder are taxable in the hands of that Australian shareholder regardless of whether the profits are repatriated to the Australian shareholder.

Any gains arising from the disposal of China A-shares will form part of the attributable CFC income of InvestCo and will be assessable to and included in the calculation of the Fund's net (taxable) income in the income tax year of disposal. Attribution credits will arise in InvestCo's attribution account for each Unitholder that holds Units in the Fund.

Any net loss arising from the disposal of China A-shares will be a CFC loss of InvestCo and will be quarantined in InvestCo, which loss may be offsettable in future income years against any attributable income of InvestCo.

### *Repatriation of profits on the sale of China A-shares from InvestCo to the Fund*

In the event that InvestCo funds the Capital Management Initiative by way of InvestCo paying an interim dividend from profits, the attributable CFC income of InvestCo will be reduced by an amount equal to the whole or part of the assessable component of the dividend.

The repatriation of funds by way of dividend paid from profits will be included in the Fund's net (taxable) income in the income year of receipt. To the extent there are sufficient attribution credits in a Unitholder's attribution account in relation to InvestCo, that Unitholder's share of the dividend will be non-assessable non-exempt (NANE) income of the Unitholder. Where a Unitholder satisfies the 'participation test' in relation to InvestCo, the amount of the distribution included in their share of the Fund's net (taxable) income will be NANE income.

The repatriation of funds by way of a distribution debited to either InvestCo's share capital or share premium accounts will be treated as a return of capital provided that InvestCo does not have profits immediately before the distribution. In such a case, the distribution will be a return of capital giving rise to a CGT event. The Fund will make a capital gain to the extent the distribution exceeds its cost base in its shares in InvestCo.

In the event a Unitholder disposes of their Units prior to distribution of the profits or a CGT event happens to their Units, then the consideration received, or taken to be received, in respect of the disposal, or the capital proceeds from the CGT event, will be reduced to the extent of the balance of attribution credits in their attribution account in relation to InvestCo.

### *Tax outcomes for Unitholders*

For Unitholders whose Units are redeemed or bought back there will be a CGT disposal by Unitholders which may result in a capital gain where the proceeds exceed the cost base of the Units (a capital loss will result if the reduced cost base of the Units exceeds the proceeds).

AMPCFM RE intends to ensure that the income distribution is made prior to any redemption occurring (which is currently expected to be the income distribution for the financial year ending 31 December 2016). If this occurs then all Unitholders who hold Units on 31 December 2016 will be presently entitled to the Fund's income for the financial year. Unitholders are to include their share of the net (taxable) income of the Fund in their assessable income for the income year in which they become presently entitled to the income distribution, eg 30 June 2017.

## 5.2. LIM RESOLUTION

### 5.2.1. OVERVIEW

#### **Impact to the Fund**

The wind up of the Fund will cause a realisation of all the underlying assets held via InvestCo which may realise a capital gain or loss. The sale of assets should not give rise to tax in China or Mauritius. Because InvestCo is treated as a CFC under Australian taxation law the disposal of underlying assets may also cause income (gains) to be attributable to InvestCo and hence to the Fund (although losses will be quarantined in InvestCo, which may be offsettable in future income years against any attributable income of InvestCo).

Where the realisation of underlying assets results in an overall loss to the Fund that loss will be forgone when the Fund is wound up.

#### **Impact to Unitholders**

Under the wind up of the Fund there will be a CGT disposal by Unitholders which will result in a capital gain where the proceeds exceed the cost base of the Units. A capital loss will result if the reduced cost base of the Units exceeds the proceeds, which loss may be used to reduce capital gains derived by Unitholders in the same or subsequent income years. Further because all underlying assets will be disposed of there may be a distribution of income representing gains (in respect of the 31 December 2016 year end and then separately at later financial year ends until the time the Units) are extinguished. Distributions made prior to wind up will receive their usual treatment. Where the realisation of underlying assets results in an overall loss, that loss will not remain available to Unitholders and will be forgone upon the Fund being wound up.



## 5.2.2. DETAILED ANALYSIS

### China

The process and consequences of a repatriation of profits from China should be the same for a wind up as for the Capital Management Initiative.

InvestCo will not need to obtain a Repatriation Registration Form from the relevant Chinese tax authorities to repatriate any capital held in its RMB bank accounts.

### Mauritius

The consequence of a disposal of China A-shares and distribution of profits and capital should be the same for a wind up as for the Capital Management Initiative.

### Australia

#### *Disposal of the China A shares by InvestCo*

As set out above, InvestCo is a CFC of the Fund.

Any gains arising from the disposal of China A shares will form part of the attributable CFC income of InvestCo and will be assessable to and included in the calculation of the Fund's net (taxable) income in the income tax year of disposal. Attribution credits will arise in InvestCo's attribution account for each Unitholder that holds Units in the Fund.

Any net loss arising from the disposal of China A shares will be a CFC loss of InvestCo and will be quarantined in InvestCo, which loss may be offsettable in future income years against any attributable income of InvestCo.

#### *Tax outcomes for the Fund in respect of wind up*

The tax outcomes will depend on whether the distributions are made to the Fund in the usual course, the course of liquidating InvestCo, or whether they are made in redeeming the shares the Fund holds in InvestCo.

In the event that InvestCo pays an interim dividend from profits to the Fund, the attributable CFC income of InvestCo will be reduced by an amount equal to the whole or part of the assessable component of the dividend.

The repatriation of funds by way of dividend paid from profits from InvestCo to the Fund will be included in the Fund's net (taxable) income in the income year of receipt. To the extent there are attribution credits in a Unitholder's attribution account in relation to InvestCo that portion of the dividend will be NANE income of the Unitholder. Where a Unitholder satisfies the 'participation test'

in relation to InvestCo, the amount of the distribution included in their share of the Fund's net (taxable) income will be NANE income.

In the event a Unitholder disposes of their Units prior to distribution of the profits or a CGT event happens to their Units, then the consideration received or taken to be received, in respect of the disposal, or the capital proceeds from the CGT event, will be reduced to the extent of the balance of attribution credits in their attribution account in relation to InvestCo.

The repatriation of funds by way of a distribution debited to either InvestCo's share capital or share premium account will be assessable as a return of capital provided that InvestCo does not have profits immediately before the distribution. In such case, the distribution will give rise to a CGT event. The Fund will make a capital gain to the extent the distribution exceeds its cost base in its shares in InvestCo.

The tax outcomes on distributions made to the Fund by InvestCo in the course of liquidating InvestCo will vary depending on whether they represent income derived by InvestCo.

- > Any distributions to the Fund will be deemed to be dividends to the extent to which they represent income derived by InvestCo, other than income properly applied to reduce paid-up capital (which would include amounts of share premium). For this purpose, 'income' includes both ordinary income and statutory income (including net capital gains without indexing the cost base of the relevant CGT asset). These deemed dividends will be included in the Fund's net (taxable) income in the income year they are paid to the Fund.
- > To the extent any amount of the distribution does not represent income and is debited to InvestCo's share capital and/or share premium accounts, that portion of the distribution will be treated as a return of capital giving rise to a CGT event.
- > The CGT event will happen when the distribution is paid to the Fund. The Fund's CGT cost base in InvestCo will be reduced by the amount of the distribution that is treated as a return of capital. There will be a capital gain if the amount of the distribution that is a return of capital is more than the Fund's cost base in



the InvestCo shares. The Fund cannot make a capital loss from the event. If InvestCo ceases to exist within 18 months of the payment, the distribution will be disregarded and will form part of the capital proceeds of the CGT event that happens on cancellation of the InvestCo shares.

- > If the shares held in InvestCo are to be cancelled, the final distribution paid to the Fund on the cancellation of the shares will be the capital proceeds from the CGT event (to the extent they do not represent assessable income on a winding up). There will be a capital gain if the amount of the distribution exceeds the Fund's cost base in the InvestCo shares and a capital loss if the amount of the distribution is less than the Fund's reduced cost base in the InvestCo shares.
- > Any capital gains made by the Fund will be included in the Fund's net (taxable) income in the income year they arise.

The tax outcomes for the Fund on redemption of the shares it holds in InvestCo will depend on the extent to which the redemption amount is debited to InvestCo's share capital account or to its share premium account.

- > The redemption amount will be a dividend and included in the Fund's assessable income to the extent the amount is not debited to InvestCo's share capital account or to its share premium account.
- > To the extent the redemption amount is debited to InvestCo's share capital account or to its share premium account, the distribution will be treated as the capital proceeds from a CGT event. There will be a capital gain if the amount of the capital proceeds exceeds the Fund's cost base in the InvestCo shares and a capital loss if the amount of the capital proceeds is less than the Fund's reduced cost base in the InvestCo shares.

*Tax outcomes for Unitholders on wind up of InvestCo or the redemption of the company's shares*

Subject to the comments below, Unitholders will include their share of the Fund's net (taxable) income, which may comprise dividends and capital gains, in their assessable income.

- > To the extent that there are sufficient attribution credits in a Unitholder's attribution account in relation to InvestCo, the

amount of any dividends included in their share of the Fund's net (taxable) income will be NANE income of the Unitholder.

- > Where a Unitholder satisfies the participation test in relation to InvestCo, the amount of the distribution included in their share of the Fund's net (taxable) income will be NANE income.

In the event any capital distributions are paid from the Fund to Unitholders, the payment will give rise to a CGT event. There will be an assessable capital gain if the amount of the payment exceeds the Unit's cost base. A Unitholder cannot make a capital loss from this CGT event.

Unitholders will include their share of any capital gain included in the Fund's net (taxable) income and will need to consider the application of the CGT discount rules, which may reduce the assessable amount.

*Effect of winding up InvestCo or of the redemption of the company's shares on any carried forward CFC losses or attribution surpluses*

In the event InvestCo is wound up any carried forward CFC losses of InvestCo will be lost. In the event the Fund's shares in InvestCo are redeemed, InvestCo will cease to be a CFC of the Fund and the Fund will no longer benefit from any of InvestCo's carried forward CFC losses. Further, in either case, any surplus of attribution credits in InvestCo's attribution account for each Unitholder will also be lost.

*Tax outcomes for Unitholders on wind up of the Fund:*

A CGT event will arise for Unitholders on the wind up of the Fund, which may result in a capital gain or loss. Unitholders will need to consider the application of the CGT discount rules which may reduce the assessable amount of a capital gain (should this result).

# 6. ADDITIONAL INFORMATION

## 6.1. AMENDED DISTRIBUTION REINVESTMENT PLAN RULES

If the Fund Enhancements are to be implemented, AMPCFM RE will give notice to Unitholders that it intends to replace the DRP Rules.

The amended DRP Rules will:

- > Clarify that for all future distribution periods, people who have elected (or who elect) to receive their distributions in cash will receive 100% cash.
- > Enable Unitholders to elect (or change their elections) to receive their distributions in cash or in Units.
- > Continue to provide in limited circumstances that despite an election to receive cash, AMPCFM RE may require, under the DRP Rules Unitholders to receive Units rather than cash.

## 6.2. DETAILS REGARDING THE CAPITAL MANAGEMENT INITIATIVE

### 6.2.1. ONE-OFF REDEMPTION

If the Responsible Entity Resolution is passed, AMPCFM RE will implement a one-off redemption on the following terms:

- > The redemption will, subject to rounding in AMPCFM RE's discretion, be of an amount equal to 15% of the NAV of the Fund less the costs of the redemption – both of which will be calculated as at the month end prior to the date of the Meeting.
- > The redemption will be structured as a withdrawal offer under the illiquid provisions in Chapter 5C.6 of the Corporations Act.
- > The redemption price under the offer will be the price determined under the Constitution and will include an allowance for the costs of the redemption which will be borne by Unitholders participating in the redemption.
- > AMPCFM RE will take all actions it deems necessary to be able to have access to sufficient cash to conduct the redemption. For the avoidance of doubt, this will include procuring that InvestCo realises that much of its underlying portfolio and repatriates the net proceeds of realisation as is necessary to fund the redemption.
- > Subject to the timetable requirement of the ASX the withdrawal offer will commence no earlier than 30 November 2016 and will close no earlier than 12.01am on 1 January 2017 (with Unitholders entitled to receive withdrawal proceeds receiving them no later than 21 days after the close of the offer).
- > The terms of the offer will permit AMPCFM RE to vary, withdraw or extend the offer in accordance with the Constitution and Chapter 5C.6 of the Corporations Act.
- > A written withdrawal offer will containing all of the terms of the withdrawal will be sent to Unitholders. The offer will include an acceptance form.
- > Unitholders will accept by returning the acceptance form by the end of the offer period (acceptance will be irrevocable).
- > Acceptances will be subject to scale back in accordance with Chapter 5C.6 of the Corporations Act.
- > The offer will be subject to satisfying all applicable regulatory requirements that AMPCFM RE considers are reasonably necessary to obtain. AMPCFM RE will use reasonable endeavours to satisfy these requirements by 30 November 2016.

### 6.2.2. ON-MARKET BUY BACK

AMPCFM RE will implement an on-market buy-back on the following terms:

- > The on-market buy-back will, subject to rounding in AMPCFM RE's discretion, be of an amount equal to 5% of the number of Units on issue as at the business day after the Meeting.
- > The on-market buy-back will be undertaken over a 12-month period in accordance with the Corporations Act (as modified by ASIC Class Order 07/422 and any other relief) and the ASX Listing Rules.
- > The on-market buy back will be undertaken by a reputable financial institution or broker on terms which are consistent with terms that usually apply to on-market buy backs.

## 6.3.CONFLICT MANAGEMENT

### 6.3.1. GOVERNANCE

#### AMPCFM RE, THE MANAGER AND THE ADVISORY COMMITTEE

The responsible entity of the Fund is AMP Capital Funds Management Limited (AMPCFM RE) (ACN 159 557 721; AFSL 426455). The AMPCFM RE is obliged to operate the Fund in the best interests of all Unitholders and to treat all Unitholders equally.

AMPCFM RE is a member of the AMP Group.

The directors of AMPCFM RE are:

- > Adam Tindall, Chairman
- > Edwina Maloney
- > Patricia Margaret Payn
- > Douglas Talbot.

The Manager of the Fund is AMP Capital Investors Limited (ACN 001 777 591). It holds an Australian Financial Services Licence (AFSL 232497) and a QFII quota which permits the Fund to invest in China A-shares. The Manager is a member of the AMP Group. This means that the Fund is externally managed by the AMP Group.

The directors of the Manager are as follows:

- > Adam Tindall, Chairman
- > Jeffrey Brunton
- > Patricia Margaret Payn
- > Douglas Talbot.

Biographies for each of the above are included in Section 6.3.2 of this Explanatory Memorandum.

The directors of AMPCFM RE and the Manager are not independent as they are executives of AMP Capital. They have the appropriate expertise to operate managed investment schemes including the Fund.

AMPCFM RE has established an Advisory Committee composed of external members, which brings an independent perspective to AMPCFM RE. Part of the Advisory Committee's role is to assist the Board in determining whether the Fund continues to be fit for purpose including by reviewing the draft annual health check report for the Fund, and making recommendations to the AMPCFM RE arising from the review.

The current members of the Advisory Committee are:

- > Peter Rowe, Chairman
- > Grant Bailey
- > John Evans
- > Roger Watson.

Biographies for each of the Advisory Committee members are included in Section 6.3.2 of this Explanatory Memorandum.

The role, responsibilities and operation of the Advisory Committee are set out in its charter. It requires the Advisory Committee to be comprised of at least three members, all of whom are external. The purpose of the Advisory Committee is to, at the request of the Board:

- > Advise on strategic issues, other than matters purely related to portfolio management, which are not a change to the Fund's investment objectives as set out in the Product Disclosure Statement.
- > Assist the Board in determining whether the Fund continues to be fit for purpose including the review of draft annual health check report for the Fund.
- > Assist the Board in situations of conflict.
- > Be available to consult with the Board on any operational initiatives.
- > Assist the Board in relation to any complaints by Unitholders as requested by the Board.
- > Advise in relation to any Unitholders' meetings which may be called by the Responsible Entity or by a Unitholder or Unitholders.
- > Advise the Board on other matters.

Under its charter, members of the Advisory Committee are required to act in the best interests of Unitholders and to the extent there is a conflict between the interests of Unitholders and members of the AMP Group of companies, they are to prefer Unitholders' interests.

The Advisory Committee charter can be found at [www.ampcapital.com.au/other-pages/china-growth-fund-corporate-governance](http://www.ampcapital.com.au/other-pages/china-growth-fund-corporate-governance)

#### MANAGED INVESTMENT SCHEMES COMPLIANCE COMMITTEE

There is also a statutory compliance committee with a majority of external members, known as the Managed Investment Schemes Compliance Committee (MISCC). The current members of the MISCC are:

- > Peter Rowe, Chairman
- > John Evans
- > Donald Luke
- > Mellanie Lumby.

Under the Corporations Act, the functions of the MISCC include:

- > To monitor to what extent AMPCFM RE complies with the Fund's compliance plan and to report on its findings to AMPCFM RE.
- > To report to AMPCFM RE any of the following of which it becomes aware or suspects:
  - Any breach of the Corporations Act involving the Fund.
  - Any breach of the provisions included in the Constitution in accordance with Section 601GA of the Corporations Act.
- > To report to ASIC if it becomes aware that AMPCFM RE has not taken, or does not propose to take, appropriate action to deal with a matter reported to it by the MISCC
- > To assess at regular intervals whether the compliance plan for the Fund is adequate, to report to AMPCFM RE on that assessment and to make recommendations about any changes that it considers should be made to the plan.

Under the compliance plan, the MISCC has oversight responsibilities of AMPCFM RE in relation to the Meeting.

#### MANAGEMENT OF CONFLICTS

To manage potential conflicts of interests:

- > In accordance with established governance procedures, there are protocols in place relating to the decision making of the Fund in connection with the various strategic reviews conducted for the Fund and decision-making in connection with the Meeting. For example, in relation to Board decisions involving any conflict, such as decisions regarding the investment management arrangements, reductions in fees, consideration of the capital management initiative and winding up, AMPCFM RE and the Manager have ensured that separate directors make determinations on these issues. Currently Adam Tindall and Edwina Maloney represent the Fund<sup>34</sup>.
- > The Advisory Committee has reviewed and advised AMPCFM RE on management's recommendations in relation to the strategic reviews, the fit for purpose testing and the Meeting.
- > Independent legal advisers were appointed to advise the Fund – their role is limited to advising AMPCFM RE in its capacity as the responsible entity of the Fund.
- > AMP Life has retained its own independent legal and investment advisers whose role is to advise AMP Life in respect of its stake in the Fund, which it holds on behalf of policyholder interests in its statutory funds.

<sup>34</sup> Adam Tindall is a common director of both AMPCFM RE and the Manager. He has not represented the Manager on conflicted issues. Edwina Maloney is not a director of the Manager. The remaining common directors have either been excluded from or not present for decisions on conflicted issues.

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## 6.3.2. KEY BIOGRAPHIES

### ADVISORY COMMITTEE

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#### **Peter Rowe**

External Member and Chairman  
Dip Law (SAB)

Peter Rowe was appointed as an External Member and Chairman of the Managed Investment Schemes Compliance Committee in December 2011. He was appointed as an External Member and Chairman of the Advisory Committee in September 2015.

#### **Experience**

Peter is currently a consultant to Herbert Smith Freehills, having joined the firm in 1986 and was a partner with the firm from 1989 until 2011. He was head of the firm's Financial Services Group from 2005 until 2011. He was also, until recently, a director of Investa Listed Funds Management Limited, the responsible entity of the ASX-listed Investa Office Fund.

#### **Other appointments/directorships**

Peter is director and Chairman of the Audit and Risk Management Committee and member of the Remuneration Committee and, Religare Health Trust Trustee Manager Pte Ltd the trustee manager of the Religare Health Trust, a business trust listed on the Singapore stock exchange.

- > Chairman and Audit Committee member of UBS Grocon Real Estate Investment Management Pty Limited.
- > Chairman and Audit Committee member of GFM Investment Group.
- > Director of Southern Highlands Botanic Gardens Limited.



#### **Grant Bailey**

External Member  
BEcon (Hons)

Grant Bailey was appointed to the AMP Capital Holdings Limited board and its Audit and Risk Committee in June 2014. He became Chairman of the AMP Capital Holdings Limited Audit and Risk Committee in August 2014. He was appointed as an External Member of the Advisory Committee in September 2015.

#### **Experience**

Grant spent 12 years in a variety of senior executive roles at ING Investment Management internationally, including Chief Executive Officer (CEO) of ING's Asia Pacific business based in Hong Kong, CEO of its Middle East business based in Dubai and CEO of the Australian business based in Sydney. Before joining ING, Grant was with Citigroup for 10 years. During this period his positions included CEO of Citi's asset management business in Australia and New Zealand, Managing Director and Head of Investments for the Asia Pacific region based in Singapore, and as Chief Economist for Australia.



#### **John Evans**

External Member  
MBA, FIA, FIAA, CERA, FFin

John Evans was appointed as an External Member to the Managed Investment Schemes Compliance Committee in December 2013. He was appointed as an External Member of the Advisory Committee in September 2015.

#### **Experience**

John is an actuary and Associate Professor in the Sydney Business School at the University of Wollongong with research and teaching interests in risk management and retirement policy. Prior to joining the Sydney Business School, John was an Associate Professor in the Australian School of Business at UNSW and Head of the School of Risk and Actuarial Studies. Prior to joining UNSW, John owned an actuarial and risk management consulting business, PGE (Australasia) Pty Limited which he ran from 1987 and provided advice to financial institutions on quantitative investment issues. PGE provided advice to the initial industry superannuation funds such as STA and Cbus.

#### **Other appointments/directorships**

John has served on numerous compliance and risk committees for financial institutions in Australia and was a guardian of the New Zealand Superannuation Fund from 2007 to 2012. John is an active member of the Actuaries Institute and is a member of the Actuaries Institute's Council, the initial Editor of the Australian Journal of Actuarial Practice and was the Convener of the Research Council Committee and Convener of the Research Subcommittee of the Risk Management Practice Committee.

**Roger Watson**

External member  
BComm

Roger Watson was appointed as an External Member of the Advisory Committee in May 2016.

**Experience**

Roger has over 30 years' experience in funds management, stock broking and consulting, including six years' managing Asian equity investments. He has held senior management and investment positions in leading firms across South East Asia and Australia. Having been based in Hong Kong for much of his career, Roger brings a deep understanding of investing in Asia and extensive experience of the Fund's operating environment.

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**AMP CAPITAL FUNDS MANAGEMENT LIMITED (AMPCFM RE)**

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**Adam Tindall, Chairman**

Chief Executive Officer, AMP Capital  
BE (Hons), GDipMan, Certificate of Investment Management, Fellow AICD

Adam Tindall was appointed to the AMPCFM RE Board as Chairman in October 2015. He was appointed to the role of Chief Executive Officer, AMP Capital in October 2015. As CEO, Adam leads a market leading specialist investment manager which manages funds on behalf of retail and institutional clients across a range of asset classes including equities, fixed interest, property and infrastructure. AMP Capital has offices in Australia, Bahrain, China, Hong Kong, India, Japan, Luxembourg, New Zealand, the United Kingdom and the United States.

Adam has 28 years of extensive experience in the investment management and property industries, most recently in the position of Director and Chief Investment Officer, Property at AMP Capital. In this role Adam led an integrated investment management business, managing a A\$19 billion portfolio of high quality property assets across Australia, New Zealand and Singapore on behalf of many leading institutional investors.

Prior to this Adam served as Chief Operating Officer for Property. In this role, Adam was responsible for AMP Capital's wholly-owned asset management businesses AMP Capital Office & Industrial and AMP Capital Shopping Centres. He also managed all the support functions for AMP Capital Property including finance, risk and compliance, communications and IT.

In addition, Adam served on the Property Investment Committees for the key AMP Capital Property funds and separate accounts, and held a similar role for AMP Capital's Infrastructure Funds. He personally took a leadership role in key developments for AMP Capital including as Chairman of the Project Control Groups for the Macquarie Centre, Pacific Fair, Booragoon, Karrinyup and Quay Quarter Sydney projects.

Adam joined AMP Capital Property in 2009 from Macquarie Capital where he was Executive Director, Property and Infrastructure, responsible for creating or enhancing a number of major property investment funds for clients such as Dexus, Mirvac and Transfield Holdings. Prior to this, Adam spent 17 years with Lend Lease, ultimately working in various business leadership roles including Chief Executive Officer, Asia Pacific for Bovis Lend Lease.

**Edwina Maloney, Director**

Head of Global Product, AMP Capital  
LLB, GradDipAppFin

Edwina Maloney was appointed to the AMPCFM RE Board in April 2016. She was appointed to the position of Head of Global Product in March 2015.

The Global Product team is responsible for managing all of AMP Capital funds, trusts and separate accounts. This includes defining our product strategy, developing new products, on boarding new clients and lifecycle management for all our collective investment schemes and separately managed portfolios regardless of domicile.

Edwina joined AMP Capital in September 2012 as Head of Retail Solutions within the Retail and Corporate Business where she was responsible for developing new products for the Australian market. Edwina brings over 19 years' financial services, consulting and legal experience and joined AMP Capital from Perpetual Investments Ltd where she was General Manager, Product and Business Development responsible for their Australian and global equity funds. While at Perpetual, she held a number of senior roles including Head of Strategy and Initiatives, Wealth Management. Prior to joining Perpetual, Edwina was a management consultant with Accenture specialising in the wealth management industry (Manager, Strategy and Business Architecture, Financial Services) and started her career as a lawyer with DLA Piper (then Phillips Fox). Ms Maloney holds a Bachelor of Laws (QUT) and a Graduate Diploma in Applied Finance & Investment (FINSIA).



**Patricia Margaret Payn, Director**

Chief Financial Officer/Chief Operating Officer, AMP Capital  
BA, CA

Margaret Payn was appointed to the AMPCFM RE Board in March 2013. She was appointed to the role of Chief Financial Officer/Chief Operating Officer in March 2016, having joined AMP Capital in February 2013 as Chief Financial Officer. Margaret is responsible for leading AMP Capital's finance function and contributing to the strategic direction and financial performance of the company. She also leads AMP Capital's group support functions and operations.

Margaret has more than 20 years' domestic and international experience leading finance, strategy, operations and risk functions in large financial services organisations. Margaret brings to AMP Capital deep knowledge of financial services, particularly across funds management, retail banking and investment banking. Prior to joining AMP Capital, Patricia held leadership roles and directorships with organisations such as ANZ, Schroders plc, Westpac and Citigroup. Patricia is a chartered accountant and has a Bachelor of Arts (Hons) – French with Pure Mathematics from University College, London University.

**Douglas Talbot, Director**

Director, Strategy and Transformation, AMP Capital  
BBus (Accounting), Adv Dip Htl Mgmt, Grad Cert Mgmt, CIMA, GAICD

Douglas Talbot was appointed to the AMPCFM RE Board in July 2015. He joined AMP Capital in 2001 and was appointed Director, Strategy and Transformation in December 2014. He has nearly 20 years professional experience across different disciplines. AMP Capital conducts business activities in over a dozen countries and across multiple investment disciplines. Douglas holds responsibilities across each of these businesses coordinating the corporate strategy and manages a portfolio of all strategic change projects.

Since joining AMP Capital, Douglas has held a variety of senior roles including Chief Operating Officer, Investments. Prior to joining AMP Capital, Douglas worked at Starwood Hotels and Resorts most recently as an Accountant.

Douglas holds a Bachelor of Business in Accounting and E-Business and a Graduate Certificate in Management. He is also a designee of the Investment Management Consultant Association and a Graduate of the Australian Institute of Company Directors.

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**AMP CAPITAL INVESTORS LIMITED (MANAGER)**

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**Adam Tindall, Chairman**

Chief Executive Officer, AMP Capital

Adam Tindall was appointed to the AMP Capital Investors Limited board in October 2015

Please refer to biography above.

**Patricia Margaret Payn, Director**

Chief Financial Officer/Chief Operating Officer, AMP Capital

Margaret Payn was appointed to the AMP Capital Investors Limited board in March 2013

Please refer to biography above.

**Douglas Talbot, Director**

Director, Strategy and Transformation, AMP Capital

Douglas Talbot was appointed to the AMP Capital Investors Limited board in July 2015

Please refer to biography above.

**Jeffrey Brunton, Director**

Investment Director, Global Equities and Fixed Income, AMP Capital  
LLB, BCom (Hons), CFA

Jeffrey Brunton was appointed to the AMP Capital Investors Limited board in April 2016. He was appointed to the position of Investment Director in April 2014. Jeffrey is responsible for bringing our investment thought leadership and insights from our capabilities across global equities and fixed income to retail and institutional clients. Jeffrey works closely with our global investment and distribution teams and plays a key role in delivering outstanding service to our institutional clients globally as well as our retail partnerships in Australia, New Zealand, Japan and China. Jeffrey is also chair of the Credit Investment Committee, a member of the Infrastructure Investment Committee and a member of the AMP Capital Executive Committee.



## 6.4. THE FUND'S DISCLOSURES

The Fund is a disclosing entity for the purposes of the Corporations Act and is subject to periodic reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require the Fund to notify ASX of information about specified matters and events as they arise for the purpose of ASX making that information available to participants in the market.

Once AMPCFM RE becomes aware of any information concerning it which a reasonable person would expect to have a material effect on the price or value of a Unit, AMPCFM RE must (subject to limited exceptions) immediately tell ASX that information.

The Board has adopted a continuous disclosure policy to ensure that all Unitholders, the market and other stakeholders receive accurate and relevant information in a timely manner. The Board also has established comprehensive processes and procedures to ensure that all price-sensitive information is disclosed to ASX in accordance with the continuous disclosure requirements of the Corporations Act and the Listing Rules.

Publicly disclosed information about all ASX-listed entities, including the Fund, is available on ASX website at [www.asx.com.au](http://www.asx.com.au)

All information provided to ASX is posted to the Fund's website ([www.ampcapital.com.au/china](http://www.ampcapital.com.au/china)). Additionally, copies of documents lodged with ASIC in relation to the Fund may be obtained from or inspected at ASIC. Please note ASIC may charge a fee in respect of such services.

The following documents are available for inspection free of charge at [www.ampcapital.com.au/china](http://www.ampcapital.com.au/china)

- > The Constitution
- > the Fund's annual report for the financial year ended 31 December 2013
- > the Fund's annual report for the financial year ended 31 December 2014
- > the Fund's annual report for the financial year ended 31 December 2015
- > the Fund's public announcements.

The annual and interim reports and public announcements are also available at [www.ampcapital.com.au/china](http://www.ampcapital.com.au/china).

Requests for free copies of these documents may be made by contacting the Unitholder Information Line on (Australia) 1800 658 404 or (Overseas) +61 2 8048 8230 between 8.30am and 5.30pm (AEST) Monday to Friday.

Below is a list of all ASX announcements made by the Fund from 30 June 2015 to the date of this Explanatory Memorandum.

Below is a list of all ASX announcements made by the Fund from 30 June 2015 to the date of this Explanatory Memorandum.

| DATE     | DESCRIPTION  |
|----------|--|
| 27/06/16 | AGF 33-2016 Supreme Court Decision                         |
| 24/06/16 | Change in substantial holding                              |
| 24/06/16 | AGF 32-2016 Monthly Report May 2016 correction             |
| 22/06/16 | AGF 31-2016 Judicial advice sought re Corps Act and EGM    |
| 14/06/16 | AGF 30-2016 Further detail about July EGM                  |
| 10/06/16 | AGF 29-2016 Monthly Report May 2016                        |
| 10/06/16 | AGF 28-2016 Monthly NAV May 2016                           |
| 27/05/16 | 27-2016 Detail regarding potential enhancements            |
| 27/05/16 | 26-2016 - Enhancements update and receipt of resolution    |
| 20/05/16 | AGF 25-2016 - Results of 2016 Strategic Review             |
| 13/05/16 | AGF 24-2016 Monthly Report Apr 2016                        |
| 13/05/16 | AGF 23-2016 Monthly NAV April 2016                         |
| 5/05/16  | AGF 22-2016 AGF Advisory Committee Composition             |
| 28/04/16 | AGF 21-2016 Board Composition Change                       |
| 12/04/16 | AGF 20-2016 March 2016 Quarterly Report                    |
| 8/04/16  | AGF 19-2016 Update on the Monitoring of Enhancements       |
| 7/04/16  | AGF 18-2016 March 2016 Monthly NAV                         |
| 5/04/16  | Change in substantial holding                              |
| 1/04/16  | Change in substantial holding                              |
| 1/04/16  | AGF 17A-2016 Appendix 3B Correction                        |
| 1/04/16  | Change in substantial holding from AMP                     |
| 31/03/16 | AGF 17-2016 Appendix 3Y                                    |
| 31/03/16 | AGF 16-2016 Appendix 3B                                    |
| 30/03/16 | Change in substantial holding                              |
| 18/03/16 | Change in substantial holding                              |
| 14/03/16 | AGF 15-2016 February 2016 Monthly Report                   |
| 14/03/16 | AGF 14-2016 February 2016 Monthly NAV                      |
| 11/03/16 | AGF 13-2016 Cash repatriation and tax update               |
| 7/03/16  | AGF 12-2016 Investor Presentation                          |
| 3/03/16  | AGF 11-2016 AGF Advisory Committee Composition             |
| 25/02/16 | AGF 10-2016 Corporate Governance Statement and Appendix 4G |
| 25/02/16 | Update Dividend/Distribution - AGF                         |
| 25/02/16 | AGF 09-2016 2015 Subsidiary Financial Statements           |
| 25/02/16 | Annual Report to shareholders                              |
| 25/02/16 | AGF 06-2016 Distribution Announcement                      |
| 25/02/16 | Preliminary Final Report                                   |
| 12/02/16 | AGF 05-2016 Letter to Unitholders                          |
| 12/02/16 | AGF 04-2016 January 2016 Monthly Report                    |
| 12/02/16 | AGF 03-2016 January 2016 Monthly NAV                       |
| 14/01/16 | AGF 02-2016 December 2015 Quarterly Report                 |

| DATE     | DESCRIPTION  |
|----------|--|
| 14/01/16 | AGF 01-2016 December 2015 Monthly NAV                          |
| 4/01/16  | Change in substantial holding                                  |
| 23/12/15 | AGF 88-2015 Implementation of Shanghai Hong Kong Stock Connect |
| 21/12/15 | AGF 87-2015 Update on Fund Expenses                            |
| 21/12/15 | Dividend/Distribution AGF                                      |
| 14/12/15 | AGF 86-2015 November 2015 Monthly Report                       |
| 14/12/15 | AGF 85-2015 November 2015 Monthly NAV                          |
| 30/11/15 | AGF 84-2015 Daily NAV Commencement                             |
| 27/11/15 | AGF 83-2015 Weekly NAV Estimate 23 November 2015               |
| 20/11/15 | AGF 82-2015 Weekly NAV Estimate 16 November 2015               |
| 13/11/15 | AGF 81-2015 Weekly NAV Estimate 9 November 2015                |
| 12/11/15 | AGF 80-2015 October 2015 Monthly Report                        |
| 12/11/15 | AGF 79-2015 October 2015 Monthly NAV                           |
| 6/11/15  | AGF 78-2015 Weekly NAV Estimate 2 November 2015                |
| 4/11/15  | Change in substantial holding                                  |
| 30/10/15 | AGF 77-2015 Extraordinary General Meeting Result               |
| 30/10/15 | AGF 76-2015 Weekly NAV Estimate 26 October 2015                |
| 26/10/15 | AGF 75-2015 Enhancements monitoring and cancellation of LIM    |
| 23/10/15 | AGF 74-2015 Weekly NAV Estimate 19 October 2015                |
| 19/10/15 | AGF 73-2015 Adjournment of EGM on 30 October 2015              |
| 16/10/15 | AGF 72-2015 September 2015 Quarterly Report                    |
| 16/10/15 | AGF 71-2015 Weekly NAV Estimate 12 October 2015                |
| 15/10/15 | AGF 70-2015 EGM Response Statement and Proxy Form              |
| 14/10/15 | AGF 69-2015 September 2015 Monthly NAV                         |
| 14/10/15 | Change in substantial holding                                  |
| 9/10/15  | AGF 68-2015 Weekly NAV Estimate 5 October 2015                 |
| 9/10/15  | AGF 67-2015 Appendix 3Z - Stephen Dunne and Appendix 3X - Adam |
| 7/10/15  | AGF 66-2015 Notice of Extraordinary General Meeting            |
| 2/10/15  | AGF 65-2015 Weekly NAV Estimate 28 September 2015              |
| 25/09/15 | AGF 64-2015 Weekly NAV Estimate 21 September 2015              |
| 23/09/15 | AGF 63-2015 Monitoring of Enhancements and Impact on Discount  |
| 21/09/15 | Change in substantial holding                                  |
| 21/09/15 | AGF 62A-2015 Weekly NAV Estimate 14 September 2015-Correction  |
| 18/09/15 | AGF 62-2015 Weekly NAV Estimate 14 September 2015              |
| 18/09/15 | AGF 61-2015 AGF Investor Letter - Outcomes of Strategic Review |
| 17/09/15 | AGF 60-2015 AGF Outcomes of Strategic Review                   |
| 11/09/15 | AGF 59-2015 Weekly NAV Estimate 7 September 2015               |
| 11/09/15 | AGF 58-2015 August 2015 Monthly Report                         |
| 11/09/15 | AGF 57-2015 August 2015 Monthly NAV                            |
| 7/09/15  | AGF 56-2015 Unitholder Meeting Update                          |

| DATE     | DESCRIPTION   |
|----------|---|
| 4/09/15  | AGF 55-2015 Weekly NAV Estimate 31 August 2015                |
| 28/08/15 | AGF 54-2015 Weekly NAV Estimate 24 August 2015                |
| 27/08/15 | Becoming a substantial holder                                 |
| 26/08/15 | AGF 53-2015 Investor Update                                   |
| 26/08/15 | AGF 52-2015 Appendix 4D and Half-Yearly Accounts 30 June 2015 |
| 21/08/15 | AGF 51-2015 Weekly NAV Estimate 17 August 2015                |
| 14/08/15 | AGF 50-2015 Weekly NAV Estimate 10 August 2015                |
| 11/08/15 | AGF 49-2015 July 2015 Monthly Report                          |
| 11/08/15 | AGF 48-2015 July 2015 Monthly NAV                             |
| 7/08/15  | AGF 47-2015 Weekly NAV Estimate 3 August 2015                 |
| 31/07/15 | AGF 46-2015 Weekly NAV Estimate 27 July 2015                  |
| 28/07/15 | AGF 45-2015 New AMP Capital MD announced                      |
| 24/07/15 | AGF 44-2015 Weekly NAV Estimate 20 July 2015                  |
| 23/07/15 | AGF 43-2015 Appendix 3X Initial Director's Interest Notice    |
| 17/07/15 | AGF 42-2015 June 2015 Quarterly Report                        |
| 17/07/15 | AGF 41-2015 Weekly NAV Estimate 13 July 2015                  |
| 13/07/15 | AGF 40-2015 Investor Correspondence                           |
| 10/07/15 | AGF 39-2015 Weekly NAV Estimate 6 July 2015                   |
| 10/07/15 | AGF 38-2015 June 2015 Monthly Report                          |
| 10/07/15 | AGF 37-2015 June 2015 Monthly NAV                             |
| 9/07/15  | AGF 36-2015 Market events affecting China A-shares            |

## 7. ABOUT THE LIM STATEMENT

Section 8 of this Explanatory Memorandum is the statement provided by LIM in relation to the LIM Resolution (LIM Statement). As the LIM Statement was provided on 27 June 2016 AMPCFM RE is obliged under the Corporations Act to send this statement to you with this Explanatory Memorandum.

AMPCFM RE has concerns with aspects of the LIM Statement. These concerns are set out in Section 9 of this Explanatory Memorandum. Accordingly, AMPCFM RE encourages Unitholders to consider the concerns identified by AMPCFM RE and the other information set out in this Explanatory Memorandum when reading the LIM Statement.

As the LIM Statement has not been prepared by AMPCFM RE, neither AMPCFM RE nor any of its related bodies corporate, directors, officers or advisers assume any responsibility for the accuracy or completeness of the LIM Statement.

## 8. LIM STATEMENT



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Dear Fellow Unitholder

**Our proposal to wind up AMP Capital China Growth Fund (“AGF”) and  
enable all Unitholders (“Unitholders”) to exit at approximately  
Net Asset Value per Unit**

**Introduction**

LIM Advisors Limited is an Asian-focussed investment management firm based in Hong Kong and founded in 1995 with extensive experience of investing in Chinese equities and listed investment companies. We manage approximately US\$1.7bn, and two of our managed funds own units in AGF (“Units”), representing 9.98% of the total outstanding. The LIM Asia Multi-Strategy Fund Inc. owns more than 5% of Units outstanding, and it has requested that the Responsible Entity of AGF give this statement to Unitholders.

**Underperformance of benchmark index**

Since its launch in December 2006, AGF has performed below its benchmark index. Whilst underperforming its benchmark, the AMP group has earned more than A\$60.1 million in fees from AGF.

**Persistent and excessive discount to Net Asset Value per Unit**

We have been investors in AGF since 2010 but have been unhappy with the persistent and excessive discount at which its Units trade in relation to Net Asset Value (“NAV”) per Unit. This discount negatively affects the interests of Unitholders, especially those who bought at launch, such as AMP Life. As of 21<sup>st</sup> June 2016, the discount was 18% and it has averaged more than 20% since launch.

In July 2015, we put forth proposals to reduce or remove the discount to the Investment Manager, AMP Capital Investors Limited (“AMP Capital”) an affiliate of AMP Capital Funds Management Limited, the Fund’s Responsible Entity (the “RE”). Both of these companies are owned by AMP Limited. Last September, the RE announced some changes to AGF aimed at addressing the discount. It also stated, without sufficient explanation, that a 15% discount was the reference point that it would use to assess its effectiveness.

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We said those changes would not be sufficient to address the discount and called an EGM to require the RE to seek to manage AGF in such a manner that the discount would be below 10%. After further alterations by the RE, however, we agreed to wait to see what impact the changes would have by the end of March 2016, and our resolution was not put forward. As we anticipated, the measures introduced by the RE have not reduced the discount on Units, and Unitholders continue to suffer.

Following further pressure, the RE has now proposed additional measures. We do not believe that they will adequately reduce the discount. In particular, a redemption offer is to be made to Unitholders to buy Units back at around NAV per Unit, but it is being needlessly restricted to 15% of outstanding Units. We believe a better solution for all Unitholders is to convert AGF into an open-ended fund, so that Unitholders can decide for themselves if and when they want to redeem at approximately NAV per Unit, which was 22% higher than the ASX market price on 21<sup>st</sup> June 2016.

### **AGF is not “Fit for Purpose”**

We do not believe that AGF is currently “Fit for Purpose.” Rather than focus solely on the interests of Australian retail investors, the RE should focus on AGF’s suitability for the current Unitholders who now comprise AMP Life, Australian retail investors, and institutional investors in roughly equal proportions. The RE should also focus on the structure of the Fund given the persistent discount.

### **Weak corporate governance**

When AGF was launched by AMP Capital, there were three independent Directors on the six person AMP Capital Board. Since then, management of AGF has been transferred by AMP Capital to the RE, which has no independent directors. A new Advisory Committee of independents was created last October, but their terms of reference and instructions come from the RE. We remain sceptical that there is sufficient wide-ranging independent oversight of the activities of the RE.

AGF’s investments are still managed by AMP Capital, and its appointment as Investment Manager depends on a 10-year contract with AGF that expires on 9<sup>th</sup> November 2016. Successive AGF Annual Reports have stated that Unitholders would vote on extending this



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contract when it expires this November, but we understand the RE will not now be seeking such Unitholder approval. If true, this is outrageous. Unitholders deserve the opportunity to decide on both AGF's future and the renewal of its investment management arrangements on its 10-year anniversary.

### **Winding up AGF**

Since AGF is not "Fit for Purpose," the RE's changes are not sufficient to reduce the discount, and there is inadequate independent corporate governance oversight on the RE, we believe that AGF's 10-year anniversary is the appropriate occasion for Unitholders to decide the future of AGF. We have therefore filed a resolution seeking to wind up AGF. Alternative courses of action, such as an open ending of AGF or unlimited redemptions, can only be proposed by the RE, which it has not done. Therefore, the only course of action left to us is to propose an Extraordinary Resolution to wind up AGF, which requires approval by Unitholders holding at least 50% of Units eligible to vote at the EGM.

### **AMP Life is the largest Unitholder**

AMP Life Limited and its associates hold a relevant interest in approximately 36% of AGF. Recently the NSW Supreme Court ruled that associates of the RE cannot vote on the resolutions to be considered at the meeting because the RE has an interest in the resolution other than as a member. Our winding up resolution requires support from 50% of Units entitled to vote, which is therefore equal to approximately 32% of the total Units.

### **Recommendation**

**We are proposing to wind up AGF because the discount has persisted for too long and the RE has failed to take effective action to reduce it. We recommend that you support the winding up of AGF so that you can realise close to NAV for your Units. We recommend all Unitholders vote "FOR" our resolution.**

Please contact us at [actionagf@limadvisors.com](mailto:actionagf@limadvisors.com) with any questions.

# 9. AMPCFM RE COMMENTARY ON THE LIM STATEMENT

As stated in Section 7 of this Explanatory Memorandum, AMPCFM RE has concerns with aspects of the LIM Statement which relate to factual matters and not matters of opinion which are for LIM to determine. The key concerns of AMPCFM RE include:

## 1. Statements about the proceeds to be received on a winding up

The LIM Statement says that LIM's wind up proposal will “enable all Unitholders to exit at approximately Net Asset Value per Unit” and that they recommend that Unitholders “support the winding up of AGF” so that Unitholders can “realise close to NAV” for their Units.

As described in Section 4.2.2 of this Explanatory Memorandum, a wind up does not guarantee a specific withdrawal price in respect of a Unitholder's exit from the Fund. Unitholders should take into account that the value of net proceeds received under the wind up are likely to differ from NAV at the date of the meeting. This is because the net proceeds will reflect the net realisation values of the underlying portfolio at the time of sale of the assets, currency fluctuations and the costs of winding up the Fund, noting that the wind up will occur over a period of time. See Section 4 of this Explanatory Memorandum for further detail about the process and timing for winding up the Fund.

## 2. Statements about being able to convert the Fund into an open-ended fund

The LIM Statement says that LIM believes that a “better solution for all Unitholders is to convert the fund into an open ended fund, so that Unitholders can decide for themselves if and when they want to redeem at approximately NAV per Unit”.

This statement implies that the Fund could be converted to an open-ended fund. This suggestion does not take account of the difficulties and costs involved in doing so. See Section 2.4 of this Explanatory Memorandum. The suggestion is inconsistent with the LIM Resolution directing AMPCFM RE to wind up the Fund. This option was considered by AMPCFM RE as part of Strategic Review 2016 and ultimately rejected. AMPCFM RE's reasons for rejecting this option are set out in Section 2.4 of this Explanatory Memorandum.

## 3. Statements about “Fit for Purpose” and Discount Reference Point

The LIM Statement says that “Last September, the RE announced some changes to AGF aimed at addressing the discount” and goes on to say that AMPCFM RE “also stated without sufficient explanation, that a 15% discount was the reference point that it would use to assess effectiveness”.

In fact the statement made in an announcement on 23 September 2015 was as follows:

*“While the Fund's primary purpose remains generating long-term capital growth from an investment in China A-shares, the RE recognises that the returns realised by unitholders are influenced by the Fund's Discount. The RE in consultation with the Fund's Advisory Committee intends to consider the Discount, along with other measures of Fund performance, in continuing to evaluate whether the Fund remains fit-for-purpose. The RE believes an appropriate reference point includes whether the Discount is at a level of 15% or less.”*

In other words, the Discount Reference Point was not intended to be a measure of the effectiveness of the enhancements but, rather, an aspect of AMPCFM RE's fit for purpose review.

## 4. Statements about the Investment Management Agreement

The LIM Statement says that the Investment Management Agreement expires on 9 November 2016 and that “successive AGF Annual Reports have stated that Unitholders would vote on extending this contract when it expires this November”.

In fact the statement, made in the 2015 Annual Report of the Fund, is as follows:

*“This agreement will continue for a further 10 year term if the investors in the Fund pass an ordinary resolution to approve such an extension.”*

More significantly, these statements are directed towards the method of extending the fixed term Investment Management Agreement to entrench the Manager after the expiry of the first 10 year term.

By contrast, as set out in Section 3.2 of this Explanatory Memorandum, AMPCFM RE is taking these steps to simplify the management arrangements which apply to the Fund and to remove entrenchment of the Manager. It considers that the current arrangement is inconsistent with market norms. Under the new arrangements the Manager's appointment can be terminated by notice and will automatically terminate if AMPCFM RE is replaced in accordance with the Corporations Act.

# 10. DEFINITIONS

**Advisory Committee** means the independent advisory committee established by AMPCFM RE for the Fund on or about September 2015.

**AGF or the Fund** means AMP Capital China Growth Fund (ARSN 122 303 744).

**AMP Capital** means AMP Capital Investors Limited (ACN 001 777 591)

**AMP Group** means AMP Limited (ABN 49 079 354 519) and its controlled entities.

**AMP Life** means AMP Life Limited (ABN 84 079 300 379).

**AMPCFM RE or Responsible Entity** means AMP Capital Funds Management Limited (ACN 159 557 721; AFSL 426455) being the Responsible Entity.

**AQUA Rules** means the rules in Schedule 10A of the ASX Operating Rules.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited or Australian Securities Exchange, as appropriate.

**ASX Operating Rules** means the operating rules of the ASX for the purposes of the Corporations Act as amended from time to time.

**Bloomberg** means Bloomberg LP, a privately held financial software, data, and media company.

**Board** means the board of directors of AMPCFM RE.

**CSI300 Index** means a free-float weighted index that consists of 300 China A-share stocks, as compiled by the China Securities Index Company.

**Capital Management Initiative** means the capital management opportunity under which AMPCFM RE will offer to Unitholders:

- > a one-off redemption of the value of 15% of Units on issue at NAV less the costs of the redemption; and
- > an on-market buy-back of up to 5% of Units on issue as at the close of business on the next business day after the Meeting over a 12 month period on the terms set out in this Explanatory Memorandum.

**Chairman** means Ms Deborah Page AM or such other person appointed from time to time.

**China A-shares** means the shares of Chinese companies listed on the Shanghai or Shenzhen stock exchanges.

**China H-shares** means the shares of Chinese companies listed on the Hong Kong stock exchange.

**Constitution** means the constitution of the Fund from time to time.

**Corporations Act** means the Corporations Act 2001 (Cwlth).

**CSRC** means the China Securities Regulatory Commission.

**Deed Poll** means the deed poll attached as Appendix 2 to this Explanatory Memorandum.

**Discount** means the discount between NAV per Unit and the Unit's ASX trading price.

**Discount Reference Point** means 15%.

**Distribution Reinvestment Plan** means the Distribution Reinvestment Plan of the Fund described in the Product Disclosure Statement.

**DRP Rules** means the rules of the Distribution Reinvestment Plan.

**ETP** means exchange traded product in accordance with the AQUA Rules of the ASX.

**Explanatory Memorandum** means this document.

**Fund Enhancements** means the enhancements proposed by AMPCFM RE and described in Section 3.1 of this Explanatory Memorandum.

**InvestCo** means AMP Capital China Growth Fund, being a private company limited by shares and registered in Mauritius under the Mauritian Companies Act 2001.

**Investment Management Agreement** means the investment management agreement between the Manager and InvestCo dated 9 November 2006.

**LIM** means LIM Asia Multi-Strategy Fund Inc.

**LIM Resolution** means the Resolution set out in the Notice and entitled Resolution 2: LIM Resolution that has been proposed by LIM.

**Listing Rules** means the official listing rules of ASX, as amended or replaced from time to time except to the extent of any express written waiver by ASX.

**Manager** means AMP Capital Investors Limited (ACN 001 777 591).

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**Medicare Levy** means the rate of the Medicare levy outlined in the Medicare Levy Act 1986 (Cth) (as amended or varied from time to time).

**Meeting** means the extraordinary general meeting of Unitholders convened by the Notice.

**MSCI** means Morgan Stanley Capital International Inc.

**MSCI Index** means the MSCI Emerging Markets Index offered by MSCI.

**NAV** means net asset value.

**Notice** means the Notice of Meeting included as Appendix 1 to this Explanatory Memorandum.

**QFII** means a Qualified Foreign Institutional Investor.

**Product Disclosure Statement** means the product disclosure statement issued by AMPCFM RE dated 20 November 2006.

**Proxy Form** means the proxy form for the Meeting accompanying this Explanatory Memorandum.

**Resolutions** means the Responsible Entity Resolution and the LIM Resolution

**Responsible Entity Resolution** means the Resolution set out in the Notice and entitled Resolution 1: Responsible Entity Resolution.

**Responsible Entity** means AMP Capital Funds Management Limited (ACN 159 557 721; AFSL 426455) in its capacity as responsible entity of the Fund.

**Register** means the register of Unitholders of the Fund maintained by the Registry in accordance with the Corporations Act.

**Registry** means Computershare Investor Services Pty Limited (ACN 078 279 277).

**S&P/ASX 200 Index** means a free-float weighted index that consists of the 200 largest index-eligible stocks, as compiled by S&P Dow Jones Indices.

**S&P/CITIC Total Return Index** means the S&P/CITIC 300 Total Return Index offered by S&P/CITIC Index Information Services Co Ltd.

**Stock Connect** means Shanghai-Hong Kong Stock Connect which is a cross-border investment channel linking the Hong Kong and Shanghai stock exchanges.

**Strategic Review 2015** means the comprehensive strategic review of the Fund conducted by AMPCFM RE which commenced in July 2015.

**Strategic Review 2016** means the comprehensive strategic review of the Fund conducted by AMPCFM RE which commenced in January 2016.

**Tier-1 Peers** means the HSBC China Dragon Fund and the Morgan Stanley China A Share Fund.

**Tier-2 Peers** means the Templeton Dragon Fund, Aberdeen Greater China Fund, JP Morgan China Region Fund, Fidelity China Special Situations, The China Fund, Inc. and the JP Morgan Chinese Investment Trust.

**Umbrella Investment Management Agreement** means the Standard Investment Management Agreement between AMP Capital Funds Management Limited and AMP Capital Investors Limited dated 28 February 2013.

**Unitholder Information Line** means (Australia) 1800 658 404 or (Overseas) +61 2 8048 8230

**Unitholders** means each person who is registered as the holder of a Unit in the Register on the Voting Record Date.

**Unit** means a unit in the Fund.

**Voting Record Date** means the time and date for determining eligibility to vote at the Meeting (being 7.00pm (AEST) Tuesday, 26 July 2016).



# APPENDIX 1: NOTICE OF MEETING

Notice is given that an extraordinary general meeting (EGM) of AMP China Growth Fund (ARSN122 303 744) (AGF or the Fund) will be held:

Date: Thursday, 28 July 2016  
Time: 10.00am (AEST)  
Venue: Theatre, NSW Parliament House  
6 Macquarie Street  
Sydney NSW 2000

## ITEMS OF BUSINESS

### RESOLUTION 1: RESPONSIBLE ENTITY RESOLUTION

To consider and if thought fit, to pass the following as an ordinary resolution:

*That, subject to the LIM Resolution described in this Notice of Meeting and Explanatory Memorandum not being passed, the Responsible Entity is authorised for all purposes to offer to Unitholders the following capital management opportunity on the terms set out in this Notice of Meeting and Explanatory Memorandum:*

*(a) the one-off redemption of the value of 15% of Units on issue at NAV less the costs of redemption ; and*

*(b) an on-market buy-back of up to 5% of the Units on issue as at the close of business on the next business day after the Meeting,*

*on the basis that the Fund Enhancements set out in this Notice of Meeting and Explanatory Memorandum will be implemented by the Responsible Entity.*

### RESOLUTION 2: LIM RESOLUTION

To consider, and if thought fit, to pass the following resolution as an extraordinary resolution:

*“That, for the purposes of section 601NE(1)(b) of the Corporations Act 2001 (Cth), the responsible entity of the AMP Capital China Growth Fund (ARSN 122 303 744) is directed to wind up the AMP Capital China Growth Fund.”*

**THE RESPONSIBLE ENTITY RESOLUTION WILL NOT BE IMPLEMENTED IF THE LIM RESOLUTION IS PASSED DIRECTING AMPCFM RE TO WIND UP THE FUND. IF THIS OCCURS NEITHER THE FUND ENHANCEMENTS NOR THE CAPITAL MANAGEMENT INITIATIVE WILL BE IMPLEMENTED.**

For the purposes of the Resolutions, and in accordance with section 253E of the Corporations Act, AMPCFM RE and its associates are not entitled to vote their interests if they have an interest in the resolution other than as a member of the Fund.

Notes:

1. A Unitholder entitled to attend and vote is entitled to appoint not more than two proxies. Unitholders can appoint a body corporate as well as an individual as their proxy. A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at general meetings of AGF or in the capacity of a Unitholder's proxy at general meetings of AGF. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a general meeting or in voting on a resolution.
2. A Unitholder who appoints two proxies may state on the proxy form what proportion or number of the Unitholder's votes each proxy is being appointed to exercise. If a Unitholder appoints two proxies and does not specify the proportion or number of votes each proxy may exercise, each of the proxies may exercise half the Unitholder's votes.
3. If a Unitholder has appointed two proxies, when a resolution is decided on a show of hands, only the first person named on the proxy form may vote. If two proxy forms have been completed, the person whose name is earlier in alphabetical sequence may vote.
4. A proxy need not be a Unitholder of AGF.
5. Either the original, facsimile or electronic transmission of the proxy form(s) and any Power of Attorney or authority under which they are signed must be received at least 48 hours prior to the Meeting (i.e. by no later than 10.00am on 26 July 2016) or any adjournment. Any proxy form received after this deadline, including at the Meeting, will be invalid.
6. A proxy form accompanies this Notice.
7. Additional proxy forms will be supplied by the Registry on request.
8. An electronic proxy facility is also available to Unitholders via the AGF website – [www.ampcapital.com.au/china](http://www.ampcapital.com.au/china).
9. If a corporate representative is to attend the Meeting on behalf of a corporation, a formal Notice of Appointment must be brought to the Meeting or lodged with the Registry prior to the Meeting.
10. In accordance with Regulation 7.11.37 of the Corporations Regulations (Cth) and ASX Settlement Operating Rule 5.6.1, the Board has determined that a person's entitlement to vote at the Meeting will be the entitlement of that person set out in the Register as at 7.00pm on 26 July 2016. Accordingly, transactions registered after that time will be disregarded in determining Unitholders entitled to attend and vote at the Meeting.
11. If the appointment of a proxy specifies the way the proxy is to vote on a particular resolution:
  - > the proxy is not required to vote on a show of hands, but if the proxy does so, the proxy must vote as directed (subject to any applicable voting exclusions);
  - > if the proxy has two or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands;
  - > if the proxy is not the Chairman of the Meeting, the proxy need not vote on a poll but if the proxy does so, the proxy vote must vote as directed (subject to any applicable voting restrictions); and
  - > if the proxy is the Chairman of the Meeting, the proxy must vote on a poll and must vote as directed.Unitholders should consider directing their proxy how to vote on each Resolution by crossing either "For", "Against", or "Abstain" box when lodging their proxy form to ensure that their proxy is permitted to vote on their behalf in accordance with their instructions.
12. In a resolution of the Fund determined by poll, each Unitholder present in person or by proxy has one vote for every dollar of its total interest held in the Fund (held via Units). The value of a Unitholder's total interest in the Fund will be calculated by reference to the last sale price of Units on ASX on 27 July 2016.
13. The Responsible Entity Resolution is an ordinary resolution. This means that it can be passed by 50% or more of the Unitholders present at the Meeting (in person or by proxy) and eligible to vote. The LIM Resolution is an extraordinary resolution. This means that it can be passed by at least 50% of the total votes that may be cast by members entitled to vote on that resolution (including members who are not present in person or by proxy).

# APPENDIX 2: DEED POLL

## ITEM 1:

Deed Poll

67-80

## ITEM 2:

Amending Deed Poll

Distribution Reinvestment Plan

81-89

## Deed Poll



# Deed Poll

AMP Capital Funds Management Limited as responsible entity of the AMP China Growth Fund

in favour of:

Each Unitholder

**King & Wood Mallesons**

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[www.kwm.com](http://www.kwm.com)

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## Details

| Parties                  |                  | AMPCFM RE in favour of each Unitholder   |
|--------------------------|------------------|--|
| AMPCFM RE                | Name             | AMP Capital Funds Management Limited as responsible entity of AMP China Growth Fund (ARSN 122 303 744)   |
|                          | Address          | 50 Bridge Street SYDNEY NSW 2000   |
|                          | Attention        | Company Secretary  |
| In favour of             |                  |  |
| Each Unitholder          | Name             | Each Unitholder  |
| Recitals                 | <b>A</b>         | AMPCFM RE is the responsible entity of the AMP China Growth Fund.  |
|                          | <b>B</b>         | AMPCFM RE has convened an extraordinary general meeting of the Fund to be held on 28 July 2016.  |
|                          | <b>C</b>         | If the Responsible Entity Resolution is passed by the requisite majority of Unitholders and the LIM Resolution is not passed by Unitholders, AMPCFM RE will implement the Fund Enhancements as set out in Part A of this deed and the Capital Management Initiative as set out in Part B of this deed.   |
|                          | <b>D</b>         | If the Responsible Entity Resolution is not passed by the requisite majority of Unitholders and the LIM Resolution is not passed by Unitholders, AMPCFM RE will implement the Fund Enhancements set out in Part A of this deed but not the Capital Management Initiative set out in Part B of this deed. |
|                          | <b>E</b>         | Certain changes to management will be made irrespective of the outcome of the LIM Resolution.  |
| <b>Governing law</b>     | New South Wales  |  |
| <b>Date of agreement</b> | See Signing page |  |

# General terms

---

## 1 Defined terms

### 1.1 Definitions

**Constitution** means the constitution for the AMP Capital China Growth Fund dated 18 October 2006, as amended from time to time.

**Investment Management Agreement** means the investment management agreement between AMP Capital China Growth Fund (company number 6631 C1/GBL incorporated under the laws of Mauritius) and AMP Capital Investors Limited (ACN 001 777 591) dated 9 November 2006.

**Umbrella Agreement** means the Standard Investment Management Agreement between AMP Capital Funds Management Limited and AMP Capital Investors Limited dated 28 February 2013 as amended.

### 1.2 Other defined terms

In this deed poll, unless the context requires otherwise, all other words and phrases defined in the notice of meeting dated 28 June 2016 have the same meaning in this deed poll.

---

## 2 Conditions precedent

Clauses 3 and 4 of this deed will come into effect on the date this deed poll is executed if the Responsible Entity Resolution is passed by the requisite majority of Unitholders and the LIM Resolution is not passed.

Clause 3 of this deed will come into effect on the date this deed poll is executed but clause 4 of this deed will not come into effect if both the Responsible Entity Resolution and the LIM Resolution are not passed.

Clause 5 of this deed will come into effect on the date this deed poll is executed irrespective of the outcome of the Responsible Entity Resolution and the LIM Resolution.

---

## 3 Part A: Fund enhancements

### 3.1 Change the Fund's investment mandate

AMPCFM RE will procure by no later than 1 September 2016 that the investment instructions set out in Part A of Schedule 2 of the Investment Management Agreement are amended such that the following instruction is deleted:

*"Maximum permitted deviation from GICS sector (Level 1): +/- 10%, subject to a minimum weight of zero"*

and the following instruction is inserted:

*"Maximum permitted deviation from GICS sector (Level 1): not applicable".*

### **3.2 Reduce the Fund's base management fee**

On and from 9 November 2016, in accordance with clause 30.5 of the Constitution, AMPCFM RE agrees to charge a lesser base fee for the purposes of clause 30.2 of the Constitution such that base fees will be calculated according to the following formula:

$$\text{Base fee} = 1.35\% \text{ per annum} \times \text{Fund Value}$$

AMPCFM RE must not change the base fee unless it is to further reduce it after the date on which this clause 3.2 comes into effect.

AMPCFM RE must also procure that the Investment Management Agreement is amended on and from the same date as the reduction above becomes effective so that the maximum base management fee payable under that agreement is equal to 1.35% per annum x Fund Value.

### **3.3 Remove the Fund's performance fee**

On and from 9 November 2016, AMPCFM RE agrees in accordance with clause 30.5 of the Constitution to irrevocably waive its full entitlement to any and all performance fees under clause 30.3 of the Constitution to the effect that no performance fee will be charged by the Manager.

AMPCFM RE must also procure that the Investment Management Agreement is amended on and from the same date as the waiver above becomes effective so that no performance fee is payable under that agreement.

### **3.4 Amend the DRP Rules**

On 1 August 2016, AMPCFM RE must execute the Amending Deed Poll – Distribution Reinvestment Plan in substantially the form as attached as Schedule 1 to this document to enable AMPCFM RE to permit Unitholders to elect to receive distributions in 100% cash (subject to clause 3(g) of the Distribution Reinvestment Plan Rules attached to that Amending Deed Poll).

### **3.5 Small Unitholder sale process**

AMPCFM RE must, as soon as reasonably practicable and in accordance with clause 13 of the Constitution and all applicable laws (including the ASX listing rules), establish a sale facility under which Unitholders holding Units with a combined value of less than \$500 will be entitled to sell such small holdings. This facility will be implemented such that Units will be sold before 31 December 2016.

### **3.6 Maintain marketing efforts**

AMPCFM RE will use reasonable endeavours to maintain the marketing and communication improvements announced as part of the Strategic Review 2015.

### **3.7 Consider future capital management**

- (a) AMPCFM RE must, having regard to the results of any future annual health check and fit for purpose review, consider whether further capital management opportunities should be offered to Unitholders.
- (b) Notwithstanding any other provision of this deed, in exercise of its powers and duties (including to act in the best interests of Unitholders), AMPCFM RE reserves the right to determine that a further capital management opportunity should be offered to Unitholders whether or

not following an annual health check and fit for purpose review and whether or not approved by Unitholders.

---

## **4 Part B: Capital management initiative**

### **4.1 One-off redemption**

AMPCFM RE will implement a one-off redemption on the following terms:

- (a) the redemption will, subject to rounding in AMPCFM RE's discretion, be of an amount equal to 15% of the NAV of the Fund less the costs of the redemption calculated as at the last month end before the Meeting;
- (b) the redemption will be structured as a withdrawal offer under the illiquid provisions in Chapter 5C.6 of the *Corporations Act 2001* (Cth);
- (c) the redemption price under the offer will be the price determined under the constitution and will include an allowance for the costs of the redemption which will be borne by Unitholders participating in the redemption;
- (d) AMPCFM RE will take all actions it deems necessary to be able to have access to a sufficient cash to conduct the redemption in the manner contemplated by this clause 4.1. For the avoidance of doubt, this will include procuring that InvestCo realizes that much of its underlying portfolio and repatriates the net proceeds of realisation as is necessary to fund the redemption;
- (e) subject to the timetable requirements of the ASX, the withdrawal offer will commence no earlier than 30 November 2016 and will close no earlier than 12.01am on 1 January 2017 (with withdrawn Unitholders receiving proceeds no later than 21 days after the close of the offer);
- (f) the terms of the offer will permit AMPCFM RE to vary, cancel or extend the offer in accordance with the Constitution and Chapter 5C.6 of the *Corporations Act 2001* (Cth);
- (g) a written withdrawal offer will be sent to Unitholders containing all of the terms of the withdrawal. The offer will include an acceptance form (acceptance will be irrevocable);
- (h) Unitholders will accept by returning the acceptance form by the end of the offer period;
- (i) acceptances will be subject to scale back in accordance with Chapter 5C.6 of the *Corporations Act*; and
- (j) the offer will be subject to any applicable regulatory requirements which AMPCFM RE considers are reasonably necessary. AMPCFM RE will use reasonable endeavours to satisfy all applicable regulatory requirements by 30 November 2016.

### **4.2 On-market buy back**

AMPCFM RE will implement an on-market buy-back on the following terms:

- (a) the on-market buy-back will, subject to rounding in AMPCFM RE's discretion, be of an amount equal to 5% of the number of Units on issue as at the Business Day after the Meeting;
- (b) the on-market buy-back will be undertaken over a 12 month period in accordance with the Corporations Act (as modified by ASIC Class Order 07/422 and any other relief) and the ASX Listing Rules; and
- (c) the on-market buy back will be undertaken by a reputable financial institution or broker on terms which are consistent with terms that usually apply to on-market buy backs.

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## 5 Changes to management arrangements

### 5.1 Termination of Investment Management Agreement

AMPCFM RE will procure that the Investment Management Agreement will terminate on and from 9 November 2016.

### 5.2 Amendments to Umbrella Agreement

AMPCFM RE will procure that from termination of the Investment Management Agreement the Umbrella Agreement is amended to the extent necessary to ensure that, in relation to the Fund:

- (a) **(services)** all services provided to InvestCo under the Investment Management Agreement will be provided to AMPCFM RE and if AMPCFM RE directs, InvestCo, to the standard and manner as they were provided under that agreement ("**Services**");
- (b) **(base fees)** base management fees payable under the Umbrella Agreement in relation to the Services when added to the base management fees payable to AMPCFM RE will not exceed the total amount of base management fees to which AMPCFM RE is entitled under the Constitution (as amended, waived or otherwise reduced from time to time); and
- (c) **(termination)** the Umbrella Agreement will automatically terminate if neither AMPCFM RE or any member of AMP Group is the responsible entity of the Fund.

### 5.3 QFII quota

AMPCFM RE must procure that the Manager undertakes from the date that the Investment Management Agreement is terminated to make the QFII quota allocated to the Fund available to AMPCFM RE and InvestCo.

### 5.4 Manager termination

AMPCFM RE must procure that the Manager undertakes from the date that the Investment Management Agreement is terminated that it will not terminate the Umbrella Agreement as it relates to the Fund without the consent of AMPCFM RE.

---

## 6 Warranties

AMPCFM RE represents and warrants that:

- (a) **(MIS Status)** the Fund is validly established and registered as a 'registered scheme' under Chapter 5C of the Corporations Act.
- (b) **(responsible entity)** AMPCFM RE is the responsible entity of the Fund, has been validly appointed and remains as responsible entity of the Fund and no action has been taken to or proposed to be taken to remove it as responsible entity.
- (c) **(power)** it has the power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) **(authorisations)** it has taken all necessary action to authorise the entry into of this deed poll and has taken all necessary action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (e) **(binding obligations)** this deed poll is valid and binding upon it;
- (f) **(solvency)** it is solvent and no resolutions have been passed nor has any other step been taken or legal proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets;
- (g) **(no default)** this deed poll does not conflict with or result in the breach of or default under any provision of its constitution, any material term or provision of any material agreement or any writ, order or injunction, judgement, law, rule, regulation or instrument to which it is party or subject or of which it is bound; and
- (h) **(RE right of indemnity)** AMPCFM RE's right of indemnity out of, and lien over the assets of the Fund has not been limited in any way. AMPCFM RE has no liability which may be set off against the right of indemnity.

---

## 7 Limitation of liability

### 7.1 Limitation of responsible entity liability

A party that is a responsible entity or trustee enters into this deed poll only in its capacity as responsible entity or trustee of the trusts listed in the Details section of this deed poll and in no other capacity. References to those parties in this agreement are references to those parties responsible entity capacity only. Subject to clause 7.2, and to the extent permitted by law:

- (a) a liability to any person arising under or in connection with this deed poll is limited to and can be enforced against a responsible entity only to the extent to which it can be satisfied out of the property of the relevant trust out of which the responsible entity is actually indemnified for the liability; and
- (b) a responsible entity is not liable in its personal capacity in contract, tort or otherwise for any loss suffered in any way relating to the relevant trust listed in the Details section of this deed poll except to the extent that the Corporations Act or the constitutions of those trusts impose a liability of that nature.



## **7.2 Exceptions to responsible entity limitation of liability**

Clause 7.1 does not apply to any obligation or liability of a responsible entity or trustee to the extent that it is not satisfied because, under the relevant trust constitutions or by operation of law, there is a reduction in the extent, or elimination, of the responsible entity's indemnification out of the assets of the relevant trust as a result of the responsible entity's fraud, negligence or breach of trust.

---

## **8 Continuing obligations**

This deed poll is irrevocable and remains in full force and effect until AMPCFM RE has completely performed its obligations under this deed poll.

---

## **9 General**

### **9.1 Nature of deed poll**

AMPCFM RE acknowledges that this deed poll may be relied on and enforced by any Unitholder in accordance with its terms even though those persons are not party to this deed poll.

### **9.2 Further assurances**

AMPCFM RE will do all things and execute all deeds, instruments, transfers or other documents as may be necessary to give full effect to the provisions of this deed poll and the transactions contemplated by it.

### **9.3 Remedies cumulative**

The rights, powers and remedies of AMPCFM RE and Unitholders in this deed poll are in addition to, and do not exclude or limit, any right, power or remedy provided by law or equity.

### **9.4 Waiver**

- (a) A failure or delay in exercise, or partial exercise, of:
  - (i) a right arising from a breach of this deed poll; or
  - (ii) a right, power, authority, discretion or remedy created or arising upon default under this deed poll,does not result in a waiver of that right, power, authority, discretion or remedy.
- (b) Waiver of any right arising from a breach of this deed poll or any right, power, authority, discretion or remedy arising upon default under this deed poll must be in writing and signed by the party granting the waiver.

### **9.5 Assignment**

The rights and obligations of AMPCFM RE and each Unitholder under this deed poll are personal. They cannot be assigned, encumbered or otherwise dealt with and none of AMPCFM RE or any Unitholder may attempt, or purport, to do so without the prior written consent of AMPCFM RE.

## 9.6 Stamp duty

All stamp duty that may be payable on or in connection with this deed poll and any instrument effected by, executed under or pursuant to this deed poll must be borne by AMPCFM RE. AMPCFM RE must indemnify each Unitholder on demand against any liability for that stamp duty.

## 9.7 Notices

- (a) Unless expressly stated otherwise in this agreement, all notices, certificates, consents, approvals, waivers and other communications in connection with this deed poll must be:
  - (i) in writing;
  - (ii) signed by the sender (if an individual) or an Authorised Officer of the sender; and
  - (iii) marked for the attention of the person identified in the Details or, if the recipient has notified otherwise, then marked for attention in the way last notified.
- (b) Communications must be:
  - (i) left at the address set out or referred to in the Details section;
  - (ii) sent by prepaid ordinary post (airmail if sent to an address outside Australia) to the address set out or referred to in the Details section;
  - (iii) sent by fax to the fax number set out or referred to in the Details section; or
  - (iv) given in any other way permitted by law.

However, if the intended recipient has notified a changed address or fax number, then communications must be to that address or fax number.

- (c) Communications take effect from the time they are received or taken to be received under clause 6.8(d) (whichever happens first) unless a later time is specified.
- (d) Communications are taken to be received:
  - (i) if sent by post, three days after posting (or seven days after posting if sent from one country to another); or
  - (ii) if sent by fax, at the time shown in the transmission report as the time that the whole fax was sent.

## 9.8 Variation

AMPCFM RE may make any amendment to this deed if:

- (a) it reasonably considers that:

- (i) the amendment is necessary for, or incidental to, AMPCFM RE being able to give effect to the terms of this deed; or
- (ii) it would not be adverse to the interests of Unitholders, taken as a whole, to do so; or

(b) the amendments are approved by an ordinary resolution of Unitholders.

### **9.9 Further assurances**

AMPCFM RE will execute all deeds and other documents and do all acts and things (on their own behalf or on behalf of each Unitholder) as may be necessary to give full effect to this deed poll and the transactions contemplated by it.

### **9.10 Governing law and jurisdiction**

This deed poll is governed by the by the law in force in the place specified in the Details. AMPCFM RE submits to the non-exclusive jurisdiction of courts exercising jurisdiction there in connection with matters concerning this deed poll.

### **9.11 Service of process**

Without preventing any other mode of service, any document in a legal action, suit or other proceeding in the courts of New South Wales or courts of appeal from them (including, without limitation, any writ or summons or other originating process or any third or other party notice) may be served on AMPCFM RE by being delivered to AMPCFM RE at the address shown in the Details.

**EXECUTED AND DELIVERED** as a deed poll

## Signing page

**DATED:**\_\_\_\_\_

|                                       |   |                                     |
|---------------------------------------|---|-------------------------------------|
| EXECUTED by AMP CAPITAL FUNDS         | ) |                                     |
| MANAGEMENT LIMITED AS                 | ) |                                     |
| RESPONSIBLE ENTITY OF THE AMP         | ) |                                     |
| CAPITAL CHINA GROWTH FUND in          | ) |                                     |
| accordance with section 127(1) of the | ) |                                     |
| <i>Corporations Act 2001</i> (Cth) by | ) |                                     |
| authority of its directors:           | ) |                                     |
|                                       | ) |                                     |
|                                       | ) | .....                               |
| .....                                 | ) | Signature of director/company       |
| Signature of director                 | ) | secretary*                          |
|                                       | ) | *delete whichever is not applicable |
|                                       | ) |                                     |
|                                       | ) | .....                               |
| .....                                 | ) | Name of director/company secretary* |
| Name of director (block letters)      | ) | (block letters)                     |
|                                       |   | *delete whichever is not applicable |

## SCHEDULE 1 - AMENDING DEED POLL – DISTRIBUTION REINVESTMENT PLAN

# Amending Deed Poll – Distribution Reinvestment Plan

Dated 2016

AMP Capital Funds Management Limited as responsible entity of the AMP China Growth Fund

**King & Wood Mallesons**

Level 61  
Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000  
Australia  
T +61 2 9296 2000  
F +61 2 9296 3999  
DX 113 Sydney  
[www.kwm.com](http://www.kwm.com)



## Details

**Interpretation** – definitions are at the end of the General terms

| <b>Parties</b>       | <b>AMPCFM RE</b> |  |
|----------------------|------------------|--|
| <b>AMPCFM RE</b>     | Name             | AMP Capital Funds Management Limited as responsible entity of AMP China Growth Fund (ARSN 122 303 744)   |
|                      | ACN              | 159 557 721  |
|                      | Address          | 50 Bridge Street SYDNEY NSW 2000   |
|                      | Telephone        | 02 9257 5000   |
| <b>Recitals</b>      | <b>A</b>         | AMPCFM RE is the responsible entity of the AMP China Growth Fund.  |
|                      | <b>B</b>         | AMPCFM RE has decided to amend the DRP Rules to provide additional flexibility for Unitholders.  |
|                      | <b>C</b>         | The primary amendment to the terms of the DRP Rules is to enable Unitholders to elect (or be deemed to have elected) to receive 100% of their Fund distributions in cash. AMPCFM RE will also make some other consequential amendments. The terms of the amended DRP Rules are set out in the schedule to this deed. |
| <b>Governing law</b> | New South Wales  |  |
| <b>Date of deed</b>  | See Signing page |  |

# Amending Deed Poll – Distribution Reinvestment Plan

## General terms

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### 1 Amendments

The DRP Rules are amended as set out in the schedule to this deed.

---

### 2 Operative time

The amendments to the DRP Rules contained in this amending deed poll take effect at the time the amending deed poll is executed.

---

### 3 Governing law

This amending deed poll is governed by the laws in force in the place specified in the Details. Each person affected by it irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of that place and the courts of appeal from them.

---

### 4 Interpretation

#### 4.1 Definitions

These meanings apply unless the contrary intention appears:

**Details** means the section of this supplemental deed poll entitled “Details”.

**DRP Rules** means the rules governing the Fund’s distribution reinvestment plan as amended from time to time.

**Fund** means AMP Capital Funds Management Limited as responsible entity of AMP China Growth Fund (ARSN 122 303 744).

**Unitholders** means each person who is registered as a holder of a unit in the Fund in the Fund’s register.

Other capitalised terms in this supplemental deed poll have the same meaning as in the DRP Rules or the Notice (as appropriate).

#### 4.2 Headings

Headings are inserted for convenience only and do not affect the interpretation of this amending deed poll.

**EXECUTED** as a deed

# Amending Deed Poll – Distribution Reinvestment Plan

## Signing page

DATED:

EXECUTED by AMP CAPITAL FUNDS )  
MANAGEMENT LIMITED AS )  
RESPONSIBLE ENTITY OF THE AMP )  
CAPITAL CHINA GROWTH FUND in )  
accordance with section 127(1) of the )  
*Corporations Act 2001* (Cth) by )  
authority of its directors: )

..... )  
Signature of director )

..... )  
Signature of director/company )  
secretary\*

)  
\*delete whichever is not applicable )

..... )  
Name of director (block letters) )

..... )  
Name of director/company secretary\* )  
(block letters)

)  
\*delete whichever is not applicable )

## SCHEDULE – DIVIDEND REINVESTMENT PLAN RULES

### 1. Participation in the DRP

- (a) Participation in the DRP is subject to these terms and conditions.
- (b) Participation in the DRP is compulsory.
- (c) The DRP applies to all investors holding Units.
- (d) AMPCFM RE may vary, terminate or suspend the DRP at any time.
- (e) Subject to the terms of any relevant ASIC exemption, AMPCFM RE may determine that investors whose address on the register is outside Australia are not required or permitted to participate in the DRP.

### 2. Definitions and interpretations

- (a) When used in these terms and conditions, the words listed will, except to the extent that the context otherwise requires, have the following meanings:

**AMPCFM RE** means AMP Capital Funds Management Limited in its capacity as responsible entity of the Fund.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ABN 98 008 624 691) or Australian Securities Exchange as appropriate.

**ASX Listing Rules** means the Listing Rules of ASX and any other applicable rules of ASX modified to the extent of any express written waiver by ASX.

**Business day** means a day which is a Business Day under the ASX Listing Rules.

**Cash Units** means the number or percentage of an investor's Units in respect of which the investor has elected to receive a partial cash distribution.

**Constitution** means the constitution establishing the Fund, dated 18 October 2006, as amended from time to time.

**Distribution** means amounts to be distributed by us to investors pursuant to clause 14 of the Constitution, whether income or capital.

**DRP** means the Fund's distribution reinvestment plan.

**DRP account** means the DRP account established by AMPCFM RE and maintained by the Registry for each investor in accordance with these terms and conditions.

**DRP issue price** of a Unit to be allotted or transferred under the DRP is the average of the daily volume weighted average price of all sales of Units recorded on the ASX during the pricing period (but not including any transaction classified under the ASX Market Rules as a 'Special Crossing', crossings prior to the commencement of normal trading, crossings during the closing phase and after hours adjust phase, or any overseas trades or trades pursuant to the exercise of options over Units, any overnight crossings or any other sales which AMPCFM RE considers may not be reflective of natural supply and demand) less the discount (if any) of not more than 5% of this amount determined by AMPCFM RE, rounded down to four decimal places.

**DRP statement** means a DRP statement which complies with clause 9 of these terms and conditions.

**Election Form** means an investor's application to receive either part or all of the relevant distributions in Units or in cash.

**Fund** means the AMP Capital China Growth Fund (ARSN 122 303 744).

**Holding** means a holding of Units recorded in the Registry.

**Pricing period** means in respect of a particular distribution:

- (i) if all of the Units to be provided under the DRP in relation to a distribution are to be issued by AMPCFM RE and participation in the DRP has not been partly or wholly underwritten in relation to that distribution, 10 trading days (or such other period of not less than five trading days as AMPCFM RE may determine) commencing on the first trading day following the distribution record date for that distribution, or
- (ii) in any other case, the period of 10 trading days (or such other period of not less than five trading days as AMPCFM RE may determine), ending on the 8th trading day prior to the date scheduled for payment of that distribution (or such other date as AMPCFM RE may determine).

**Register** means the Registry of all investors maintained by the Registry.

**Registry** means Computershare Investor Services Pty Limited (ACN 078 279 277) or such other registry as may be appointed by AMPCFM RE from time to time.

**Units** means a unit in the Fund.

- (b) Words importing the singular include the plural and vice versa, words importing any gender include other genders and 'person' includes a corporation.
- (c) Headings are for convenience only and do not affect the interpretation.
- (d) Where an investor has more than one allocated holding on the Registry and that investor wishes to make an election under clause 3(d) of these terms and conditions, the investor must complete an Election Form for each separate holding.

### 3. Degree of participation

(a) Participation in the DRP is compulsory but, subject to clause 3(g) of these terms and conditions, may:

(i) be full, partial or not at all.

(b) In the case of full participation of all Units registered in the investor's name from time to time, including Units provided under the DRP, Units issued to the investor pursuant to a rights issue or placement, and subsequent purchases, will participate in the DRP and all distributions on those Units will be reinvested.

(c) In the case of nil participation in relation to all Units registered in the investor's name from time to time, that investor will receive all distributions on their Units in cash and none of the distributions on those Units will be reinvested.

(d) In the case of partial participation, the investor in any notice under clause 7 of these terms and conditions may elect to receive a partial cash distribution (in accordance with clause 3(d) of these terms and conditions) for a specified number or percentage of the investor's Units.

(e) The election to receive a partial cash distribution must specify an amount equal to the top marginal personal tax rate plus Medicare levy which is to be paid in cash.

(f) For distribution periods ending on or after 31 December 2016, investors who became Unitholders after 31 December 2015 will be deemed to elect or to have elected not to

participate in the DRP at all pursuant to clause 3(c) (unless they have validly elected otherwise prior to the relevant distribution date).

(g) AMPCFM RE may require an investor to participate fully in the DRP for a particular distribution if AMPCFM RE determines that sufficient cash cannot be repatriated from China in a timely way or at all to allow any payment of distributions in cash. AMPCFM RE will announce any such determination to the ASX.

#### **4. Operation of the DRP**

(a) Unless an investor has elected or deemed to have elected partial participation in the DRP or elected or deemed to have elected full cash participation in the DRP, all of the investor's distribution entitlement will be reinvested.

(b) If an investor elects or is deemed to have elected to receive a partial cash distribution, the balance of the investor's distribution entitlement will be reinvested.

(c) AMPCFM RE may, at its discretion, either issue new Units or cause existing Units to be acquired in the market for transfer to investors (or undertake a combination of both options), to satisfy its obligations under the DRP.

(d) If AMPCFM RE determines to cause the transfer of Units to investors, those Units may be acquired in the market in the manner AMPCFM RE considers appropriate.

(e) Where applicable, an investor shall be deemed to have:

(i) directed AMPCFM RE to apply the distribution that is to be reinvested (less any applicable withholding tax, income tax, stamp duty or other tax, duty, impost, deduction or charge imposed by a government, including goods and services tax or any other amount then payable by the investor to AMPCFM RE) towards the issue or acquisition price of further Units

(ii) authorised AMPCFM RE to subscribe for, acquire or procure the acquisition of Units on the investor's behalf, and

(iii) agreed to be bound by the Constitution in respect of all the Units issued or transferred to the investor under the DRP.

(f) AMPCFM RE will establish, and the Registry will maintain, a DRP account for each investor.

(g) Where applicable, AMPCFM RE will:

(i) determine the distribution that is to be reinvested for the investor (less any applicable withholding tax, income tax, stamp duty or other tax, duty, impost, deduction or charge imposed by a government, including goods and services tax or any other amount then payable by the investor to AMPCFM RE) and credit that amount to the investor's DRP account;

(ii) determine the maximum whole number of Units which could be acquired at the DRP issue price by dividing the credit balance amount in the investor's DRP account by the DRP issue price and rounding that number down to the nearest whole number;

(iii) on behalf of and in the name of the investor, subscribe for, transfer or procure the transfer of that number of additional Units determined under clause 4(g)(ii) of these terms and conditions and debit the investor's DRP account with the aggregate DRP issue price of the Units subscribed for or transferred;

(iv) issue, transfer or procure the transfer of that number of Units determined under clause 4(g)(ii) of these terms and conditions to the investor; and

(v) retain in the investor's DRP account any credit balance remaining after the issue or transfer of Units under clause 4(g)(iv) of these terms and conditions until the payment of



the next distribution when that amount will be aggregated with any further distribution credited to the investor's DRP account.

(h) No interest will accrue to an investor in relation to any credit balance retained in the investor's DRP account.

(i) Units issued or transferred under the DRP will be acquired by investors at the DRP issue price.

(j) Where the DRP is terminated, then the Fund will retain any credit balance in the investor's DRP account.

## **5. Units under the DRP**

(a) Units allocated under the DRP will be allotted in accordance with the terms and conditions of the DRP and the Constitution and will rank equally in all respects with existing Units as from the date of issue.

(b) Units issued or transferred to an investor under the DRP will be registered on the Registry.

(c) Units issued or transferred under the DRP will be allotted in accordance with the Constitution and any product disclosure document or other offer document that is current at the time of the allotment.

(d) A Unit holding statement will be sent to each investor within 30 days from the date of allotment or transfer of Units provided under the DRP, specifying the number of Units allotted or transferred to the investor and the amount of the distribution represented by the Units.

## **6. Cost to investors**

(a) Subject to clause 6(b) of these terms and conditions, no brokerage, commission, stamp duty or other transaction costs will be payable by an investor in respect of Units issued or transferred under the DRP.

(b) In the event of a change in the existing legislation so that at the date of any issue, stamp duty is payable in any Australian state jurisdiction in respect of the issue, the amount of such stamp duty shall be paid by the investor to whom the Units are provided and will be debited to that investor's DRP account.

## **7. Variation and termination of participation**

(a) Subject to clause 3(g) of these terms and conditions, an investor may at any time give notice to the Registry in the prescribed form varying the investor's participation in the DRP.

(b) The notice will be effective for the next distribution payment, provided that the application is received by the Registry by 5.00pm on the relevant distribution record date.

## **8. Alteration or termination of participation where no notice is given**

(a) Where an investor disposes of part of their holding of Units and does not give notice otherwise, then:

(i) if the number of Units disposed of is less than the number of the investor's cash Units then the Units disposed of will be deemed to be cash Units, and

(ii) if the number of Units disposed of is greater than the number of the investor's cash Units, then the Units disposed of will be deemed to be all of the cash Units plus any additional number of other Units as may be necessary to equal in aggregate the total number of Units disposed of.

(b) Where an investor disposes of all their Units without giving the Registry notice of termination of participation in the DRP, the new investor will be deemed to have given notice of full participation in the DRP on the last date on which the Registry registered a transfer or instrument of disposal of the Units.

#### **9. DRP statement**

AMPCFM RE or the Registry, when sending distribution advices, will send each investor a DRP statement providing, at the relevant date, full details of the investor's DRP account and transactions pursuant to the DRP. A DRP statement will be provided to an investor within 30 days of the day on which the Units are provided to an investor under the DRP.

#### **10. Applications and notices**

(a) Notices for the purposes of the DRP shall be in writing in such form and lodged at such place as AMPCFM RE may from time to time require.

(b) Notices (other than notices of death, bankruptcy or liquidation) in respect of Units registered in joint names must be signed by all registered holders of those Units.

(c) Notices will take effect on and from the date on which they are received by the Registry (or at such other address as AMPCFM RE may specify) provided that notices to change an investor's participation in the DRP must be received no later than 5.00pm on the relevant distribution record date to be effective for that distribution.

#### **11. Powers in relation to the modification or termination of the DRP**

(a) AMPCFM RE may at any time:

(i) modify, vary or amend the DRP

(ii) suspend the operation of the DRP for any period,

(iii) determine that it will be compulsory for all investors to reinvest 100% of their distributions in Units in the Fund for any period if AMPCFM RE determines that sufficient cash cannot be repatriated from China in a timely manner or at all to pay the cash component of a particular distribution, and

(iv) by first giving one month's notice to investors, terminate the DRP to take effect at the end of that period of one month.

(b) If the DRP is suspended, each investor's participation in the DRP is also suspended. Upon reinstatement of the DRP an investor's participation in the DRP will be the same level of participation in the DRP as existed prior to the suspension unless the investor provides a new notice to the Registry indicating differently.

(c) If the DRP is modified, varied or amended, each investor must be provided with notice of the modification, variation or amendment. The accidental omission to give to an investor a notice of modification, variation, amendment, suspension or termination of the DRP, or non-receipt of such a notice by an investor, shall not invalidate the modification, amendment, variation, suspension or termination of the DRP.

#### **12. Taxation**

AMPCFM RE does not make any representation or warranty in respect of, or accept any responsibility for, the liability of investors to the payment of tax or stamp duty in respect of any issue of Units, payment or other transaction pursuant to the DRP.

# APPENDIX 3: KPMG LETTER



**Tax**  
10 Shelley Street  
Sydney NSW 2000  
  
P O Box H67  
Australia Square 1215  
Australia

ABN: 51 194 660 183  
Telephone: +61 2 9335 7000  
Facsimile: +61 2 9335 7001  
DX: 1056 Sydney  
www.kpmg.com.au

The Board  
AMP Capital Funds Management Limited as  
responsible entity for the AMP Capital China Growth  
Fund  
50 Bridge Street  
Sydney NSW 2000

Our ref 26865301\_1  
  
Contact Adam Gibbs (02 9335 7310)

30 June 2016

Dear Sirs or Madams

## **AMP Capital China Growth Fund Explanatory Memorandum**

We have advised AMP Capital Funds Management Limited as responsible entity for the AMP Capital China Growth Fund (“AMPCFM RE”) in relation to the ‘Notice of Meeting and Explanatory Memorandum for an Extraordinary General Meeting to be held on 28 July 2016’ (“AGF Explanatory Memorandum”) of the AMP Capital China Growth Fund (ASX:AGF) and have specifically reviewed paragraph 4.2.2 and Section 5 (Tax).

We refer to:

- paragraph 4.2.2 of the AGF Explanatory Memorandum which states that significant uncertainty exists regarding Chinese regulations and the approval process associated with the repatriation of funds from China and AMPCFM RE’s estimate that it would take approximately 9 to 18 months to finalise the wind up of the Fund (on AMPCFM RE’s most likely realisation strategy); and
- Section 5 (Tax) of the AGF Explanatory Memorandum which comments on the process for repatriating profits and capital from China.

We have advised the responsible entity of AGF in relation to repatriations it has undertaken since the inception of the Fund. In our experience, in relation to the tax regulations and approval processes in repatriating AGF funds from China:

- the estimate in paragraph 4.2.2 is reasonable; and
- the statements in Section 5 in relation to repatriation of profits and capital from China are accurate and consistent with tax advice we have received from KPMG Beijing.

We understand that this letter will be included as an appendix to the AGF Explanatory Memorandum.



*AMP Capital Funds Management Limited  
AMP Capital China Growth Fund Explanatory  
Memorandum  
30 June 2016*

\* \* \* \* \*

Our income tax advice is based on current taxation law as at the date our advice is provided. You will appreciate that the tax law is frequently being changed, both prospectively and retrospectively. A number of key tax reform measures have been implemented, a number of other key reforms have been deferred and the status of some key reforms remains unclear at this stage.

Unless special arrangements are made, this advice will not be updated to take account of subsequent changes to the tax legislation, case law, rulings and determinations issued by the Australian Commissioner of Taxation or other practices of taxation authorities. It is your responsibility to take further advice, if you are to rely on our advice at a later date.

We are, of course, unable to give any guarantee that our interpretation will ultimately be sustained in the event of challenge by the relevant taxation authorities.

These comments are made specifically in response to your request for advice on behalf of AMP Capital Funds Management Limited as responsible entity of the AMP Capital China Growth Fund. Accordingly, neither the firm nor any member or employee of the firm undertakes responsibility in any way whatsoever to any person or company other than AMP Capital Funds Management Limited as responsible entity of the AMP Capital China Growth Fund for any errors or omissions in the advice given, however caused.

KPMG's Tax practice is not licensed to provide financial product advice under the *Corporations Act 2001* and taxation is only one of the matters that must be considered when making a decision on a financial product. You should consider taking advice from an Australian Financial Services Licence holder before making any decision on a financial product.

Yours sincerely

Adam Gibbs  
Tax Partner

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## CONTACTING AMP CAPITAL

For information about the AMP Capital China Growth Fund, please contact us via:

**Unitholder Information line:**

(Australia) 1800 658 404 or  
(Overseas) +61 2 8048 8230  
between 8.30am and 5.30pm (AEST) Monday to Friday

[clientservices@ampcapital.com](mailto:clientservices@ampcapital.com)  
[ampcapital.com.au/china](http://ampcapital.com.au/china)







AGF

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Lodge your vote:

### By mail:

Computershare Investor Services Pty Limited  
GPO Box 4195 Sydney  
NSW 2001 Australia

### In person:

Computershare Investor Services Pty Limited  
Level 4, 60 Carrington Street, Sydney  
NSW 2001 Australia

### By email:

[sydreturningofficer@computershare.com.au](mailto:sydreturningofficer@computershare.com.au)

### By fax:

+61 2 8235 8133

## For all enquiries call:

(within Australia) 1800 658 404  
(outside Australia) +61 2 8048 8230

## Proxy Form

 **For your vote to be effective it must be received by 10:00am (AEST) on Tuesday, 26 July 2016**

**Please return your proxy form to us as soon as possible.**

### How to vote on items of business

All your securities will be voted in accordance with your directions.

#### Appointment of proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite the item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on the item your vote will be invalid.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of AMP Capital China Growth Fund.**

### Signing instructions

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

### Attending the meeting

Please bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission.

**Comments and questions:** If you have any comments or questions for AMP Capital China Growth Fund, please write them on a separate sheet of paper and return them with this form.

**Turn over to complete the form →**

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

☐

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

## Proxy Form

Please mark ☒ to indicate your directions

### STEP 1 Appoint a proxy to vote on your behalf

XX

I/We being a member/s of AMP Capital China Growth Fund hereby appoint

☐

Chairman

OR



**PLEASE NOTE:** Leave this box blank if you have selected The Chairman. Do not insert your own name(s).

or failing him/her the individual or body corporate named, or if no individual or body corporate is named, Ms Deborah Page, or failing her, Mr Peter Rowe, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit. Including, without limitation, to vote as the proxy sees fit on any procedural resolution or motion including to call a poll, on the appointment of any chairman of the meeting or on the destruction of the voting cards following the meeting) at the meeting of AMP Capital China Growth Fund to be held at the Theatre, NSW Parliament House, 6 Macquarie Street, Sydney, NSW 2000 on Thursday, 28 July 2016 at 10:00am (AEST) and at any adjournment or postponement of that meeting.

### STEP 2 Item of business



**PLEASE NOTE:** If you mark the **Abstain** box for the item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

|              |   | For                      | Against                  | Abstain                  |
|--------------|---|--------------------------|--------------------------|--------------------------|
| Resolution 1 | The Responsible Entity Resolution to authorise the Capital Management Initiative on the basis of the Fund Enhancements as stated in the notice of meeting | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 | The LIM Resolution to direct the Responsible Entity to wind up the Fund as stated in the notice of meeting  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

### Refer to the 'Having your say' page in the coversheet to the Notice of Meeting and Explanatory Memorandum for instructions on how to complete this proxy.

If you choose to appoint the chairman as your proxy, or Ms Deborah Page or Mr Peter Rowe is appointed by default, the chairman of the meeting intends to vote all available proxies able to be voted FOR Resolution 1 and AGAINST Resolution 2.

In exceptional circumstances, the chairman of the meeting, or Ms Deborah Page or Mr Peter Rowe, may change their voting intention on any resolution, in which case an ASX announcement will be made stating that the voting intention has been changed and explaining the reasons for the change.

Ms Deborah Page has been appointed as the independent chairman.

### SIGN

#### Signature of Unitholder(s)

*This section must be completed.*

Individual or Unitholder

Sole Director and Sole Company Secretary

Unitholder 2

Director

Unitholder 3

Director/Company Secretary

Contact  
Name

\_\_\_\_\_

Contact  
Daytime  
Telephone

\_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_

Date

AGF

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