Risk Management Policy

【COMPANY】 is responsible for investment decision making in accordance with the investment restrictions and guidelines of the respective discretionary accounts and/or the Fund.

For risk management at the fund level, 【COMPANY】 would implement adequate risk management procedures (including risk measurements and reporting methodologies) in order to identify, measure, manage and monitor appropriately all risks: (a) relevant to each investment strategy; and (b) to which each fund is or may be exposed, such as market, liquidity and counterparty risks, and other risks, including operational risks, which may be material for each fund it manages taking into account the nature, scale and complexity of its business and of the investment strategy of each of the funds it manages.

The risk management policies are subject to regular comprehensive review such that even there is significant change in the business, operations or key personnel, 【COMPANY】's risk of suffering losses, whether financial or otherwise, as a result of fraud, errors and omissions, interruptions or other operations or control failures are maintained at acceptable and appropriate levels. There should be appropriate stress test on the risk management policies regularly.

There should be also risk pricing models (e.g. value-at-risk model) as risk measurement and management tool. The use of such risk pricing models by front and back office personnel should be authorized by the responsible officer.

Any alteration, release, update and maintenance of risk pricing model should be approved by the responsible officer and senior management of 【COMPANY】. Regular back-testing should also be performed by qualified staff in order to verify the accuracy of such risk pricing models.

Liquidity Risk

Where 【COMPANY】 is responsible for the overall operation of a fund, it should:

(a) establish, implement and maintain appropriate and effective liquidity management policies and procedures to monitor the liquidity risk of the fund, taking into account the investment strategy, liquidity profile, underlying assets and obligations, and redemption policy of the fund;

(b) integrate liquidity management in investment decisions;

(c) regularly assess the liquidity of the assets and/or liabilities, where applicable, of a fund;

(d) regularly assess the liquidity profile of the fund's liabilities;

(e) regularly conduct assessments of liquidity in different scenarios, including stressed situations, to assess and monitor the liquidity risk of the funds accordingly;

(f) disclose the liquidity risks involved in investing in the fund, the liquidity management policies, and an explanation of any tools or exceptional measure that could affect redemption rights in the fund's offering document or otherwise make such information freely available to fund investors;

(g) monitor the liquidity mismatches between the funds' underlying investments and their redemption obligations regularly.

Staff member responsible for liquidity management should be alerted timely for any potential liquidity problems.

【COMPANY】should actively implement the requirements of the regulatory authorities for liquidity management, particularly the SFC.

The methods for monitoring and controlling liquidity risks of 【COMPANY】 include indicator monitoring, alert management, stress tests and contingency plans. 【COMPANY】 should set up and monitored liquidity risk monitoring indicators according to regulatory requirements and its actual situation to dynamically monitor, analyze and control liquidity risks; conducted regular stress tests for liquidity risks, established sound hypothetical scenarios and test models, established and improved liquidity risk contingency plans, and continuously optimized early-warning management and risk mitigation mechanisms for liquidity risks.

If the operation staff notice that there are any potential material shortfall of any sources of funding available to 【COMPANY】 or any potential material increase in the funding requirements of 【COMPANY】, they should notice the senior management as soon as practicable.

【COMPANY】 will initially only invest in listed investment products by reference to the market capitalization of a particular stock in order to minimize the aggregate exposure to less liquid investment and will also attempt to match the portfolio size according to market liquidity at all times, and evaluate liquidity risks related to markets, products and funds etc. In addition, daily funding monitoring and management will also be conducted.

Market Risk

With regard to stock risk, 【COMPANY】 should closely monitored the impact on the stock valuation of listed companies by the macroeconomic situation, market liquidity, capital market operation and other factors at home and abroad, strengthened asset portfolio management for different types of assets, monitored the fluctuations in the market value of stock of trading books every day, and regularly calculated stock risk monitoring indicators and carried out pressure tests.

With regard to interest rate risk, 【COMPANY】 continued to improve the interest rate risk management system, and formulated the administrative measures for interest rate risks of trading books and nontrading books, clarified the responsibilities of interest rate risk management, refined management process and method, measured and analyzed interest rate risks on a regular basis to continuously improve its capability to cope with interest rate risks.

【COMPANY】 shall implement the following rules and procedures as much as possible to monitor the risk profile of the Funds and the IMA and aim at minimizing the impact of those risk factors. In addition, the Company shall adhere to the Mandate for each of the client. The followings are selected techniques to monitor the market risks:

- Concentration guidelines: 【COMPANY】 shall adhere to the concentration guidelines determined by the mandate of the funds. This control shall be fine-tuned by the Investment Committee when deemed necessary.

- Diversification: Subject to the mandate of the funds, portfolio diversification would be adopted to achieve risk control. As such, to the extent intended by the mandate, diversification will be carried out based on industrial sectors and asset classes.

【COMPANY】 will monitor investment compliance with the relevant investment restrictions under the investment mandate and the relevant investment guidelines on a daily basis.

To manage market and liquidity risk, 【COMPANY】 also adopt the following risk management policies and procedures for asset management activities:

- the Investment Committee will approve the investment strategies to be used for each discretionary mandate client and collective investment scheme managed by 【COMPANY】 in accordance with the investment objectives;

- investment officers with primary responsibility for client portfolios and managed funds shall review the portfolio on a daily basis (performance review). The Head of Operations shall also provide a parallel review of all portfolio on a regular basis to ensure compliance with applicable investment restrictions and any risk management policies;

- chief investment officer shall review client portfolios of discretionary mandate clients and investors of managed funds on a weekly basis to ensure compliance with applicable investment restrictions and risk management policies, there should be also independent price verification;

- the Investment Committee shall review client portfolios at least on a monthly basis or more frequently in the case of adverse development to ensure risk management policies and limits are being observed. The chief investment officer can invoke any necessary action to reduce risk exposure at any time;

- various risk management policies and limits will be employed by 【COMPANY】 depending on each client's investment objectives. The risk management tools include, among others, the following;

    ✓ Establish of stop-loss limits;

    ✓ Limits on exposure to counterparties for OTC transactions, if any;

- ✓ Limits on portfolio leverage / gearing, if any;
- ✓ Sensitivity analyses of the risk exposure to specific risk factors;
- ✓ Stress testing on the effect of abnormal and significant changes in market conditions on the portfolio using various quantitative and qualitative assumptions
- ✓ Appropriate methods (e.g. Value-at-risk) to estimate potential losses due to unspecified adverse market movements
- ✓ Use of hedging transaction
- ✓ Model risk monitoring

Operational Risk

A full operational risk frame will be developed for each fund. This will incorporate documenting mission critical processes and controls and performance reporting (key performance indicators). All operational risk events will formally be reported to the management of WISOM BRIGHT.

The overall risk control strategy will be set on a fund by fund basis based on the mandate.

【COMPANY】 will also ensure:

- provision of a reliable supporting function to the sales department;
- timely settlement of all transactions;
- keeping of proper records and proofs for audit trails;
- that strict internal control procedures are properly observed at all times;
- physical and functional segregation of incompatible duties
- maintenance and timely production of proper and adequate accounting and other records, and the ability to detect fraud, errors, omissions and other non-compliance with external and internal requirements;
- security and reliability of accounting and other information, such as exception reports which should accurately highlight unusual activities and facilitate the detection of fraud, errors and significant trends; and
- staffing adequacy, including personnel with relevant and sufficient skills and experience to minimise the risk of loss due to absence or departure of any staff members.

Settlement Risk / Counterparty credit risk

In dealing with transaction for discretionary mandate clients and clients of the managed funds, the following procedure will be adopted in order to minimize the settlement risk/ counterparty credit risk:

- Initial funding to be deposited into client's discretionary account prior to trade execution. Portfolio managers shall conduct checking on client's cash position on a regular basis so as to ensure sufficient funding is in place before trading. Otherwise, no transaction is allowed unless its collateral and credit rating are justified and it has been approved by the Head of Operations and the director of WISOM BRIGHT;

- Subscription monies must be remitted to designated custodian bank for subscription to the fund. No allocation of shares from the custodian should client subscription monies fail to settle.

【COMPANY】 will also exercise due diligence in selecting the right counterparties for the funds. 【COMPANY】 will establish fair credit risk management system to evaluate credit risk for counterparties such as broker, agency and underlying securities. In the investment decision making process, the Company will strictly follow proper authorization procedure to manage credit risk.

【COMPANY】 will constantly evaluate and monitor the credit of counterparties to effectively minimize counterparty risk. 【COMPANY】 will regularly check, discuss and evaluate the counterparty risk.

Proprietary trading

In relation to proprietary trading, the following policies are employed:

- Only authorized person can conduct proprietary trading;
- Trade limits and exposure limited are set;
- Proprietary trading should be conducted under proper supervision of senior management to ensure that it is within limit;
- If the proprietary trading limit is exceeded, trading shall not be allowed to continue;
- There should be property hedging strategy and regular stress testing to quantify the impact from changing market conditions.
- Senior management should regularly review the position of the proprietary trading to monitor (i) the profit and loss, (ii) exposure level, (iii) the value at risk, (iv) appropriate stress testing or sensitivity analyses, and (v) risk-adjusted performance evaluation.

Responsibility of Senior Management

Senior management of 【COMPANY】 should take an active role in the risk management process to monitor, evaluate and manages the principal risks assumed in conducting our business activities.

Senior management should determine the appropriate degree of independent review carried out by some combination of senior/external auditor/independent consultant and then consider the appropriate action to be taken upon obtaining the results and recommendations of the independent review.