

**Questions and answers about UKFP (Asia) HK Limited's (UKFPAHK) (formerly called Towry Law (Asia) HK Limited) Circus Capital Protected Growth Fund Series 1 and 2 (PGF 1 and PGF 2) and Geared Products schemes**

**1. *Who is eligible to receive a payment under the PGF 1 scheme?***

The position of all investors who invested in PGF 1 through UKFPAHK has been considered by UKFPAHK and the SFC, and all those investors will be contacted by UKFPAHK (except those investors who, according to UKFPAHK's records, have assigned their investment to a third party).

The aim of the scheme is to settle claims for the amount necessary to allow eligible PGF 1 investors the potential to recover 80% of the amount they originally invested. Accordingly, investors who are still invested in PGF 1 as at the date of the SFC press release and whose investment has a projected value of less than 80% of the amount originally invested will be offered a payment if they make a claim. Similarly, investors who redeemed their PGF 1 investment before the date of the SFC press release and who received back less than 80% of their original investment will also be offered a payment if they make a claim.

Any current PGF 1 investors whose investment has a projected value of 80% or more of their original investment, and any redeemed investors who received back 80% or more of their original investment on redemption, will not be entitled to any payment under the scheme.

Third parties who acquired a PGF 1 investment from a UKFPAHK customer will not be entitled to any payment under the scheme as such third parties received no advice from UKFPAHK.

**2. *Who is eligible to receive a payment under the Geared Products scheme?***

The position of all investors who invested in Geared Products (see Note 2 to the press release for a description of Geared Products) through UKFPAHK has been considered by UKFPAHK and the SFC, and all those investors will be contacted by UKFPAHK (except those investors who, according to UKFPAHK's records, have assigned their investment to a third party).

The aim of the scheme is to settle claims for the amount necessary to allow eligible Geared Products investors the potential to recover 60% of the amount they originally invested. Accordingly, investors who are still invested in Geared Products as at the date of the SFC press release and whose investment has a projected value of less than 60% of the amount originally invested will be offered a payment if they make a claim. Similarly, investors who redeemed their Geared Products investment before the date of the SFC press release and who received back less than 60% of their original investment will also be offered a payment if they make a claim.

Any current Geared Products investors whose investment has a projected value of 60% or more of their original investment, and any redeemed Geared Products

investors who received back 60% or more of their original investment on redemption, will not be entitled to any payment under the scheme.

Third parties who acquired a Geared Product investment from a UKFPAHK customer will not be entitled to any payment under the scheme as such third parties received no advice from UKFPAHK.

**3. *What about investors in Circus Capital Protected Growth Fund Series 2 and certain other Circus Capital funds set out at Note 3 to the SFC press release (PGF 2)?***

Following investigation, the SFC considers that investors in PGF 2 have suffered no significant losses that are attributable to matters other than ordinary market risks. However, to avoid any perceived unfairness on the part of PGF 2 investors, UKFPAHK will include PGF 2 investors in the PGF 1 scheme and will offer to settle claims of eligible PGF 2 investors who invested through UKFPAHK on the same basis as it will settle the claims of eligible PGF 1 investors.

**4. *What will investors get?***

*PGF 1 and/or PGF 2*

*Current PGF 1 and/or PGF 2 investors*

Claims made by eligible PGF 1 investors who remain invested in PGF 1 as at the date of the SFC press release will be settled by a payment calculated as follows:

- Step 1: Calculate target recovery amount, namely 80% of the amount originally invested;
- Step 2: Calculate projected value of PGF 1 investment (as at 2011), using a value of 36 cents in the US dollar (Note 1);
- Step 3: Deduct projected value from target recovery amount to produce basic payment amount;
- Step 4: Add 16 cents in the US dollar to the basic payment amount to produce the final payment amount (Note 2).

For example, if an investor originally invested US\$100 into PGF 1, the target recovery amount would be US\$80. From this would be deducted the projected value of 36 cents in the US dollar, producing a basic payment of US\$44. Adding the 16 cents in the US dollar to this basic payment would produce a final payment of US\$60. It would be up to the investor to decide whether to continue to hold his/her investment until 2011 or to redeem before then. Investors should seek independent financial advice before deciding what to do.

Note 1: 36 cents in the US dollar is the projected value which has been calculated by an independent valuer to take into account the value of the policy guarantees applicable in 2011.

Note 2: 16 cents in the US dollar is added to the basic payment amount to provide a safety margin against any potential uncertainty in the ultimate redemption value received by the investors.

The above calculation will also be applied to current PGF 2 investors, although those investors will have a higher value at Step 2 than PGF 1 investors due to the fact that PGF 2 has performed significantly better than PGF 1. For the same reason, no amount will be added to the basic payment amount (if any) calculated at Step 3 i.e. no payment will be payable at Step 4.

*Former PGF 1 and/or PGF 2 investors who have redeemed their holdings*

Claims made by eligible investors who invested in PGF 1 and/or PGF 2 and who have redeemed their investment before the date of the SFC press release will be settled by the payment of an amount which, when added to their redemption proceeds, equals 80% of their original investment. However, any PGF 1 or PGF 2 investors who, on redemption of their investment, received back an amount equal to or greater than 80% of the amount they originally invested will not be entitled to any payment under this scheme.

*Geared Products*

*Current Geared Products investors*

Claims made by eligible Geared Products investors who remain invested in the relevant Geared Product as at today will be settled by a payment calculated as follows:

- Step 1: Calculate target recovery amount, namely 60% of the amount originally invested;
- Step 2: Calculate projected value of investment in the relevant fund at its relevant maturity date based on calculations according to the month of investment;
- Step 3: Deduct projected value from target recovery amount to produce the payment amount.

For example, if an investor originally invested US\$100 into a Geared Product, the target recovery amount would be US\$60. From this would be deducted the projected value of, say, 30 cents in the US dollar, producing a payment of US\$30.

It would be up to the investor to decide whether to continue to hold his/her investment until maturity, or to redeem before then. Investors should seek independent financial advice before deciding what to do.

As another example, if an investor originally invested US\$100 into a Geared Product which had a projected value of, say, 112 cents in the US dollar, the investor would not be entitled to any payment under the scheme.

*Former Geared Products investors who have redeemed their holdings*

Claims made by eligible investors who invested in Geared Products and who have redeemed their investment before the date of the SFC press release will be settled by the payment of an amount which, when added to their redemption proceeds, equals 60% of their original investment. However, any Geared Products investors who, on redemption of their investment, received back an amount equal to or greater than 60% of the amount they originally invested will not be entitled to any payment under this scheme.

**5. *What if I have paid money to satisfy margin calls as a result of investing in Geared Products?***

If you have paid out money to satisfy a margin call, the amount paid out in satisfaction of the margin call will be added to your original investment for the purposes of the above calculation. Your claim will therefore be settled by the payment of an amount which will allow you to recover 60% of your total investment, your total investment being your original investment plus the amount paid to satisfy the margin call.

**6. *What if I accept the payment(s)?***

Payments will be offered in full and final settlement of claims. This means that, in exchange for the payment(s), you would agree not to sue UKFPAHK in relation to PGF 1, PGF 2 or Geared Products, as applicable.

**7. *Why is there a difference in the payments relating to PGF 1 and 2 and Geared Products?***

The different nature of the products has resulted in the difference in payments.

Following investigation of numerous complaints, the SFC considers that there are concerns of widespread mis-selling of PGF 1 which caused significant damage to investors in PGF 1 who invested via UKFPAHK. Such mis-selling included lack of due diligence, failure to provide relevant materials to investors and providing inadequate and misleading marketing materials.

As for Geared Products, the products themselves may have been suitable were it not for the gearing. Had investors not acted upon the gearing advice, they may not have suffered any damage. Not all investors of the products geared their investment following UKFPAHK's advice. The SFC has received relatively few complaints from UKFPAHK investors in Geared Products, particularly considering the overall number of clients who invested in Geared Products.

**8. *When will UKFPAHK make payments to investors?***

UKFPAHK will aim to make payments within 1 month after they receive properly signed confirmation that any offer is accepted. UKFPAHK will shortly be writing to all PGF and Geared Products investors about the schemes. Letters

will be sent to PGF investors during May, and to Geared Products investors during June.

**9. *What currency will be used to make the payments?***

Payments will depend on the product and whether it is PGF 1, PGF 2 or a Geared Product. Payments will be made by cheque unless you request payment by another method e.g. telegraphic transfer.

**10. *Will there be any additional fees and charges?***

There will be additional bank charges if you request, for example, payment by telegraphic transfer.

**11. *Should I accept the payment that is offered?***

Investors should consider their position and decide themselves. Although the SFC considers the settlement of its disciplinary action on these terms to be in the interests of the investing public, it makes no recommendation as to whether individual investors should accept payment. Investors should seek their own independent legal and financial advice.

**12. *What happens to my investments if the payment offered is accepted?***

The payment being offered by UKFPAHK is in addition to any redemption value you may receive on redemption of your investment i.e. if you are still holding your investment you may continue to do so until such time as you choose to redeem. Acceptance of the payment offered is not conditional on your giving up the rights to your investment. The SFC makes no recommendation as to whether investors should or should not redeem their investment and advises investors to seek independent legal and financial advice.

**13. *What redress do I have if I am not satisfied with the payment that is offered to me?***

Investors who do not accept payment may sue UKFPAHK through the civil courts. The SFC makes no recommendation as to whether investors should or should not pursue their claims through the courts and advises investors to seek independent legal advice.

**14. *What is the role of the SFC in the whole matter?***

The PGF and Geared Products schemes will be administered in Hong Kong and supervised by the SFC.

**15. *How will the SFC supervise the schemes?***

The SFC will receive monthly reports from UKFPAHK on the progress of the schemes.

**16. *How do I know if UKFPAHK will continue to run the scheme if they are closing down their Hong Kong office?***

UKFPAHK will keep its Hong Kong office open until 31 December 2006 or until all payments have been made, if earlier. Subject to UKFPAHK having used its reasonable endeavours to complete the schemes by 31 December 2006 then, after that date, UKFPAHK may administer the schemes from the United Kingdom subject to the SFC's approval and any reasonable conditions that the SFC may impose.

**17. *Does the SFC have power to help investors seek compensation?***

The SFC has no power to order compensation but if companies/licenses do compensate clients, we will take this into account when considering disciplinary penalties and will consider it as a mitigating factor.

**18. *What if I am not satisfied with how the schemes are administered or the amount of payment offered to me? Can I still make a complaint?***

If you are not satisfied with the way the schemes are administered, you may write to the SFC setting out your concerns, addressed to [towrylawcomplaint@sfc.hk](mailto:towrylawcomplaint@sfc.hk).

If you are not satisfied with the amount of the payment, if any, which is offered to you, you are not obliged to accept it. If you reject the offer, you will still have recourse to the civil courts and can sue UKFPAHK through the normal civil litigation procedure.

**19. *If I want to contact UKFPAHK, how can I do so?***

You can contact UKFPAHK in the following ways:

- writing to their PGF Administration Team or Gearing Administration Team (as appropriate) at UKFP (Asia) HK Limited, 29/F, East Wing, Hennessy Centre, 500 Hennessy Road, Causeway Bay, Hong Kong;
- calling their Hong Kong office on (852) 2830 7111 between 0900 and 1700 hours Hong Kong time (0200 to 1000 hours GMT);
- sending an email to [infopgf@ukfp.com](mailto:infopgf@ukfp.com) (PGF 1 and PGF 2) or an email to [gearing@ukfp.com](mailto:gearing@ukfp.com) (Gearing Products); or
- sending a fax to (+852) 2830 7011.