

**Important - If you are in any doubt about the contents of this Prospectus, you should seek independent professional financial advice.**

**Please refer to the “Risk Factors” section in this Prospectus as well as the “Risk Factors relating to the Sub-Fund” section in the Appendix.**

## **SAMSUNG ETFS TRUST III**

*(a Hong Kong umbrella unit trust authorized under  
Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong)*

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# **PROSPECTUS**

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### **MANAGER**

Samsung Asset Management (Hong Kong) Limited

10 January 2023

The Stock Exchange of Hong Kong Limited (“**SEHK**”), Hong Kong Exchanges and Clearing Limited (“**HKEX**”), Hong Kong Securities Clearing Company Limited (“**HKSCC**”) and the Hong Kong Securities and Futures Commission (“**Commission**”) take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus. The Samsung ETFs Trust III (“**Trust**”) and its sub-funds set out in Part 2 of this Prospectus (each a “**Sub-Fund**” and collectively referred to as the “**Sub-Funds**”) have been authorised by the Commission pursuant to section 104 of the Securities and Futures Ordinance. Authorisation by the Commission is not a recommendation or endorsement of the Trust or the Sub-Funds nor does it guarantee the commercial merits of the Trust or the Sub-Fund or their performance. It does not mean the Trust or the Sub-Funds are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

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**I. DIRECTORY**

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- MANAGER** : **Samsung Asset Management (Hong Kong) Limited**  
4513-14, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong
- DIRECTORS OF THE MANAGER** : KIM Minseok  
PARK Sungjin, CFA
- ADMINISTRATOR** : **The Hongkong and Shanghai Banking Corporation Limited**  
1 Queen's Road  
Central  
Hong Kong
- TRUSTEE AND REGISTRAR** : **HSBC Institutional Trust Services (Asia) Limited**  
1 Queen's Road  
Central  
Hong Kong
- SERVICE AGENT** : **HK Conversion Agency Services Limited**  
8th Floor, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong
- AUDITORS** : **Ernst & Young**  
27/F, One Taikoo Place  
979 King's Road  
Hong Kong
- LEGAL ADVISER** : **Deacons**  
5th Floor  
Alexandra House  
18 Chater Road  
Central  
Hong Kong

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## II. PRELIMINARY

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This Prospectus has been prepared in connection with the offer in Hong Kong of Units in the Trust and the Sub-Funds. The Trust is an umbrella unit trust established under Hong Kong law by a trust deed dated 16 December 2022 between Samsung Asset Management (Hong Kong) Limited (“**Manager**”) and HSBC Institutional Trust Services (Asia) Limited (“**Trustee**”), as amended and supplemented from time to time (“**Trust Deed**”).

The information contained in this Prospectus has been prepared to assist potential investors in making an informed decision in relation to investing in a Sub-Fund. It contains important facts about each Sub-Fund whose Units are offered in accordance with this Prospectus. Before making any investment decisions, investors should consider their own specific circumstances, including without limitation, their own risk tolerance level, financial circumstances, investment objectives. If in doubt, investors should consult their financial adviser, consult their tax advisers and take legal advice as appropriate as to whether any governmental or other consents are required, or other formalities need to be observed, to enable them to acquire Units and as to whether any taxation effects, foreign exchange restrictions or exchange control requirements are applicable and to determine whether any investment in any of the Sub-Funds, is appropriate.

A product key facts statement (“**KFS**”) which contains the key features and risks of each Sub-Fund is also issued and such KFS shall form part of this Prospectus, and shall be read, in conjunction with, this Prospectus.

The Manager accepts full responsibility for the accuracy of the information contained in this Prospectus and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief, there are no other facts the omission of which would make any statement misleading. The Manager also confirms that this Prospectus includes particulars given in compliance with the Code on Unit Trusts and Mutual Funds (“**Code**”) and the “Overarching Principles” of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products, and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purposes of giving information with regard to the Units of each Sub-Fund.

Applications may be made to list Units in a Sub-Fund constituted under the Trust on SEHK. Subject to the approval for granting of listing of, and permission to deal in the Units on SEHK and compliance with the relevant admission requirements of the HKSCC, Units in the Sub-Fund will be accepted as eligible securities by HKSCC for deposit, clearing and settlement in the Central Clearing and Settlement System (“**CCASS**”) with effect from the date of commencement of dealings in Units on SEHK or such other date as may be determined by HKSCC. For further details on listing or application for listing of a Sub-Fund on SEHK and admission of Units of such Sub-Fund as eligible securities by HKSCC, please refer to Part 2 of this Prospectus. Settlement of transactions between participants on SEHK is required to take place in CCASS on the second CCASS Settlement Day (as defined in the “**I. Definitions**” section) after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No action has been taken to permit an offering of Units or the distribution of this Prospectus in any jurisdiction other than Hong Kong where action would be required for such purposes. Accordingly, this Prospectus may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised. Distribution of this Prospectus shall not be permitted unless it is accompanied by a copy of the latest KFS of the Sub-Fund, the latest annual report and accounts of the Trust (if any) and, if later, its most recent interim report.

The Trust is not registered as an investment company with the United States Securities and Exchange Commission. Units have not been, and will not be, registered under the United States Securities Act of 1933 or any other United States Federal or State law and accordingly Units are not offered to, and may not be transferred to or acquired by, United States (“US”) persons (including without limitation US citizens and residents as well as business entities organized under United States’ law), except under any relevant exemption.

The Manager shall have the power to impose such restrictions as the Manager may think necessary for the purpose of ensuring that no Units in any Sub-Fund are acquired or held by an Unqualified Person (as defined in the “*1. Definitions*” section).

Potential applicants for Units in any of the Sub-Funds should inform themselves as to (a) the possible tax consequences, (b) the legal requirements and (c) any foreign exchange restrictions or exchange control requirements which they might encounter under the laws of the countries of their incorporation, citizenship, residence or domicile and which might be relevant to the subscription, holding or disposal of Units in the Sub-Fund.

Investors should note that any amendment or addendum to this Prospectus will only be posted on the Manager’s website (<https://www.samsungetfhk.com>)<sup>1</sup> (“**Website**”).

Investment involves risk and investors should note that losses may be sustained on their investment. There is no assurance that the investment objective of the Sub-Fund will be achieved. In particular, investors should consider the risk factors set out in the section headed “*5. Risk Factors*”.

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<sup>1</sup> The contents of this website and any other websites referred to in this Prospectus have not been reviewed or authorised by the Commission. Investors should note that the information provided in the website may be updated and/or changed periodically without any notice to any person.

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## **PART 1 – GENERAL INFORMATION RELATING TO THE TRUST AND THE SUB-FUNDS**

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Part 1 of this Prospectus contains general information about the Trust and its Sub-Funds established under the Trust. The information presented in this Part 1 should be read in conjunction with the information presented in the relevant Appendix in Part 2 of this Prospectus in respect of a particular Sub-Fund.

Where the information in Part 2 of this Prospectus conflicts with the information presented in this Part 1, the information in the relevant Appendix in Part 2 prevails, however, it is applicable to the specific Sub-Fund of the relevant Appendix only. Please refer to Part 2 “*Information Specific to the Sub-Funds*” for further information.

Investors should read both Parts of the Prospectus before investing in any of the Sub-Funds.



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## 1. DEFINITIONS

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In this Prospectus (including the relevant Appendix for any Sub-Fund), unless the context requires otherwise, the following expressions have the meanings set out below.

“**Administrator**” means The Hongkong and Shanghai Banking Corporation Limited in its capacity as the administrator of the Sub-Funds or such other person or persons for the time being duly appointed and acting as administrators hereof in succession thereto.

“**Appendix**” means an appendix to this Prospectus that sets out specific information applicable to a Sub-Fund.

“**Application**” means either a Creation Application or a Redemption Application.

“**Application Cancellation Fee**” means the fee payable by a Participating Dealer in respect of cancellation of an Application.

“**Application Unit**” in relation to a Sub-Fund, means such number of Units of a class or whole multiples thereof as specified in the section headed “**Key Information**” in the relevant Appendix or such other number of Units of a class from time to time determined by the Manager, in consultation with the Trustee, and notified to the Participating Dealers, either generally or for a particular class or classes of Units.

“**Auditors**” means the auditor or auditors of the Trust appointed by the Manager with the prior approval of the Trustee.

“**Base Currency**” in relation to a Sub-Fund, means the currency of account of such Sub-Fund as specified in the section headed “**Key Information**” in the relevant Appendix or such other currency as specified by the Manager from time to time after consultation with the Trustee.

“**Base Security**” means a financial derivative instrument, including, without limitation, a warrant, a note or a participation certificate which is linked to or otherwise tracks the performance of (i) one or more constituent securities of the relevant Underlying Index and/or (ii) such other security or securities as may be designated by the Manager.

“**Basket**” means, for the purpose of the creation and redemption of Units in an Application Unit size, a portfolio of Investments determined by the Manager at the start of business on the relevant Dealing Day and notified on the relevant date by the Manager to Participating Dealers for the relevant Sub-Fund.

“**Basket Investments**” means the Investments constituting a Basket.

“**Basket Value**” means the aggregate value of the Investments constituting a Basket as at the Valuation Point in relation to the relevant Valuation Day (unless otherwise stated in the relevant Appendix) as determined in accordance with the provisions of the section headed “**7. Valuation and Suspension**” under the heading “**7.1 Determination of the Net Asset Value**”.

“**Business Day**” in relation to a Sub-Fund, means, unless the Manager determines otherwise or otherwise specified in the relevant Appendix, a day on which (a) (i) the SEHK is open for normal trading; and (ii) the relevant market on which the Investments comprised of the Sub-Fund or (where applicable) the Underlying Index are traded is open for normal trading; or (iii) if there are more than one such market, the market designated by the Manager is open for normal trading, and (b) (where applicable) the Underlying Index is compiled and published, or such other day or days as the Manager may determine from time to time provided that if on any such day, the period during which the relevant market is open for normal trading is reduced as a result of a Number 8 Typhoon Signal, black rainstorm warning or other event, such day shall not be a Business Day unless the Manager determines otherwise.

“**Cancellation Compensation**” means an amount payable by a Participating Dealer in respect of cancellation of an Application pursuant to the provisions under the Trust Deed, the Participating Dealer Agreement and/or the Operating Guidelines applicable at the time the relevant Application is made.

“**Cash Component**” means the difference (which may be a positive or negative amount) between the aggregate Net Asset Value of the Units comprising an Application Unit(s) and the Basket Value.

“**CCASS**” means the Central Clearing and Settlement System established and operated by HKSCC or any successor system operated by HKSCC or its successors.

“**CCASS Operational Procedures**” means the CCASS Operational Procedures as amended from time to time.

“**CCASS Settlement Day**” means the term “Settlement Day” as defined in the General Rules of CCASS.

“**Class Currency**” means, in relation to a class of Units, the Base Currency of the Sub-Fund relating thereto or such other currency of account of such class as specified by the Manager from time to time after consultation with the Trustee.

“**Code**” means the Overarching Principles Section and Section II- Code on Unit Trusts and Mutual Funds of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products or any handbook, guideline and code issued by the Commission, as may be amended from time to time.

“**Collective Investment Scheme**” has the meaning given to it in the Code.

“**Commission**” means the Securities and Futures Commission of Hong Kong or its successors.

“**Connected Person**” in relation to a company, means:

- (a) any person or company beneficially owning, directly or indirectly, twenty per cent (20%) or more of the ordinary share capital of that company or able to exercise, directly or indirectly, twenty per cent (20%) or more of the total votes in that company;

- (b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a) above;
- (c) any member of the group of which that company forms part; or
- (d) any director or officer of that company or of any of its Connected Persons as defined in (a), (b) or (c) above.

“**Creation Application**” means an application by a Participating Dealer for the creation of Units in Application Unit size (or whole multiples thereof) in accordance with the provisions of the Trust Deed, the Operating Guidelines and the relevant Participation Agreement.

“**Dealing Day**” means each Business Day or such other day or days as the Manager with the approval of the Trustee may from time to time determine either generally or in respect of a particular class or classes of Units provided that Dealing Day for the issue of Units may be a different day or days from the Dealing Day for the redemption of Units.

“**Dealing Deadline**” in relation to any Dealing Day of a Sub-Fund, means such time on such day as specified in the section headed “**Key Information**” in the relevant Appendix by which an Application in respect of a Sub-Fund or a class of Units must be received either on such Dealing Day or on such other Business Day or day as the Manager and the Trustee may from time to time determine either generally or in relation to a particular jurisdiction in which Units of that Sub-Fund or the relevant class may from time to time be sold or any particular place for submission of Application(s) by a Participating Dealer.

“**Deposited Property**” in relation to a Sub-Fund, means all the assets (including cash) received or receivable by the Trustee, for the time being held or deemed to be held upon the trusts and subject to the terms of the Trust Deed for the account of the relevant Sub-Fund but excluding (i) the Income Property; and (ii) the amount for the time being standing to the credit of the distribution account.

“**Duties and Charges**” means, in relation to any particular transaction or dealing, all stamp and other duties, taxes, government charges, brokerage, bank charges, transfer fees, registration fees, transaction levies, all fees, duties and charges as set out in the Operating Guidelines, and other duties and charges whether in connection with the constitution of the Deposited Property or the increase or decrease of the Deposited Property or the creation, issue, transfer, cancellation or redemption of Units or the acquisition or disposal of Investments or assets, or the entering into or termination of any Investments (including any costs associated with the entering into, or unwind or maintenance of, any hedging arrangements in respect of such Investments, or any costs associated with any collateral arrangements in respect of such Investments), or otherwise which may have become or may be payable in respect of, and whether prior to, upon or after the occasion of, such transaction or dealing and including but not limited to, in relation to a creation of Units or redemption of Units, a charge (if any) of such amount or at such rate as is determined by the Manager or the Trustee to be made for the purpose of compensating or reimbursing the relevant Sub-Fund for the difference between (a) the prices used when valuing the Investments in the relevant Sub-Fund of the for the purpose of such creation or redemption of Units and (b) (in the case of a creation of Units) the prices which would be used when acquiring the same Investments if they were acquired by the relevant Sub-Fund with the amount of cash received by the relevant Sub-Fund upon such creation of Units and (in the case of a redemption of Units) the prices which would be used when selling the same Investments if they were sold by the relevant Sub-Fund in order to realise the amount of cash required to be paid out of the relevant Sub-

Fund upon such redemption of Units. For the avoidance of doubt, when calculating Issue Price and Redemption Price, duties and charges may include (if applicable) any provision for bid and ask spreads (to take into account the difference between the price at which assets were valued for the purpose of calculating the Net Asset Value and the estimated price at which such assets shall be bought as a result of a subscription or sold as a result of a redemption), but may not include (if applicable) any commission payable to agents on sales and purchases of the Units or any commission, taxes, charges or costs which may have been taken into account in ascertaining the Net Asset Value of Units).

**“Extension Fee”** means any fee payable by a Participating Dealer to the Administrator for its account and benefit on each occasion the Manager grants the request of such Participating Dealer for extended settlement in respect of an Application, as set out in the Operating Guidelines.

**“Fund Administration Agreement”** means the agreement for the time being subsisting between the Manager for and on behalf of the relevant Sub-Fund(s), and The Hongkong and Shanghai Banking Corporation Limited relating to its appointment and duties as the Administrator of the relevant Sub-Fund(s).

**“Feeder Fund”** means any Sub-Fund which invests 90% or more of its total Net Asset Value in a single Collective Investment Scheme designated by the Manager in relation to that Sub-Fund provided that the Manager may at any time determine that such Sub-Fund shall cease to be a Feeder Fund;

**“Force Majeure Event”** means any event due to any cause beyond the reasonable control of the relevant party, including but not limited to restrictions on convertibility or transferability, requisitions, involuntary transfers, unavailability of any system, third party electronic transmission or other electronic systems disruption or failure, sabotage, storm, tempest, typhoon, earthquake, accident, fire, flood, explosion, toxicity, radioactivity, acts of God, act of any government or other competent authority, hostilities (whether war be declared or not), act of terrorism, riot, civil commotion, strikes or industrial action of any kind, insurrection, rebellion or other cause, whether similar or not, which is beyond the reasonable control of the relevant party;

**“General Rules of CCASS”** means the General Rules of CCASS as amended from time to time.

**“Government and other public securities”** means any investment issued by, or the payment of principal and interest on which is guaranteed by a government or any fixed-interest investment issued by its public or local authorities or other multilateral agencies;

**“HKEX”** means Hong Kong Exchanges and Clearing Limited;

**“HKSCC”** means the Hong Kong Securities Clearing Company Limited or its successors.

**“Hong Kong”** means the Hong Kong Special Administrative Region of the People’s Republic of China.

**“Hong Kong dollars”** or **“HK\$”** or **“HKD”** means the lawful currency of Hong Kong.

**“In-Cash Application”** means the creation of Units in exchange of payment of cash by the relevant Participating Dealer.

**“In-Cash Redemption”** means the redemption of Units in exchange of payment of cash to the relevant Participating Dealer.

**“In-Kind Application”** means the creation of Units in exchange of transfer of Investments by the relevant Participating Dealer.

**“In-Kind Redemption”** means the redemption of Units in exchange for a transfer of Investments to the relevant Participating Dealer.

**“Income Property”** means, in respect of the Sub-Fund, (a) all interest dividends and other sums deemed by the Manager (after consulting the Auditors either on a general or case by case basis) to be in the nature of income (including taxation repayments, if any) received or receivable by the Trustee in respect of the Deposited Property of the relevant Sub-Fund (whether in cash or, without limitation, by warrant, cheque, money, credit or otherwise or the proceeds of sale or transfer of any Income Property received in a form other than cash); (b) all Cash Component payments received or receivable by the Trustee for the account of the Sub-Fund; (c) all Cancellation Compensation received or receivable by the Trustee for the account of the Sub-Fund; and (d) all interest and other sums received or receivable by the Trustee in respect of (a), (b) or (c) of this definition, but excluding (i) the Deposited Property of the Sub-Fund; (ii) any amount for the time being standing to the credit of the distribution account for the account of the Sub-Fund or previously distributed to Unitholders; (iii) gains for the account of the Sub-Fund arising from the realisation of Investments; and (iv) any sums applied towards the payment of the fees, costs and expenses payable by the Trust from the Income Property of the Sub-Fund.

**“Index Fund”** means any Sub-Fund the principal objective of which is to track, replicate or correspond to an Underlying Index, with an aim of providing or achieving investment results or returns that closely match or correspond to the performance of the Underlying Index.

**“Index Provider”** in relation to an Index Fund, means the person responsible for compiling the Underlying Index against which the relevant Sub-Fund benchmarks its investments and/or who holds the right to licence the use of such Underlying Index, as specified in the section headed **“Key Information”** in the relevant Appendix.

**“Index Securities”** means (i) the constituent Securities of the relevant Underlying Index (or futures contracts comprising the relevant Underlying Index) at the relevant time; (ii) such other Securities that the Index Provider of the relevant Underlying Index has publicly announced shall form part of the Underlying Index in the future but are currently not constituent securities of the relevant Underlying Index; and (iii) any Base Securities linked to or otherwise used to track the performance of one or more of the aforementioned securities.

**“Ineligible Investor”** means any person, corporation, or other entity who is a US person and for this purpose, a US person is defined as (i) an individual who is a United States citizen, a US green card holder, or a resident of the United States for US federal income tax purposes, (ii) a corporation or partnership organized under the laws of the United States or any political subdivision thereof, or (iii) an estate or trust, the income of which is subject to US federal income taxation regardless of its source;

**“Initial Issue Date”** in respect of a Sub-Fund, means the date of the first issue of Units relating to the Sub-Fund, as specified in the section headed **“Key Information”** in the relevant Appendix.

**“Initial Offer Period”** means, in relation to a Sub-Fund or a class or classes of Units, such period as the Manager may determine for the purpose of making an initial offer of Units of such Sub-Fund or such class or classes and as specified in the section headed **“Key Information”** in the relevant Appendix.

**“Insolvency Event”** occurs in relation to a person where (i) an order has been made or an effective resolution passed for the liquidation or bankruptcy of the person; (ii) a receiver or similar officer has been appointed in respect of the person or of any of the person’s assets or the person becomes subject to an administration order; (iii) the person enters into an arrangement with one or more of its creditors or is deemed to be unable to pay its debts; (iv) the person ceases or threatens to cease to carry on its business or substantially the whole of its business or makes or threatens to make any material alteration to the nature of its business; or (v) the Manager in good faith believes that any of the above is likely to occur.

**“Investment”** means any share, stock, debenture, loan stock, bond, unit, share or other interest in a Collective Investment Scheme, commodity, futures contract including share price index futures contract, derivative instrument, credit derivative transaction, repurchase or reverse repurchase transaction, securities lending transaction, swap, spot or forward transaction (whether in relation to currency or any other property), security, commercial paper, acceptance, trade bill, treasury bill, instrument or note of or issued by or under the guarantee of any body, whether incorporated or unincorporated, or of any government or local governmental authority or supranational body, whether paying interest or dividends or not, and whether fully paid, partly paid or nil paid and includes (without prejudice to the generality of the foregoing):

- (a) any right, option or interest (howsoever described) in or in respect of any of the foregoing;
- (b) any certificate of interest or participation in, or temporary or interim certificate for, or receipt for or warrant to subscribe for or purchase, any of the foregoing;
- (c) any instrument commonly known or recognised as a security;
- (d) any receipt or other certificate or document evidencing the deposit of a sum of money, or any rights or interests arising under any such receipt, certificate or document;
- (e) any mortgage-backed security or other securitised receivable;
- (f) any bill of exchange and any promissory note; and
- (g) any right, option, or interest (howsoever described) in or in respect of any index or indices comprised of any of the foregoing.

**“Investment Delegate”** means an entity that has been delegated the investment management function of all or part of the assets of a Sub-Fund and if so appointed, as specified in the section headed **“Key Information”** in the relevant Appendix.

**“Issue Price”** means the issue price of a Unit or a particular class of Unit of a Sub-Fund as determined by the Manager in accordance with the Trust Deed and this Prospectus.

“**Listing Agent**” in relation to a Sub-Fund, means such entity as specified in the section headed “**Key Information**” in the relevant Appendix or such other entity(ies) which for the time being appointed by the Manager as the listing agent in relation to such class.

“**Listing Date**” in relation to a Sub-Fund, means the expected date on which Units of the Sub-Fund are first listed and from which dealings therein are permitted to take place on SEHK and as specified in the section headed “**Key Information**” in the relevant Appendix.

“**Manager**” means Samsung Asset Management (Hong Kong) Limited or such other entity(ies) which for the time being is duly appointed as manager (or managers) of the Trust and the Sub-Fund(s) and accepted by the Commission as qualified to act as such for the purposes of the Code.

“**Minimum Launch Level**” means the total minimum subscription amount, if applicable, to be received on or prior to the close of the Initial Offer Period and as specified in the relevant Appendix.

“**Money Market Fund**” means a Sub-Fund which invests in short-term deposits and high quality money market investments and seeks to offer returns in line with money market rates.

“**Multi-Counter**” means the facility by which the Units of a Sub-Fund traded in multiple currencies e.g. RMB, HKD and/or USD (as the case may be) are each assigned separate stock codes on the SEHK and are accepted for deposit, clearing and settlement in CCASS in more than one eligible currency (RMB, HKD and/or USD) as described in this Prospectus and the relevant Appendix. Where Units of a Sub-Fund are traded in two eligible currencies, the facility is also referred to as a “**Dual-Counter**”.

“**Net Asset Value**” or “**NAV**” in relation to a Sub-Fund, means the net asset value of such Sub-Fund or, as the context may require, of a Unit or of a Unit of a class or classes relating to such Sub-Fund calculated in accordance with the Trust Deed and this Prospectus.

“**Non-Index Securities**” means any securities (or futures contracts), other than Index Securities, as may be designated by the Manager and any Base Securities linked to or otherwise used to track the performance of one or more such securities.

“**Operating Guidelines**” means, in relation to a Sub-Fund, means the operating guidelines governing the Participating Dealers, including without limitation, the procedures for creation and redemption of Units of such Sub-Fund, as amended and agreed from time to time by the Manager with the approval of the Trustee, the Registrar and Administrator in accordance with the terms of the relevant Participation Agreement.

“**Participant**” means a person admitted for the time being by HKSCC as a participant of CCASS.

“**Participating Dealer**” means a broker or dealer who is (or who has appointed an agent or delegate who is) a Participant and who has entered into a Participation Agreement in form and substance acceptable to the Manager, the Administrator, the Registrar and Trustee, and any reference in this Prospectus to “**Participating Dealer**” shall include a reference to any agent or delegate so appointed by the Participating Dealer.

“**Participation Agreement**” means an agreement entered into amongst other, the Trustee, the Registrar, the Administrator, the Manager and a Participating Dealer, and if determined necessary by

the Manager (in its absolute discretion), each of HKSCC and the Service Agent, setting out, amongst other things, the arrangements in respect of Applications, as may be amended from time to time. References to the Participation Agreement shall, where appropriate, mean the Participation Agreement, read together with the Operating Guidelines.

**“Primary Market Investor”** means an investor who makes a request to a Participating Dealer or to a stockbroker who has opened an account with a Participating Dealer to effect an Application on his behalf.

**“Qualified Exchange Traded Funds”** means exchange traded funds that are (a) authorized by the Commission under 8.6 or 8.10 of the Code; or (b) listed and regularly traded on internationally recognized stock exchanges open to the public (nominal listing not accepted) and either (i) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under 8.6 of the Code; or (ii) the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under 8.10 of the Code.

**“Redemption Application”** means an application by a Participating Dealer for the redemption of Units in Application Unit size (or whole multiples thereof) in accordance with the provisions of the Trust Deed and this Prospectus, the Operating Guidelines and the relevant Participation Agreement.

**“Redemption Price”** means the redemption price of a Unit or of a particular class of Units as determined in accordance with the Trust Deed and this Prospectus.

**“Register”** means the register of Unitholders of the Sub-Fund to be kept in accordance with the Trust Deed.

**“Registrar”** means HSBC Institutional Trust Services (Asia) Limited or such other person as the Trustee may from time to time appoint to keep the Register.

**“REITs”** means real estate investment trusts.

**“reverse repurchase transactions”** means transactions whereby a Sub-Fund purchases securities from a counterparty of sale and repurchase transactions and agrees to sell such securities back at an agreed price in the future.

**“Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited”** means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time.

**“sale and repurchase transactions”** means transactions whereby a Sub-Fund sells its securities to a counterparty of reverse repurchase transactions and agrees to buy such securities back at an agreed price with a financing cost in the future.

**“securities financing transactions”** means collectively securities lending transactions, sale and repurchase transactions and reverse repurchase transactions.

**“securities lending transactions”** means transactions whereby a Sub-Fund lends its securities to a security-borrowing counterparty for an agreed fee.



“**Securities Market**” means any stock exchange, over-the-counter market or other organised securities market that is open to the international public and on which such securities are regularly traded.

“**SEHK**” means The Stock Exchange of Hong Kong Limited or its successors.

“**Secondary Market Investor**” means an investor who purchases and sells Units in the secondary market on the SEHK.

“**Service Agent**” means HK Conversion Agency Services Limited or such other person as may from time to time be appointed to act as service agent or conversion agent in relation to a Sub-Fund.

“**Service Agreement**” means the service agreement entered into amongst the Manager, the Trustee and Registrar, the Service Agent, HKSCC, and the relevant Participating Dealer by which the Service Agent agrees with the Manager, the Trustee and the Registrar to provide its services.

“**Settlement Day**” means the Business Day which is two Business Days after the relevant Dealing Day (or such other Business Day after the relevant Dealing Day as permitted pursuant to the Operating Guidelines) or such other Business Days in respect of the relevant Dealing Day as determined by the Manager in consultation with the Trustee from time to time determine and notified to the relevant Participating Dealers, either generally or for a particular class or classes of Units.

“**SFO**” means the Securities and Futures Ordinance (Cap. 571) of Hong Kong.

“**Sub-Fund**” means a separate trust fund with a segregated pool of assets and liabilities established under the Trust Deed, specific details of which are set out in the relevant Appendix.

“**substantial financial institution**” means an authorized institution as defined in section 2(1) of the Banking Ordinance (Chapter 155 of Laws of Hong Kong) or a financial institution which is on an ongoing basis subject to prudential regulation and supervision, with a minimum net asset value of HK\$2 billion or its equivalent in foreign currency.

“**Transaction Fee**” in respect of a Sub-Fund, means the fee which may be charged for the account and benefit of the Administrator to each Participating Dealer, the maximum level of which shall be determined by the Administrator with the consent of the Manager from time to time.

“**Trust**” means the unit trust constituted by the Trust Deed and to be called Samsung ETFs Trust III or such other name as the Trustee and the Manager may from time to time determine.

“**Trust Deed**” means the trust deed dated *16 December 2022* between the Manager and the Trustee, as amended, modified or supplemented from time to time.

“**Trustee**” means HSBC Institutional Trust Services (Asia) Limited or such other person(s) for the time being duly appointed as trustee (or trustees) of the Trust.

“**Underlying Index**” in respect of an Index Fund, means the index or benchmark which such Index Fund tracks, replicates or corresponds, and as specified in the section headed “**Key Information**” in the relevant Appendix.

“**Unit**” means one undivided shares of the Sub-Fund to which it relates and, except where used in relation to a particular class of Unit, a reference to Units means and includes Units of all classes.

“**Unitholder**” means the person for the time being entered on the Register as the holder of a Unit or Units including, where the context so admits, persons jointly so registered.

“**U.S. Dollars**”, “**USD**” or “**US\$**” means the lawful currency of the United States of America.

“**Unqualified Person**” means:

- (a) an Ineligible Investor;
- (b) a person who by virtue of any laws or requirements of any country, any governmental authority or any stock exchange on which Units of the relevant Sub-Fund are listed is not qualified to hold such Units or who would be contravention of any such laws or regulations in acquiring or holding such Units, or is in breach of any applicable law or applicable requirements of any country or governmental authority;
- (c) any person if the holding of a Unit by such person might, due to any circumstances (whether directly or indirectly affecting such person and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager to be relevant), in the opinion of the Manager, might result in the Manager, the Registrar, the Trustee, the Administrator, the Trust or the relevant Sub-Fund incurring or suffering any liability to taxation or suffering any other potential or actual pecuniary disadvantage or would subject the Manager, the Trustee, the Registrar, the Administrator, the Trust or the relevant Sub-Fund to any additional regulation to which the Manager, the Trustee, the Registrar, the Administrator, the Trust or the relevant Sub-Fund might not otherwise have incurred or suffered or been subject or might result in the relevant Sub-Fund, the Trust, the Registrar, the Manager, the Trustee, the Administrator or any of their Connected Persons being exposed to any liability, penalty or regulatory action;
- (d) any person if the holding of a Unit by such person is in breach of, or reasonably deemed by the Manager to be in breach of, any applicable anti-money laundering or identification verification or national status or residency requirements imposed on him (whether under the terms of any underlying investment arrangement or otherwise) including without limitation the issue of any warranty or supporting document required to be given to the Trustee, the Registrar, the Administrator or the Manager;
- (e) any person if the holding of a Unit by such person is in breach of any applicable law or applicable requirements of any country or governmental authority.

“**Valuation Day**” means each Business Day on which the Net Asset Value of a Sub-Fund and/or the Net Asset Value of a Unit or a class of Units falls to be calculated and in relation to each Dealing Day of any class or classes of Units means either such Dealing Day or such Business Day or day as the Manager may from time to time determine either generally or in relation to a particular Sub-Fund or class of Units.

**“Valuation Point”** means, in respect of a Sub-Fund, the official close of trading on the market on which the Investments of the Sub-Fund are listed or traded on each Valuation Day, and in case there are more than one market, the official close of trading on the last relevant market to close, or such other time or times as determined by the Manager from time to time either generally or in relation to a particular Sub-Fund or class of Units, provided that there shall always be a Valuation Point on each Valuation Day other than where there is a suspension of the Sub-Fund in accordance with the provisions of the section headed “*7. Valuation and Suspension*” under the heading “*7.2 Suspension of Determination of Net Asset Value*”.

**“Website”** means the Manager’s website <https://www.samsungetfhk.com/> or such other website as may be specified by the Manager from time to time. The contents of the Website and of any other website referred to in this Prospectus have not been reviewed or authorised by the Commission. Investors should note that the information provided in the Website may be updated and/or changed periodically without any notice to any person.

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## 2. INTRODUCTION

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### 2.1. The Trust

The Trust is an umbrella unit trust constituted by the Trust Deed. The terms of the Trust Deed are governed by the laws of Hong Kong. All Unitholders are entitled to the benefit of, are bound by and deemed to have notice of the provisions of the Trust Deed.

The Trust and each Sub-Fund is authorised as a collective investment scheme by the Commission under Section 104 of the SFO. The Commission's authorisation is not a recommendation or endorsement of a Sub-Fund nor does it guarantee the commercial merits of a Sub-Fund or its performance. It does not mean that a Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

### 2.2. The Sub-Funds

Each Sub-Fund is established as a separate and distinct trust under the Trust Deed, and the assets of each Sub-Fund will be invested and administered separately from the assets of, and shall not be used to meet liabilities of, the Trust and other Sub-Fund(s).

The Manager reserves the right to establish other Sub-Funds and/or issue further classes of Units relating to a Sub-Fund or Sub-Funds in the future in accordance with the provisions of the Trust Deed.

An Index Fund may be referred to as a "passive ETF" and an actively managed Sub-Fund may be referred to as an "active ETF".

Where indicated in the relevant Appendix, the Units of a Sub-Fund may be available for trading on the SEHK using a Dual Counter or Multi-Counter.

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### 3. MANAGEMENT AND ADMINISTRATION

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#### 3.1. Manager

The Manager of the Trust and each Sub-Fund is Samsung Asset Management (Hong Kong) Limited.

The Manager is principally engaged to provide asset management services and securities investment advisory services in Hong Kong. The Manager is a wholly-owned subsidiary of Samsung Asset Management Co., Limited, a fund management company established in Korea, regulated and licensed by the Financial Services Commission of Korea which is one of the biggest asset management companies (in terms of assets under management) based in Korea. As at 31 December 2021, Samsung Asset Management Co., Limited had assets under management worth approximately USD 258 billion.

The Manager will manage each Sub-Fund and continuously supervise the portfolio of each Sub-Fund. In addition the Manager will be primarily responsible for portfolio composition file generation, cash management, trade execution and instructing money transfers.

The Manager is a limited liability company incorporated in Hong Kong on 1 November 2007. It is licensed by the Commission for type 4 (advising on securities) and type 9 regulated activity (asset management) with CE number AQQ442.

The Manager's licence is subject to the following conditions:

- (a) The licensee shall not hold client assets. The terms "hold" and "client assets" are as defined under the SFO.

The Manager undertakes the management of the assets of the Trust. The Manager may at its own discretion appoint one or more Investment Delegates and delegate any of its management functions in relation to assets of specific Sub-Funds to such Investment Delegates subject to the Commission's prior approval. In the event that an Investment Delegate is appointed by the Manager in respect of an existing Sub-Fund, at least one month's prior notice will be given to Unitholders of such Sub-Fund and this Prospectus and/or the relevant Appendix will be updated to include such appointment.

The Manager shall not be exempted from or indemnified against any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence for which it may be liable in relation to its duties, or be indemnified against such liability by Unitholders or at Unitholders' expense.

The directors of the Manager are:

**KIM Minseok**  
CFO and Director

Mr. Kim joined Samsung Asset Management (Hong Kong) Limited as a Chief Financial Officer in October 2019. Before joining Samsung Asset Management (Hong Kong) Limited, Mr. Kim had worked as a senior manager in Business Administration Team of Samsung Asset Management Co, Limited in Korea for 5 years. Prior to that, Mr. Kim was with Samsung Life Insurance Co. Limited for 4 years as a manager in the financial management department. Mr. Kim holds a Bachelor degree in Psychology from Yonsei University, Korea.

**PARK Sungjin, CFA**

CEO and Director

Mr. Park is in charge of the Global Business Division of Samsung Asset Management Co. Limited. He is responsible for the planning and execution of corporate strategies including phasing in or out of markets or products, arranging strategic alliances and identifying and executing mergers and acquisitions. Prior to serving in his current role, Mr. Park served as President and Chief Investment Officer of Samsung Asset Management New York Inc. (“SAMNY”). He oversaw investment management processes and all related activities including risk management, client service and product development of SAMNY. He was also a board member of SAMNY. Previously, he was a lead portfolio manager of SAMNY U.S. Equity Group and was responsible for managing U.S. large cap equity funds. He also worked for Samsung Life Insurance in Seoul as an equity portfolio strategist for 10 years. He holds an Master of Business Administration from the University of Rochester, Simon School and a bachelor’s degree in Economics from the University of California, Irvine. He is a Chartered Financial Analyst charterholder.

The Manager has a risk management policy which enables it to monitor and measure at any time the risk of financial derivative instruments used by any Sub-Fund for investment purposes. Each Sub-Fund is subject to daily risk management and control procedures such as, but not limited to:

- (A) daily calculation of value at risk (a methodology used to estimate the maximum amount of portfolio losses under normal market conditions);
- (B) limitation on the percentage of the Net Asset Value committed as margin for all futures or options contracts;
- (C) liquidity guidelines on each open futures or option contract such as maximum holding compared to daily average volume for the contract;
- (D) diversification guidelines per futures or option contract (limitation on the percentage of the Net Asset Value committed as margin for each single futures or option contract); and
- (E) historical and hypothetical stress tests which aim to simulate adverse market scenarios.

The Manager will also ensure that at all times its reconciliation, accounting and settlement functions are separated from back office procedures.

**3.2. Trustee**

The Trustee of the Trust and the Sub-Funds is HSBC Institutional Trust Services (Asia) Limited.

The Trustee was incorporated with limited liability in Hong Kong in 1974 and is registered as a trust company under the Trustee Ordinance (Cap. 29 of the Laws of Hong Kong) and approved by the Mandatory Provident Funds Scheme Authority as trustee of registered MPF Schemes under the Mandatory Provident Fund Schemes Ordinance. HSBC Institutional Trust Services (Asia) Limited is an indirectly wholly owned subsidiary of HSBC Holdings plc, a public company incorporated in England and Wales.

Under the Trust Deed, the Trustee shall take into custody or under its control all the investments, cash and other assets forming part of the assets of each Sub-Fund and hold them in trust for the Unitholders of the relevant Sub-Fund in accordance with the provisions of the Trust Deed and, to the extent permitted by law, shall register cash and registrable assets in the name of or to the order of the Trustee and be dealt with as the Trustee may think proper for the purpose of providing for the safe keeping thereto. The Trustee may from time to time appoint such person or persons as it thinks fit (including, without limitation, any of its Connected Person) to hold, as custodian, co-custodians, sub-custodian, delegate, nominee or agent, all or any of the Investments, cash, assets or other property comprised in the Trust or any of the Sub-Funds and may empower any such person to appoint, with the prior consent in writing of the Trustee, co-custodians and/or sub-custodians. The fees and expenses of each such custodian, nominee, agent, co-custodian, sub-custodian, shall, where agreed by the Manager and the Trustee, be paid out of the assets of the relevant Sub-Fund (unless otherwise provided in this Prospectus or the relevant Appendix).

The Trustee shall (A) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of agent, nominee, custodian, co-custodian or sub-custodian which are appointed for the custody and/or safekeeping of any of the investments, cash, assets or other property comprised in the assets of the Trust or any Sub-Fund (each a “**Correspondent**”); and (B) be satisfied that each Correspondent retained remains suitably qualified and competent on an ongoing basis to provide the relevant services to the Trust or any Sub-Fund. The Trustee shall be liable for the acts and omissions of any Correspondent which is a Connected Person of the Trustee as if the same were the acts or omissions of the Trustee but, provided that if the Trustee has discharged its obligations set out in (A) and (B) above, the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any Correspondent that is not a Connected Person of the Trustee.

The Trustee shall not be responsible for any act or omission of Euroclear Bank S.A./N.V., Clearstream Banking, S.A. or any other such central depository or clearing and settlement system in relation to any investment deposited with such central depository or clearing and settlement system.

Under the Trust Deed, the Trustee and its directors, officers, employees, delegates and agents shall be entitled for the purpose of indemnity against any actions, proceedings, liabilities, costs, claims, damages, expenses (including all reasonable legal, professional and other similar expenses) or demands to which it may be put or asserted against or which it may be put, or may incur or suffer whether directly or indirectly, or which are or may be imposed on the Trustee in performing its obligations, duties or functions, or exercising its powers, authorities or discretions under the Trust Deed or relating to a Sub-Fund to have

recourse to the assets of the relevant Sub-Fund or any part thereof but shall not have a right of recourse to the assets of any other Sub-Fund. Notwithstanding the foregoing, the Trustee shall not be exempted from or indemnified against any liability imposed under the laws of Hong Kong (including under the Trustee Ordinance) or for breach of trust through fraud or negligence for which it may be liable in relation to its duties, or be indemnified against such liability by Unitholders or at Unitholders' expense.

The Manager is solely responsible for making investment decisions in relation to the Trust and/or each Sub-Fund. The Trustee shall take reasonable care to ensure that the investment and borrowing limitations set out in Schedule 1 and any specific investment and borrowing limitations as set out in the relevant Appendix as they relate to a Sub-Fund and the conditions under which such Sub-Fund is authorised pursuant to the SFO are complied with and save for the aforesaid, the Trustee is not responsible and has no liability for any investment decision made by the Manager.

The Trustee is not responsible for the preparation or issue of this Prospectus other than the disclosures on the profiles of the Trustee as set out herein.

### **3.3. Administrator**

The Hongkong and Shanghai Banking Corporation Limited has been appointed as the Administrator of each Sub-Fund and shall carry out certain financial, administrative functions and other services in relation to each Sub-Fund on its behalf and is responsible for, among other things: (i) calculating the Net Asset Value and Net Asset Value per Unit of any class relating to each Sub-Fund, and (ii) the general administration of each Sub-Fund, which includes the proper book keeping of the each Sub-Fund, and arranging the administration of the issue and redemption of Units of each Sub-Fund.

The Administrator, its delegated affiliates, directors, officers and employees of each of them, are entitled to be indemnified by the Manager out of the assets of the relevant Sub-Fund against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, legal costs, expenses or disbursements of any kind or nature whatsoever other than those resulting from the fraud, willful default or negligence on the part of the Administrator, its delegated affiliates, directors, officers, employees and each of them which may be imposed on, incurred by or asserted against the Administrator, its delegated affiliates, directors, officers, employees and each of them, as a result of or in connection with performing the services under the Fund Administration Agreement.

In performing the services under the Fund Administration Agreement, the Administrator is entitled, without verification or further enquiry or liability, to rely on pricing information in relation to specified Investments held by each Sub-Fund, which would include information provided by the Manager, or, in the absence of any such price sources, any price sources on which the Administrator may choose to rely. Without prejudice to the generality of the foregoing, the Administrator is not liable or otherwise responsible for any loss suffered by any person other than losses resulting from negligence, willful default or fraud on the part of the Administrator or any affiliate by reason of any inaccuracy, error or delay (whether as a result of deliberate action or otherwise) in any pricing or valuation information provided by pricing agents, pricing sources or pricing models provided by any person, including, without limitation, by the manager, administrator or valuation agent of any fund or portfolio into



which the relevant Sub-Fund invest or for any inaccuracy, error or delay (whether as a result of deliberate action or otherwise) in information (including, without limitation, pricing or valuation information) supplied to the Administrator.

The Administrator will use reasonable endeavours to independently verify the price of any assets or liabilities of each Sub-Fund using its network of automated pricing services, brokers, market makers, intermediaries or using other pricing sources or pricing models provided by any person.

In the absence of readily available independent pricing sources, the Administrator may rely solely upon any valuation or pricing information (including, without limitation, fair value pricing information) about any such assets or liabilities of each Sub-Fund which is processed by it or provided to it by: (i) the Manager; and/or (ii) third parties including, but not limited to, any valuer, third party valuation agent, intermediary or other third party including, but not limited to, those appointed or authorised by the Manager to provide pricing or valuation information in respect of the assets or liabilities to the Administrator. The Administrator is not liable for any loss suffered by any person as a result of the Administrator not providing this information for any such asset or liability of the relevant Sub-Fund.

The Administrator in no way acts as guarantor or offeror of the Units of the Sub-Funds or any underlying investment. The Administrator is a service provider to the Manager in respect of each Sub-Fund and has no responsibility or authority to make investment decisions, or render investment, commercial, accounting, legal or any other advice whatsoever, with respect to the assets of the Sub-Funds. The Administrator is not responsible for, and accepts no responsibility or liability for any losses suffered by the Manager or any Sub-Fund or any investors in any Sub-Fund as a result of any failure by the Manager to adhere to any investment objective, investment policy, investment restrictions, borrowing restrictions, operating guidelines or other restrictions applicable to the relevant Sub-Fund. The Administrator will not participate in transactions or activities or make any payments denominated in US dollars, which, if carried out by a United States person, would be subject to sanctions of the Office of Foreign Assets Control (“OFAC”) of the United States Department of the Treasury or any other relevant sanctions.

The Administrator is not liable or otherwise responsible for any loss suffered by any person by reason of (i) any act or omission of any person prior to the commencement date of the Fund Administration Agreement, (ii) any defect, error, inaccuracy, breakdown or delay in any product or service provided to the Administrator by any third party service provider or (iii) any inaccuracy, error or delay in information provided to the Administrator by or for the Manager or any Sub-Fund (including any broker, market maker or intermediary or any other third party). The Administrator is not otherwise liable for any loss in connection to the services provided to the Manager or any other person unless direct loss is sustained as a result of its fraud, willful default or negligence.

Under the terms of the Fund Administration Agreement, the Administrator is permitted to delegate certain of its functions and duties to the Administrator's affiliates as permitted by applicable laws and regulations, provided that the Administrator will remain responsible for the performance of its affiliates.

The Fund Administration Agreement provides that the appointment of the Administrator in its capacity as the Administrator and the valuation agent may be terminated without cause by the Manager by giving at least 90 days' prior notice in writing to the Administrator. The Fund Administration Agreement may be terminated with immediate or subsequent effect by written notice in certain specified circumstances (e.g., in circumstances where a party to the Fund Administration Agreement has committed a material breach of the terms of such agreement).

The Administrator will be entitled to the fees described in the section headed “**9. Fees and Expenses**” below and to be reimbursed for all costs and expenses in accordance with the provisions of the Fund Administration Agreement.

The Administrator is not responsible for the preparation or issue of this Prospectus and therefore accepts no responsibility for any information contained in this Prospectus other than with respect to the description above in respect of the Administrator. Neither the Administrator nor any of its subsidiaries, affiliates, directors and other officers, shareholders, servants, employees, agents or permitted delegates accept any responsibility or liability for any information contained in this Prospectus other than the description under this section headed “**Administrator**”.

#### **3.4. Registrar**

HSBC Institutional Trust Services (Asia) Limited also acts as the Registrar for each Sub-Fund unless otherwise stated in the relevant Appendix. The Registrar provides services in respect of the establishment and maintenance of the Register.

The Registrar will be entitled to the fees described in the section headed “**9. Fees and Expenses**” below and to be reimbursed for all costs and expenses in performance of its duties as the Registrar.

The Registrar is not responsible for the preparation or issue of this Prospectus and therefore accepts no responsibility for any information contained in this Prospectus other than with respect to the description above in respect of the Registrar. Neither the Registrar nor any of its subsidiaries, affiliates, directors and other officers, shareholders, servants, employees, agents or permitted delegates accept any responsibility or liability for any information contained in this Prospectus other than the description under this section headed “**Registrar**”.

#### **3.5. Listing Agent**

The Listing Agent appointed by the Manager in relation to a Sub-Fund is as specified in the section headed “**Key Information**” in the relevant Appendix. The Listing Agent is appointed in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited in respect of the listing of Units of the relevant Sub-Fund on the SEHK. The Listing Agent is a licensed corporation which holds, amongst others, a Type 6 (advising on corporate finance) regulated activity licence under the SFO.

#### **3.6. Service Agent**

HK Conversion Agency Services Limited will act as Service Agent in respect of Units of a Sub-Fund under the terms of the Service Agreement. The Service Agent will perform, through HKSCC, certain of its services in connection with the creation and redemption of Units in the relevant Sub-Fund by the Participating Dealers.

### **3.7. Participating Dealers**

The role of the Participating Dealers is to apply to create and redeem Units in a Sub-Fund from time to time in accordance with the terms of the relevant Participation Agreement. A Participating Dealer may act for its own account or for its clients in making an Application.

The Manager has the right to appoint the Participating Dealers for each Sub-Fund. Different Sub-Funds may have different Participating Dealers. The criteria for the eligibility and selection of Participating Dealers by the Manager is primarily as follows:

- (i) the Participating Dealer must be licensed for at least Type 1 (dealing in securities) regulated activity pursuant to the SFO with a business presence in Hong Kong;
- (ii) the Participating Dealer must have entered into a Participating Agreement;
- (iii) the Participating Dealer must be acceptable to the Manager; and
- (iv) the Participating Dealer (or the agent appointed by the Participating Dealer) must be a Participant.

The initial list of Participating Dealers of a Sub-Fund is set out in the section headed “*Key Information*” in the relevant Appendix and the latest list is available on the Website.

### **3.8. Market Makers**

A market maker is a broker or a dealer permitted by SEHK to act as such by making a market for the Units in the secondary market on SEHK. A market maker’s obligations include quoting bid prices to potential sellers and offer prices to potential buyers when there is a wide spread between the prevailing bid prices and offer prices for Units on SEHK. Market makers accordingly facilitate the efficient trading of Units by providing liquidity in the secondary market when it is required in accordance with the market making requirements of SEHK.

Subject to applicable regulatory requirements, the Manager intends to ensure that there is at least one market maker for each Sub-Fund in respect of the Units to facilitate efficient trading. Where a Dual Counter or Multi-Counter has been adopted, it is a requirement that the Manager ensures that there is at all times at least one market maker for Units traded in each counter although these market makers may be the same entity. If the SEHK withdraws its permit to the existing market maker(s), the Manager will endeavour to ensure that there is at least one other market maker per counter to facilitate the efficient trading of Units. The Manager will ensure that at least one market maker per counter is required to give not less than 90 days’ prior notice to terminate market making under the relevant market making agreement.

The initial list of market maker(s) in respect of a Sub-Fund is set out in the section headed “***Key Information***” in the relevant Appendix and the latest list is available on the Website and from time to time will be displayed on [www.hkex.com.hk](http://www.hkex.com.hk).

### **3.9. Auditors**

The auditors of the Trust and the Sub-Fund(s) are Ernst & Young.

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## 4. INVESTMENT CONSIDERATIONS

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### 4.1. Investment objective and strategy

#### 4.1.1. Investment objective and strategy of active funds

The investment objective and investment strategy of each Sub-Fund which adopts an active strategy are set out in the relevant Appendix.

A Sub-Fund which adopts an active strategy does not track an index. The Manager will actively manage the relevant Sub-Fund based on its investment strategy in seeking to achieve the investment objective of the Sub-Fund, as described in the relevant Appendix.

#### 4.1.2. Investment objective and strategy of an Index Fund

The investment objective of an Index Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Underlying Index to that Index Fund unless otherwise disclosed in the relevant Appendix.

Each Index Fund will adopt either a full replication or a representative sampling strategy or a combination of these strategies. The investment strategy of each Index Fund is stated in the relevant Appendix.

### 4.2. Investment and Borrowing Restrictions

Unless otherwise disclosed in the relevant Appendix, the investment and borrowing restrictions applicable to each Sub-Fund are as set out in Schedule 1.

If any of the restrictions or limitations set out in Schedule 1 is breached in respect of a Sub-Fund, the Manager or the Investment Delegate (as applicable) will take as a priority objective all steps as are necessary within a reasonable period of time to remedy the situation, taking due account of the interests of the Unitholders of that Sub-Fund.

The Manager is not immediately required to sell applicable investments if any of the investment restrictions are exceeded as a result of changes in the value of the relevant Sub-Fund's investments, reconstructions or amalgamations, payments out of the assets of the relevant Sub-Fund or redemption of Units but for so long as such limits are exceeded, the Manager shall not acquire any further investments which would result in such limit being further breached.

### 4.3. Securities lending, sale and repurchase and reverse repurchase transactions

Where it is disclosed in the relevant Appendix, a Sub-Fund may engage in securities lending, sale and repurchase and/or reverse repurchase transactions. A Sub-Fund may engage in securities lending, sale and repurchase and/or reverse repurchase transactions provided that they are in the best interests of Unitholders of the relevant Sub-Fund to do so

and the associated risks have been properly mitigated and addressed. Information on a Sub-Fund's securities financing transactions will be included in the annual report of the Sub-Fund. A summary of the policy of the Manager in relation to securities financing transactions is set out in Schedule 2.

#### **4.4. Change of investment objective and strategy**

The Manager will seek the prior approval of the Commission (if required) and provide at least one month's (or such other notice period as required or permitted under the Code or by the Commission) prior notice to Unitholders in the event of any material change to the investment objective, strategy and restriction of a Sub-Fund.

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## 5. RISK FACTORS

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### 5.1. Preliminary

**Investors should consider the following risks and any additional risk(s) relating to any specific Sub-Fund, contained in the relevant Appendix, before investing in any of the Sub-Funds. Investors should note that the decision whether or not to invest remains with them. If investors have any doubt as to whether or not a Sub-Fund is suitable for them, they should obtain independent professional advice.**

### 5.2. General investment risks

#### 5.2.1. Risk of not achieving investment objective

There is no assurance that the investment objective of a Sub-Fund will be achieved. Whilst it is the intention of the Manager to implement strategies which are designed to minimise potential losses, there can be no assurance that these strategies will be successful. It is possible that an investor may lose a substantial proportion or all of its investment in a Sub-Fund. As a result, each investor should carefully consider whether he can afford to bear the risks of investing in the relevant Sub-Fund.

#### 5.2.2. Investment Risk

Investments involve risks. Each Sub-Fund is subject to market fluctuations and to the risks inherent in all investments. A Sub-Fund's investment portfolio may fall in value due to any of the key risk factors set out in this Prospectus and the Appendix for the relevant Sub-Fund and therefore investment in a Sub-Fund may suffer losses. The price of Units of a Sub-Fund and the income from its investments may go down as well as up and therefore an investor may suffer losses on the investor's investment in the relevant Sub-Fund and may not get back part or all of the amount they invest.

The performance of each Sub-Fund will be subject to a number of risks, including those risk factors set out below. Some or all of the risk factors may adversely affect a Sub-Fund's Net Asset Value, yield, total return and/or its ability to achieve its investment objective.

There is no guarantee that in any time period, particularly in the short term, a Sub-Fund's portfolio will achieve appreciation in terms of capital growth. There is no guarantee of the repayment of principal.

An investment in Units of a Sub-Fund involves risks similar to those of investing in a broad-based portfolio of securities / futures contracts traded on exchanges in the relevant securities / futures market, including market fluctuations caused by factors such as economic and political developments, changes in interest rates and perceived trends in security prices.

In respect of an Index Fund, the purchase of its Units is not the same as investing directly in the Index Securities and/or Non-Index Securities.

### **5.2.3. Securities risk**

The investments of each Sub-Fund are subject to risks inherent in all securities (including settlement and counterparty risks). The value of holdings may fall as well as rise. The global markets are currently experiencing very high levels of volatility and instability, resulting in higher levels of risk than is customary (including settlement and counterparty risks).

### **5.2.4. Equity risk**

A Sub-Fund may invest directly or indirectly in equity securities. Investing in equity securities may offer a higher rate of return than those investing in short term and longer term debt securities. However, the risks associated with investments in equity securities may also be higher, because the investment performance of equity securities depends upon factors which are difficult to predict. As a result, the market value of the equity securities that it invests in may go down as well as up. Factors affecting the equity securities are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, and the business and social conditions in local and global marketplace and issuer-specific factors. Securities exchanges typically have the right to suspend or limit trading in any security traded on the relevant exchange; a suspension will render it impossible to liquidate positions and can thereby expose the relevant Sub-Fund to losses.

### **5.2.5. Market risk**

Market risk includes such factors as changes in economic environment, consumption pattern, lack of publicly available information of investments and their issuers and investors' expectations, etc. which may have significant impact on the value of the investments. Usually, emerging markets tend to be more volatile than developed markets and may experience substantial price volatility. Market movements may therefore result in substantial fluctuations in the Net Asset Value per Unit of the relevant Sub-Fund. The price of Units and the distributions from them (if any) may go down as well as up.

There can be no assurance that an investor will achieve profits or avoid losses, significant or otherwise. The value of investments and the income derived from such investments may fall as well as rise and investors may not recoup the original amount invested in a Sub-Fund. In particular, the value of investments may be affected by uncertainties such as international, political and economic developments or changes in government policies. In falling equity markets, there may be increased volatility. Market prices in such circumstances may defy rational analysis or expectation for prolonged periods of time, and can be influenced by movements of large funds as a result of short-term factors, counter-speculative measures or other reasons and as a result, may have adverse impact to the relevant Sub-Fund and its investors.

### **5.2.6. Volatility risk**

Prices of securities may be volatile. High market volatility and potential settlement difficulties in the market may result in significant fluctuations in the prices of the securities traded on such markets. Price movements of securities are difficult to predict and are



influenced by, among other things, changing supply and demand relationships, governmental trade, fiscal, monetary and exchange control policies, national and international political and economic events, and the inherent volatility of the market place. A Sub-Fund's Net Asset Value may be adversely affected by such price movements and could be volatile, especially in the short-term.

#### **5.2.7. Asset class risk**

Although the Manager is responsible for the continuous supervision of the investment portfolio of each Sub-Fund, the returns from the types of asset classes in which the relevant Sub-Fund invests may underperform returns from other markets or from investment in other assets. Different types of asset classes tend to go through cycles of out-performance and underperformance when compared with other general markets.

#### **5.2.8. Concentration risk**

A Sub-Fund may invest only in a specific country/region/sector/asset class. A Sub-Fund's portfolio may not be well diversified in terms of the number of holdings and the number of issuers of securities that the Sub-Fund may invest in. Such Sub-Fund may be adversely affected by or depend heavily on the performance of those securities. Investors should also be aware that such Sub-Fund is likely to be more volatile than a broad-based fund, such as a global or regional equity or bond fund, as the Sub-Fund will be more susceptible to fluctuations in value resulting from the limited number of holdings or from adverse conditions, such as economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory events, in the respective country/region/sector/asset class in which the Sub-Fund invests.

For an Index Fund, the Underlying Index may be comprised of a limited number of securities. A Sub-Fund may therefore likely be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value of the Underlying Index or securities resulting from adverse conditions in the particular geographical region, country or industry sector. Where an Index Fund's Underlying Index tracks a particular region or country or industry sector or where the Underlying Index has a small number of constituents, or where the active strategy of a Sub-Fund is concentrated in a single region or industry sector risk factors specific to the relevant Sub-Fund are set out in its Appendix. Please refer to each Sub-Fund's Appendix for details.

#### **5.2.9. Government or exchanges requirements / policies risk**

Securities exchanges typically have the right to suspend or limit trading in any security traded on the relevant exchange; a suspension will render it impossible to liquidate positions and can thereby expose a Sub-Fund to losses.

There may be substantial government intervention in the economy, including restrictions on investment in companies or industries deemed sensitive to relevant national interests. Governments and regulators may also implement policies that may affect the financial markets, such as by the imposition of trading restrictions, a ban on "naked" short selling or the suspension of short selling for certain stocks. Further, intervention or restrictions by governments and regulators may affect the trading of the Investments or Units of a Sub-

Fund. This may affect the operation and market making activities of the Units of a Sub-Fund, and may have an unpredictable impact on the relevant Sub-Fund. For an Index Fund, this may also lead to an increased tracking error for the relevant Index Fund. Furthermore, such market interventions may have a negative impact on the market sentiment which may in turn affect the performance of the relevant Sub-Fund. In worst case scenario, the investment objective of the relevant Sub-Fund cannot be achieved.

#### **5.2.10. Currency and foreign exchange risk**

A Sub-Fund may issue classes of Units denominated in a currency other than the Base Currency of that Sub-Fund. A Sub-Fund may also be invested in part in assets denominated in currencies other than its Base Currency or the relevant class currency. The performance of such Sub-Fund will therefore be affected by changes in exchange rate controls (if any) and movements in the exchange rate between the currencies in which the assets are held and the Base Currency of such Sub-Fund or the relevant class currency. Since the Manager aims to maximise returns for such Sub-Fund in terms of its Base Currency, investors in such Sub-Fund may be exposed to additional currency risk. These risks may have adverse impact on the relevant Sub-Fund and its investors.

A Sub-Fund may, in part, seek to offset the risks associated with such exposure through foreign exchange transactions. The markets in which foreign exchange transactions are effected are highly volatile, highly specialised and highly technical. Significant changes, including changes in liquidity and prices, can occur in such markets within very short periods of time, often within minutes. Foreign exchange trading risks include, but are not limited to, exchange rate risk, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment, or particular transactions in foreign currency. These risks may have adverse impact on such Sub-Fund and its investors.

Any changes in exchange control regulations may cause difficulties in the repatriation of funds. Dealings in a Sub-Fund may be suspended if such Sub-Fund is unable to repatriate funds for the purpose of making payments on the redemption of Units. For further details on suspension of dealings in a Sub-Fund, please refer to the section headed “**7. Valuation and Suspension**” under the heading “**7.2 Suspension of Determination of Net Asset Value**” below.

#### **5.2.11. Risks relating to debt securities**

A Sub-Fund which invests in debt securities will be subject to the following risks associated with investments in debt securities:

##### **(i) Credit risk**

Investment in bonds or other debt securities involve credit risk of the issuers. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security or its issuer may also affect the security’s liquidity, making it more difficult to sell. A Sub-Fund’s investment is also subject to the risk that issuers may not make timely payments on principal and/or interests of the securities they issue. If the issuers of any of the securities in which the Sub-Fund’s

assets are invested default, the performance of the Sub-Fund will be adversely affected.

The debt securities that a Sub-Fund invests in may be offered on an unsecured basis without collateral. In such circumstances, the relevant Sub-Fund will rank equally with other unsecured creditors of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer's assets will be paid to holders of the relevant fixed income instrument issued by it only after all secured claims have been satisfied in full. The relevant Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

A Sub-Fund may hold cash and deposits in banks or other financial institutions and the extent of governmental and regulatory supervision may vary. The Sub-Fund might suffer a significant or even total loss in the event of insolvency of the banks or financial institutions.

**(ii) Credit ratings risk**

The ratings of debt securities by Moody's Investor Services, Standard & Poor's and Fitch's are a generally accepted barometer of credit risk. They are, however, subject to certain limitations from an investor's standpoint and do not guarantee the creditworthiness of the security and/or issuer at all times. The rating of an issuer is heavily weighted by past performance and does not necessarily reflect probable future conditions. Rating agencies might not always change their credit rating of an issuer in a timely manner to reflect events that could affect the issuer's ability to make scheduled payment on its obligations. In addition, there may be varying degrees of difference in credit risk of securities within each rating category.

**(iii) Below investment grade and unrated securities risk**

A Sub-Fund may invest in securities which are below investment grade or which are unrated. Investors should note that such securities would generally be considered to have a higher degree of counterparty risk, credit risk and liquidity risk than higher rated, lower yielding securities and may be subject to greater fluctuation in value and higher chance of default. If the issuer of securities defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. The market for these securities may be less active, making it more difficult to sell the securities. Valuation of these securities is more difficult and thus the relevant Sub-Fund's prices may be more volatile.

The value of lower-rated or unrated corporate bonds may be affected by investors' perceptions. When economic conditions appear to be deteriorating, below investment grade or unrated corporate bonds may decline in market value due to investors' heightened concerns and perceptions over credit quality.

**(iv) Risks associated with collateralised and/or securitised products (such as asset backed securities, mortgage backed securities and asset backed commercial papers) (if applicable)**

A Sub-Fund may invest in collateralised and/or securitised products such as asset backed securities, mortgage backed securities and asset backed commercial papers which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They may be exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.

**(v) Interest rate risk**

Changes in interest rates may affect the value of a debt security as well as the financial markets in general. Debt securities (such as bonds) are more susceptible to fluctuation in interest rates and may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes. If the debt securities held by a Sub-Fund fall in value, the Sub-Fund's value will also be adversely affected.

**(vi) Valuation risk**

The value of debt securities that a Sub-Fund invests may be subject to the risk of mispricing or improper valuation, i.e. operational risk that the debt securities are not priced properly. Valuations of quoted or listed debt securities are primarily based on the valuations from independent third party sources where the prices are available. However, in the case where independent pricing information may not be available such as in extreme market conditions or break down in the systems of third party sources, the value of such debt securities may be based on certification by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager after consultation with the Trustee. Valuations in such circumstance may involve uncertainty and judgemental determination.

In the event of adverse market conditions where it is not possible to obtain any reference quotation from the market at the relevant time of valuation, the latest available quotations of the relevant debt securities may be used to estimate the fair market value. Alternatively, the Manager after consultation with the Trustee may, permit some other method of valuation to be used to estimate the fair market value of such debt securities including the use of quotation of other debt securities with very similar attributes. Such valuation methodology may not equal to the actual liquidation price due to liquidity and size constraints. If valuation is proven to be incorrect, this will affect the Net Asset Value calculation of the relevant Sub-Fund.

**(vii) Unlisted debt securities risk**

The debt securities in which a Sub-Fund invests may not be listed on a stock exchange or a securities market where trading is conducted on a regular basis. Even if the debt securities are listed, the market for such securities may be inactive and the trading volume may be low. The bid and offer spreads of the price of such securities may be large and the relevant Sub-Fund may incur significant trading costs. In the absence of an active secondary market, the relevant Sub-Fund may need to hold the debt securities until their maturity date. If sizeable redemption requests are received, the relevant Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the relevant Sub-Fund may suffer losses in trading such securities.

#### **5.2.12. Sovereign debt risks**

Certain developing countries and certain developed countries are especially large debtors to commercial banks and foreign governments. Investment in debt obligations issued or guaranteed by governments or their agencies of such countries may involve a high degree of risk such as social, political and economic risks. The willingness or ability of a governmental entity to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due and the relative size of the debt service burden to the economy as a whole.

Governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others agencies abroad to reduce principal and arrearage on their debts. However, failure to implement economic reforms or achieve a required level of economic performance or repay debts when due may result in the cancellation of these third parties' commitments to continuously lend funds to a governmental entity, which may further impair such debtor's ability or willingness to service its debt on a timely basis.

In case of default, holders of sovereign debt (including a Sub-Fund) may be requested to participate in the restructuring of such debt and to extend further loans to the relevant governmental entities. In addition, a Sub-Fund may invest in securities issued or guaranteed by the government of a country with a sovereign credit rating below investment grade. The performance and value of the relevant Sub-Fund could deteriorate should there be any adverse credit events in the sovereign, in particular if there is downgrading of the sovereign credit rating or a default or bankruptcy of a sovereign occurs. There are no bankruptcy proceedings by which sovereign debt on which a governmental entity has defaulted may be recovered in whole or in part.

#### **5.2.13. Risks of investing convertible bonds**

A Sub-Fund may invest in convertible bonds. A convertible bond is a hybrid between debt and equity, permitting holders to convert the bond into shares in the company issuing the bond at a specified future date. As such, convertible bonds will be exposed to equity risks, in addition to the risks of debt securities generally, and may be subject to greater volatility than straight bond investments. Investments in convertible bonds are subject to the same interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable straight bond investments.

#### **5.2.14. Risks of investing in other funds**

A Sub-Fund may invest in underlying funds. In addition to the expenses and charges charged by such Sub-Fund, investor should note that there are additional fees involved when investing into these underlying funds, including fees and expenses charged by investment manager of these underlying funds as well as fees payable by the relevant Sub-Fund during its subscription to or redemption from these underlying funds. Furthermore, there can be no assurance that (a) the liquidity of the underlying funds will always be sufficient to meet redemption request as and when made; and (b) investment objective and strategy will be successfully achieved despite the due diligence procedures undertaken by the Manager and the selection and monitoring of the underlying funds. These factors may have adverse impact on the relevant Sub-Fund and its investors. If a Sub-Fund invests in an underlying fund managed by the Manager or a Connected Person of the Manager, potential conflict of interest may arise. Please refer to the section headed “**11. Other Important Information**” under the heading “**11.2. Potential Conflicts of Interest and Transactions with Connected Persons**” for further details.

#### **5.2.15. Emerging markets risks**

Certain countries in which a Sub-Fund may invest are considered as emerging markets. Investments in emerging markets will be sensitive to any change in political, social or economic development in the region. Many emerging countries have historically been subject to political instability which may affect the value of securities in emerging markets to a significant extent. As emerging markets tend to be more volatile than developed markets, any holdings in emerging markets are exposed to higher levels of risk such as market risk, custody risk and settlement risk.

The securities / futures markets of some of the emerging countries in which a Sub-Fund’s assets may be invested are not yet fully developed which may, in some circumstances, lead to a potential lack of liquidity. The securities/futures markets of developing countries are not as large as the more established securities/futures markets and have a substantially lower trading volume. Investment in such markets will be subject to risks such as market suspension, restrictions on foreign investment and control on repatriation of capital.

There are also possibilities of nationalisation, expropriation or confiscatory taxation, foreign exchange control, political changes, government regulation, social instability or diplomatic developments which could affect adversely the economies of emerging markets or the value of the Sub-Funds’ investments. In addition, it may be difficult to obtain and enforce a judgment in a court in an emerging country.

Underlying investments of emerging market funds may also become illiquid which may constrain the Manager’s ability to realise some or all of the portfolio. Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to some countries in which a Sub-Fund may invest may differ from those applicable in developed countries, for example, less information is available to investors and such information may be out of date.

#### **5.2.16. Settlement risk**

Settlement procedures in emerging countries are frequently less developed and less reliable and may involve the relevant Sub-Fund's delivery of securities, or transfer of title to securities, before receipt of payment for their sale. A Sub-Fund may be subject to a risk of substantial loss if a securities firm defaults in the performance of its responsibilities. A Sub-Fund may incur substantial losses if its counterparty fails to pay for securities such Sub-Fund has delivered, or for any reason fails to complete its contractual obligations owed to such Sub-Fund. On the other hand, significant delays in settlement may occur in certain markets in registering the transfer of securities. Such delays could result in substantial losses for a Sub-Fund if investment opportunities are missed or if a Sub-Fund is unable to acquire or dispose of a security as a result.

#### **5.2.17. Custodial risk**

Custodians or sub-custodians may be appointed in local markets for purpose of safekeeping assets in those markets. Where a Sub-Fund invests in markets where custodial and/or settlement systems are not fully developed, the assets of the Sub-Fund may be exposed to custodial risk. In case of liquidation, bankruptcy or insolvency of a custodian or sub-custodian, the Sub-Fund may take a longer time to recover its assets. In extreme circumstances such as the retroactive application of legislation and fraud or improper registration of title, the Sub-Fund may even be unable to recover all of its assets. The costs borne by a Sub-Fund in investing and holding investments in such markets will be generally higher than in organised securities markets.

#### **5.2.18. Financial Derivatives instruments and structure product risk**

A Sub-Fund may invest in financial derivatives instruments such as options, futures and convertible securities, and in depositary receipts, participation rights and potentially through other instruments which are linked to the performance of securities or indices such as participation notes, equity swaps and equity linked notes, which are sometimes referred to as "structured products". Investment in these instruments can be illiquid, if there is no active market in these instruments. Such instruments are complex in nature. Therefore there are risks of mispricing or improper valuation and possibilities that these instruments do not always perfectly track the value of the securities, rates or indices they are designed to track. Improper valuations can result in increased payments to counterparties or a loss in the value of the relevant Sub-Fund.

These instruments will also be subject to insolvency or default risk of the issuers or counterparties and over-the-counter markets risk. In addition, investment through structured products may lead to a dilution of performance of the relevant Sub-Fund when compared to a fund investing directly in similar assets. Besides, many derivative and structured products involve an embedded leverage. This is because such instruments provide significantly larger market exposure than the money paid or deposited when the transaction is entered into, so a relatively small adverse market movement could expose the relevant Sub-Fund to the possibility of a loss exceeding the original amount invested. Therefore, exposure to financial derivative instruments may lead to high risk of significant loss by the relevant Sub-Fund.

In addition, many financial derivative instruments are not traded on exchanges. As a result, if the relevant Sub-Fund engages in transactions involving financial derivative instruments,

it will be subject to the risk of the inability or refusal to perform such contracts by the counterparties with which the relevant Sub-Fund trades, and as such the relevant Sub-Fund may suffer a total loss of the relevant Sub-Fund's interest in the financial derivative instrument. This risk is also aggregated by the fact that over-the-counter derivatives markets are generally not regulated by government authorities and participants in these markets are not required to make continuous markets in the contracts they trade.

An investment in the financial derivative instruments does not entitle the financial derivative instruments holder to the beneficial interest in the shares nor to make any claim against the company issuing the shares. There can be no assurance that the price of the financial derivative instruments will equal the underlying value of the company or securities market that it may seek to replicate.

#### **5.2.19. Over-the-counter markets risk**

Over-the-counter ("OTC") markets are subject to less governmental regulation and supervision of transactions (in which many different kinds of financial derivative instruments and structured products are generally traded) than organised exchanges. In addition, many of the protections afforded to participants on some organised exchanges, such as the performance guarantee of an exchange clearing house, may not be available in connection with transactions carried out on OTC markets. Therefore, a Sub-Fund entering into transactions on OTC markets will be subject to the risk that its direct counterparty will not perform its obligations under the transactions and that a Sub-Fund will sustain substantial losses as a result.

In addition, certain instruments traded on the OTC markets (such as customised financial derivatives and structured products) can be illiquid. The market for relatively illiquid investments tends to be more volatile than the market for more liquid investments. These risks may have adverse impact on the relevant Sub-Fund and its investors.

#### **5.2.20. Hedging risk**

The Manager is permitted, but not obliged, to use hedging techniques such as using futures, options and/or forward contracts to attempt to offset market and currency risks. There is no guarantee that hedging techniques will fully and effectively achieve their desired result. The success of hedging much depends on the Manager's expertise and hedging may become inefficient or ineffective. This may have adverse impact on the relevant Sub-Fund and its investors.

While a Sub-Fund may enter into such hedging transactions to seek to reduce risks, unanticipated changes in currency, interest rates and market circumstances may result in a poorer overall performance of a Sub-Fund. A Sub-Fund may not obtain a perfect correlation between hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the intended hedge or expose the relevant Sub-Fund to risk of loss.

Any expenses arising from such hedging transactions, which may be significant depending on prevailing market conditions, will be borne by the relevant Sub-Fund in relation to which they have been incurred.



### **5.2.21. Liquidity risk**

Some of the markets in which a Sub-Fund invests may be less liquid and more volatile than the world's leading stock markets and this may result in the fluctuation in the price of securities traded on such markets. Certain securities may be difficult or impossible to sell, and this would affect the relevant Sub-Fund's ability to acquire or dispose of such securities at their intrinsic value. As a result, this may have adverse impact on the relevant Sub-Fund and its investors.

### **5.2.22. Risks associated with securities financing transactions**

A Sub-Fund which engages in securities financing transactions will be subject to the following risks:

#### **(a) Risks relating to securities lending transactions**

Securities lending transactions involve the risk that the borrower may fail to return the securities in a timely manner or at all. As a result, the Sub-Fund which engaged in securities lending transactions may suffer a loss and there may be a delay in recovering the lent securities. Any delay in the return of securities on loans may restrict the ability of the Sub-Fund to meet delivery or payment obligations arising from redemption requests and may trigger claims. The value of the collateral received as part of the lending transaction may also fall below the value of the securities lent out. Securities lending also entails operational risks such as settlement failures or delays in the settlement of instructions. Such failures or delays may restrict the ability of the Sub-Fund to meet delivery or payment obligations arising from redemption requests and may trigger claims.

#### **(b) Risks relating to sale and repurchase transactions**

A Sub-Fund may enter into sale and repurchase transactions with respect to securities. Sale and repurchase transactions involve credit risk to the extent that the Sub-Fund's counterparties may avoid such obligations in bankruptcy or insolvency proceedings, thereby exposing the relevant Sub-Fund to unanticipated losses. The amount of credit risk incurred by the relevant Sub-Fund with respect to a particular sale and repurchase transaction will depend in part on the extent to which the obligation of the Sub-Fund's counterparty is secured by sufficient collateral. In the event of the failure of the counterparty with which collateral has been placed, the relevant Sub-Fund may suffer loss as there may be delays in recovering collateral placed out or the cash originally received may be less than the collateral placed with the counterparty due to inaccurate pricing of the collateral or market movements.

#### **(c) Risks relating to reverse repurchase transactions**

A Sub-Fund may enter into reverse repurchase transactions. If the seller of securities to the Sub-Fund under a reverse repurchase transaction defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the relevant Sub-Fund will seek to dispose of such securities, which

action could involve costs or delay. If the seller becomes insolvent and subject to liquidation or reorganisation under applicable bankruptcy or other laws, the relevant Sub-Fund's ability to dispose of the underlying securities may be restricted or the Sub-Fund may have difficulty in realising collateral. It is possible, in a bankruptcy or liquidation scenario, that the relevant Sub-Fund may not be able to substantiate its interest in the underlying securities.

In the event of the failure of the counterparty with which cash has been placed, the relevant Sub-Fund may suffer loss as there may be delay in recovering cash placed out or difficulty in realising collateral or proceeds from the sale of the collateral may be less than the cash placed with the counterparty due to inaccurate pricing of the collateral or market movements.

In addition, if a seller defaults on its obligation to repurchase securities under a reverse repurchase transaction, the relevant Sub-Fund may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities may be less than the cash placed with the counterparty due to inaccurate pricing of the collateral or market movements.

#### **5.2.23. Risks associated with collateral management and reinvestment of cash collateral**

Where a Sub-Fund enters into a securities financing transaction or an OTC derivative transaction or securities financing transaction, collateral may be received from or provided to the relevant counterparty.

Notwithstanding that a Sub-Fund may only accept non-cash collateral which is highly liquid, the relevant Sub-Fund is subject to the risk that it will be unable to liquidate collateral provided to it to cover a counterparty default. The relevant Sub-Fund is also subject to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Where cash collateral received by a Sub-Fund is re-invested, the relevant Sub-Fund will be exposed to the risk of a failure or default of the issuer of the relevant security in which the cash collateral has been invested.

Where collateral is provided by a Sub-Fund to the relevant counterparty, in the event of the insolvency of the counterparty, the relevant Sub-Fund may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return if the collateral becomes available to the creditors of the relevant counterparty.

Finance charges received by a Sub-Fund under a securities lending transaction may be reinvested in order to generate additional income. Similarly cash collateral received by a Sub-Fund may also be reinvested in order to generate additional income. In both circumstances, the relevant Sub-Fund will be exposed to market risk in respect of any such investments and may incur a loss in reinvesting the financing charges and cash collateral it receives. Such a loss may arise due to a decline in the value of the investment made. A decline in the value of investment of the cash collateral would reduce the amount of collateral available to be returned by the relevant Sub-Fund to the securities lending counterparty at the conclusion of the securities lending contract. The relevant Sub-Fund

would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the relevant Sub-Fund.

Under a sale and repurchase transaction, the relevant Sub-Fund retains the economic risks and rewards of the securities which it has sold to the counterparty and therefore is exposed to market risk in the event that it must repurchase such securities from the counterparty at the pre-determined price if that pre-determined price is higher than the value of the securities at the time of repurchase. If the Sub-Fund chooses to reinvest the cash collateral received under the sale and repurchase transaction, it is also subject to market risk arising in respect of such investment.

If the additional income which is generated through finance charges imposed by a Sub-Fund on the counterparty of a reverse repurchase transaction is reinvested, the relevant Sub-Fund will assume market risk in respect of such investments.

#### **5.2.24. Management risk**

Each Sub-Fund is subject to management risk. This is the risk that the Manager's strategy, the implementation of which is subject to a number of constraints, may not produce the intended results. In addition, the Manager has absolute discretion to exercise shareholders' rights with respect to Investments comprising a Sub-Fund. There can be no guarantee that the exercise of such discretion will result in the investment objective of the relevant Sub-Fund being achieved. For an Index Fund, as there is no guarantee that it will fully replicate the relevant Underlying Index, it is also subject to the above management risk.

#### **5.2.25. Possible business failure risk**

In the current economic environment, global markets are experiencing very high level of volatility and an increased risk of corporate failures. The insolvency or other corporate failures of any one or more of the companies in which a Sub-Fund invests may have an adverse effect on the performance of the relevant Sub-Fund. Investors may lose money by investing in the relevant Sub-Fund.

#### **5.2.26. Counterparty risk**

The Manager for the account of a Sub-Fund, may enter into transactions in relation to that Sub-Fund's investments with financial institutions, such as brokerage firms, broker-dealers and banks. The relevant Sub-Fund may be exposed to the risk that such financial institutions, being a counterparty may not settle a transaction in accordance with market practice due to a credit or liquidity problem of the counterparty, or due to the insolvency, fraud or regulatory sanction of the counterparty, thus causing the relevant Sub-Fund to suffer a loss.

In addition, a Sub-Fund may be exposed to the counterparty risk of a custodian, bank or financial institution ("custodian or depository") with which it deposits its securities or cash. These custodian or depository may be unable to perform their obligations due to credit-related and other events like insolvency of or default of them. In these circumstances the relevant Sub-Fund may be required to unwind certain transactions and may encounter delays

of some years and difficulties with respect to court procedures in seeking recovery of the Sub-Fund's assets. The relevant Sub-Fund may sustain substantial losses as a result.

#### **5.2.27. Borrowing risk**

The Trustee, on the instruction of the Manager, may borrow for the account of each Sub-Fund for various reasons, such as facilitating redemptions or to acquire investments for the account of the relevant Sub-Fund. Borrowing involves an increased degree of financial risk and may increase the exposure of the relevant Sub-Fund to factors such as rising interest rates, downturns in the economy or deterioration in the conditions of the assets underlying its investments. There can be no assurance that the relevant Sub-Fund will be able to borrow on favourable terms, or that the relevant Sub-Fund's indebtedness will be accessible or be able to be refinanced by the relevant Sub-Fund at any time.

#### **5.2.28. Difficulties in valuation of investments risk**

Securities acquired on behalf of a Sub-Fund may subsequently become illiquid due to events relating to the issuer of the securities, market and economic conditions and regulatory sanctions. In cases where no clear indication of the value of the relevant Sub-Fund's portfolio securities is available (for example, when the secondary markets on which a security is traded have become illiquid) the Manager may apply valuation methods to ascertain the fair value of such securities, pursuant to the Trust Deed and as summarised under the section headed "*7. Valuation and Suspension*" under the heading "*7.1. Determination of the Net Asset Value*".

#### **5.2.29. War or terrorist attacks risks**

There can be no assurance that there will not be any terrorist attacks which could have direct or indirect effect on the markets in which investments of a Sub-Fund may be located and the corresponding political and/or economic effects arising therefrom if any, may in turn adversely affect the operation and profitability of the relevant Sub-Fund.

#### **5.2.30. Indemnity risk**

Under the Trust Deed, the Trustee and the Manager (and their respective directors, officers and employees) shall be entitled to be indemnified and held harmless out of the assets of the relevant Sub-Fund in respect of any (in addition to any right of indemnity given by law) action, costs, claims, damages, expenses or liabilities to which it (or they) may be put or which it (or they) may incur by virtue of the proper performance of their respective duties. Any reliance by the Trustee or the Manager on the right of indemnity would reduce the assets of the relevant Sub-Fund and the value of the Units. Notwithstanding the aforesaid, the Trustee and the Manager will neither be exempted from any liability to Unitholders imposed under Hong Kong law or breaches of trust through fraud or negligence nor may they be indemnified against such liability by Unitholders or at Unitholders' expense.

#### **5.2.31. Non-compliance with HKFRS risk**

The Manager intends to adopt Hong Kong Financial Reporting Standards ("**HKFRS**") in drawing up the annual accounts of the Trust and the Sub-Fund. However, investors should

note that the calculation of the Net Asset Value will not necessarily be in compliance with HKFRS. Under HKFRS, investments should be valued at fair value, and bid and ask pricing is considered to be representative of fair value for long and short listed investments respectively. However, under the valuation basis described in the section headed “7. *Valuation and Suspension*” under the heading “7.1 *Determination of the Net Asset Value*” below, listed investments may be valued by reference to the last traded price instead of bid and ask pricing as required under HKFRS.

The cost of establishment of the Trust and a Sub-Fund will be amortised over such period as disclosed in the relevant Appendix. Investors should note that this policy of amortisation is not in accordance with HKFRS. However, the Manager has considered the impact of such non-compliance and do not expect this issue to materially affect the results and Net Asset Value of a Sub-Fund. Further, the Manager believes that this policy is fairer and more equitable to the initial investors.

#### **5.2.32. Early termination risk**

Under the terms of the Trust Deed, the Manager or the Trustee may terminate the Trust or a Sub-Fund under certain circumstances including on the ground of small fund size.

In the event of early termination, the relevant Sub-Fund would have to distribute to the Unitholders their pro rata interest in the assets of the relevant Sub-Fund. It is possible that at the time of such sale or distribution, certain investments held by the relevant Sub-Fund may be worth less than the initial cost of such investments, resulting in a substantial loss to the Unitholders. Moreover, any organisational expenses with regard to the relevant Sub-Fund that had not yet become fully amortised would be debited against the relevant Sub-Fund’s net assets at that time. Any amount distributed to the Unitholders of the relevant Sub-Fund may be more or less than the capital invested by such Unitholders.

#### **5.2.33. Distribution risk**

Distributions may be made by a Sub-Fund. However, there is no guarantee that such distributions will be made nor will there be a target level of distributions payout. A high distribution yield does not imply a positive or high return.

Subject to the disclosure in the relevant Appendix, distributions may be paid out of the capital of a Sub-Fund or out of gross income while charging all or part of a Sub-Fund’s fees and expenses to the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of capital. The Manager may distribute out of the capital of a Sub-Fund if the net distributable income during the relevant period is insufficient to pay distributions as declared.

**Investors should note that the payment of distributions out of capital or effectively out of capital represents a return or a withdrawal of part of the amount they originally invested or capital gain attributable to that amount. Distributions will result in an immediate decrease in the Net Asset Value of the relevant Units.**

#### **5.2.34. Reliance on the manager risk**

Unitholders must rely upon the Manager in formulating the investment strategies and the performance of the Sub-Fund is largely dependent on the services and skills of its officers and employees. In the case of loss of service of the Manager or any of its key personnel, as well as any significant interruption of the Manager's business operations or in the extreme case of the insolvency of the Manager, the Trustee may not find successor managers quickly and the new appointment may not be on equivalent terms or of similar quality. Therefore, the occurrence of those events could cause a deterioration in the Sub-Fund's performance and investors may lose money in those circumstances.

#### **5.2.35. Effect of significant redemptions risk**

Substantial redemptions by Unitholders within a short period of time could require the relevant Sub-Fund to liquidate securities and other positions more rapidly than would otherwise be desirable, possibly reducing the value of its assets and/or disrupting its investment strategy. Further, it may be impossible to liquidate a sufficient amount of securities to meet redemptions because a significant part of the portfolio at any given time may be invested in securities for which the market is or has become illiquid. Reduction in the size of the relevant Sub-Fund could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the Sub-Fund's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

In view of the above, investment in any Sub-Fund should be regarded as long term in nature. The Sub-Funds are, therefore, only suitable for investors who can afford the risks involved.

Where significant redemptions of Units are requested, the right to require redemptions in excess of 10% of the total number of Units in the relevant Sub-Fund then in issue (or such higher percentage as the Manager may determine) may be deferred, or the period for the payment of redemption proceeds may be extended.

In addition, the Manager may also in certain circumstances suspend the determination of the Net Asset Value of the relevant Sub-Fund for the whole or any part of any period. Please see section headed "*7. Valuation and Suspension*" under the heading "*7.2 Suspension of Determination of Net Asset Value*" for further details.

#### **5.2.36. No right to control the sub-fund's operation risk**

Investors of each Sub-Fund will have no right to control the daily operations, including investment and redemption decisions, of each Sub-Fund.

#### **5.2.37. Creation of new Sub-Funds or new classes of Units risk**

Additional Sub-Funds of the Trust or additional classes of Units which may have different terms of investment may be established in the future without the consent of, or notification to existing Unitholders. In particular, such additional sub-funds or additional classes may have different terms with regard to fees.

#### **5.2.38. Conflicts of interests and other activities of the Manager**

Various potential and actual conflicts of interest may arise from the overall investment activities of the Manager and its Connected Persons for their own accounts and the accounts of others. The Manager and its Connected Persons may invest for their own accounts and for the accounts of clients in various instruments that have interests different from or adverse to the instruments that are owned by the relevant Sub-Fund. For more information, please refer to the section headed ***“11. Other Important Information”*** under the heading ***“11.2 Potential Conflicts of Interest and Transactions with Connected Persons”***.

### **5.3. Fund specific risks**

Please refer to the relevant Appendix for further details on additional risks (if any) associated with investment in a particular Sub-Fund.

### **5.4. Risks associated with market trading**

#### **5.4.1. Trading risk**

While the creation/redemption feature of each Sub-Fund is designed to make it likely that Units will trade close to their Net Asset Value, disruptions to creations and redemptions (for example, as a result of imposition of capital controls by a foreign government) may result in trading prices of the Units that differ significantly from the Net Asset Value of such Units. The secondary market prices of Units will fluctuate in accordance with changes in the Net Asset Value of the Units and supply and demand on any exchange on which the Units are listed. In addition, when buying or selling Units on the SEHK additional charges (such as brokerage fees) mean that an investor may pay more than the Net Asset Value per Unit when buying Units on the SEHK and may receive less than the Net Asset Value per Unit when selling Units on the SEHK. The Manager cannot predict whether Units will trade below, at, or above their Net Asset Value. Since, Units must, generally, be created and redeemed in Application Unit size (unlike shares of many closed-end funds, which frequently trade at appreciable discounts from, and sometimes at premiums to, their net asset value) the Manager believes that ordinarily large discounts or premiums to the Net Asset Value of Units should not be sustained. If the Manager suspends creations and/or redemptions of Units, the Manager anticipates that there may be larger discounts or premiums as between the secondary market price of Units and their Net Asset Value.

#### **5.4.2. Units may trade at prices other than Net Asset Value risk**

Units may trade on the SEHK at prices above or below their most recent Net Asset Value. The Net Asset Value per Unit of a Sub-Fund is calculated at the Valuation Point on each Valuation Day and fluctuates with changes in the market value of the relevant Sub-Fund's holdings. The trading prices of the Units fluctuate continuously throughout the trading hours based on market supply and demand rather than their Net Asset Value. The trading price of the Units may deviate significantly from their Net Asset Value particularly during periods of market volatility. Volatility on the SEHK as well as supply and demand for Units traded on the SEHK may lead to the Units of the relevant Sub-Fund trading at a premium or discount to their Net Asset Value. On the basis that Units can, generally, be created and redeemed in Application Unit size at their Net Asset Value, the Manager believes that large discounts or premiums to Net Asset Value are not likely to be sustained over the long-term. While the

creation/redemption feature is designed to make it likely that the Units will normally trade at prices close to their next calculated Net Asset Value, trading prices are not expected to correlate exactly with the Net Asset Value of the Units due to reasons relating to timing as well as market supply and demand factors. In addition, disruptions to creations and redemptions or the existence of extreme market volatility may result in trading prices of the Units to differ significantly from their Net Asset Value. In particular, if an investor purchases Units at a time when the market price is at a premium to the Net Asset Value of the Units or sells when the market price is at a discount to Net Asset Value of the Units, then the investor may sustain losses.

#### **5.4.3. No trading market in the Units risk**

There may be no liquid trading market for the Units of a Sub-Fund notwithstanding the listing of such Units on the SEHK and the appointment of one or more market makers. Further, there can be no assurance that Units of an Index Fund will experience trading or pricing patterns similar to those of exchange traded funds which are issued by investment companies in other jurisdictions or those traded on the SEHK which are based upon indices other than the relevant Underlying Index.

#### **5.4.4. Reliance on market maker(s) risk**

Although it is the Manager's intention that there will always be at least one market maker in respect of the Units of a Sub-Fund in each trading counter, investors should note that liquidity in the market for the Units may be adversely affected if there is no market maker for the relevant trading counter. The Manager will seek to mitigate this risk by using its best endeavours to put in place arrangements so that at least one market maker for the Units of the Sub-Fund or for the Units traded in each counter (where there is a Dual-Counter or Multi-Counter) (which may be the same market maker) gives not less than 3 months' notice prior to terminating market making arrangement under the relevant market making agreement(s). It is possible that where there is only one SEHK market maker to Units of the relevant trading counter of the Sub-Fund or the Manager may not be able to engage a substitute market maker within the termination notice period of a market maker and therefore it may not be practical for the relevant Sub-Fund to remove the only market maker to the Units of the trading counter of the relevant Sub-Fund even if the market maker fails to discharge its duties as the sole market maker. There is also no guarantee that any market making activity will be effective.

#### **5.4.5. Reliance on Participating Dealer(s) risk**

The creation and redemption of Units may only be effected through Participating Dealer(s). A Participating Dealer may charge a fee for providing this service. Participating Dealer(s) will not be able to issue or redeem Units during any period when, amongst other things, dealings on the SEHK are restricted or suspended, settlement or clearing of securities through the CCASS is disrupted or in respect of an Index Fund, the relevant Underlying Index is not compiled or published. In addition, Participating Dealer(s) will not be able to issue or redeem Units if some other event occurs which impedes the calculation of the Net Asset Value of the relevant Sub-Fund or disposal of the relevant Sub-Fund's portfolio securities cannot be effected. Where a Participating Dealer appoints an agent or delegate (who is a CCASS participant) to perform certain CCASS-related functions, if the



appointment is terminated and the Participating Dealer fails to appoint an alternative agent or delegate, or if the agent or delegate ceases to be a CCASS participant, the creation or realisation of Units by such Participating Dealer may also be affected. Since the number of Participating Dealers at any given time will be limited, and there may even be one Participating Dealer at any given time, there is a risk that investors may not always be able to create or redeem Units freely.

#### **5.4.6. Absence of active market risk**

Although Units of a Sub-Fund are listed for trading on the SEHK, there can be no assurance that an active trading market for Units of the Sub-Fund will develop or be maintained. In addition, if the Investments which comprise the Sub-Fund themselves have limited trading markets, or if the spreads are wide, this may adversely affect the price of the Units and the ability of an investor to dispose of its Units at the desired price. If investors need to sell Units at a time when no active market for them exists, the price they receive for such Units — assuming they are able to sell them — would likely be lower than the price received if an active market did exist.

In addition, in respect of an Index Fund, the price at which Index Securities may be purchased or sold by an Index Fund upon any rebalancing activities or otherwise and the value of the Units may be adversely affected if trading markets for the relevant Index Fund's portfolio securities are limited, inefficient or absent or if bid-offer spreads are wide.

#### **5.4.7. Restrictions on creation and redemption of Units risk**

Investors should note that investment in Units is not like a typical investment fund offered to the public in Hong Kong (for which units can generally be purchased and redeemed directly from the manager). Unless otherwise determined by the Manager, in consultation with the Trustee, Units may only be created and redeemed in Application Unit sizes directly by a Participating Dealer (either on its own account or on behalf of an investor through a stockbroker which has opened an account with the Participating Dealer). Other investors may only make a request (and if such investor is a retail investor, through a stockbroker which has opened an account with a Participating Dealer) to create or redeem Units in Application Unit sizes through a Participating Dealer which reserves the right to refuse to accept a request from an investor to create or redeem Units under certain circumstances. Please refer to Schedule 4 for further details in relation to the circumstances under which creation and redemption applications can be rejected. Alternatively, investors may realize the value of their Units by selling their Units through an intermediary such as a stockbroker on the SEHK, although there is a risk that dealings on the SEHK may be suspended.

#### **5.4.8. Suspension of trading on the SEHK risk**

If trading of the Units of a Sub-Fund on the SEHK is suspended or trading generally on the SEHK is suspended, then there will be no secondary market dealing for those Units. The SEHK may suspend the trading of Units whenever the SEHK determines that it is appropriate in the interests of a fair and orderly market to protect investors. The subscription and redemption of Units may also be suspended if the trading of Units is suspended.

#### **5.4.9. Secondary market trading risk**

Units in a Sub-Fund may trade on the SEHK when the relevant Sub-Fund does not accept orders to create or redeem Units. On such days, Units may trade in the secondary market with more significant premiums or discounts than might be experienced on days when the relevant Sub-Fund accepts creation and redemption orders.

#### **5.4.10. Liquidity risk**

The Units of a Sub-Fund may not initially be widely held upon their listing on the SEHK. Accordingly, any investor buying Units in small numbers may not necessarily be able to find other buyers should that investor wish to sell. To address this risk, one or more market makers have been appointed.

#### **5.4.11. Cost of trading Units risk**

Trading of Units on the SEHK may involve various types of costs (e.g. trading fees and brokerage fees) that apply to all securities transactions. When trading Units through a broker investors will incur a brokerage commission or other charges imposed by the broker. As a result, investors may pay more than the Net Asset Value per Unit when buying Units on the SEHK, and may receive less than the Net Asset Value per Unit when selling Units on the SEHK.

In addition, investors on the secondary market will also incur the cost of the trading spread, being the difference between what investors are willing to pay for the Units (bid price) and the price at which they are willing to sell Units (ask price). Frequent trading may detract significantly from investment results and an investment in Units may not be advisable particularly for investors who anticipate regularly making small investments.

#### **5.4.12. Trading time differences risk**

As an exchange may be open when the Units of a Sub-Fund are not priced, the value of any Investment which comprises the relevant Sub-Fund may change when investors may not be able to buy or sell the Units. Further the price of Investments comprising the relevant Sub-Fund may not be available during part of the SEHK trading day due to trading hour differences which may result in the trading price of Units deviating from the Net Asset Value per Unit.

### **5.5. Risks associated with Index Fund and the Underlying Index**

#### **5.5.1. Passive investments risk**

Each Index Fund is not actively managed. Accordingly, an Index Fund may be affected by a decline in the market segments relating to the relevant Underlying Index. Under normal market conditions, the Manager will not take defensive positions when the Underlying Index moves in an unfavourable direction. Investors may lose a significant part of their respective investments if the relevant Underlying Index falls.

Each Index Fund invests in the Index Securities and/or futures contracts included in or representative of the Underlying Index regardless of their investment merit except to the extent of any representative sampling strategy. The Manager does not attempt to select securities or future contracts individually or to take defensive positions when the Underlying Index moves in an unfavourable direction unless under exceptional market conditions and/or extreme circumstances, where the Manager may adopt a temporary defensive position for protection of the Index Fund in the best interests of the Index Fund and the Unitholders. Accordingly, investors should note that the lack of discretion on the part of the Manager to adapt to market changes due to the inherent investment nature of the Index Funds means that falls in the relevant Underlying Index are expected to result in corresponding falls in the Net Asset Values of the relevant Index Funds, and investors may lose substantially all of their investment.

#### **5.5.2. Representative sampling risk**

With a representative sampling strategy, an Index Fund does not hold all of the Index Securities in its Underlying Index and may invest in Non-Index Securities, provided that the sample closely reflects the overall characteristics of the Underlying Index which the Manager believes will help the relevant Index Fund achieve its investment objective. The Index Securities held by an Index Fund may also be over or underweight relative to the Index Securities in its Underlying Index. It is therefore possible that an Index Fund may be subject to larger tracking error.

#### **5.5.3. Tracking error risk**

The Net Asset Value of an Index Fund may not correlate exactly with its Underlying Index. Factors such as the fees and expenses of an Index Fund, any adoption of a representative sampling strategy, liquidity of the market, imperfect correlation between an Index Fund's assets and the Index Securities constituting its Underlying Index, inability to rebalance an Index Fund's holdings of Index Securities in response to changes in the constituents of its Underlying Index, rounding of Index Securities prices, changes to the relevant Underlying Index and regulatory policies may affect the Manager's ability to achieve close correlation with the relevant Underlying Index. This may cause an Index Fund's returns to deviate from its Underlying Index.

Further, an Index Fund may receive income (such as interests and dividends) from its assets while the Underlying Index does not have such sources of income. There can be no guarantee or assurance of exact or identical replication at any time of the performance of the Underlying Index or that an Index Fund will achieve its investment objective at any time of corresponding to the performance of the relevant Underlying Index. In addition there is no guarantee or assurance that the use of representative sampling strategy would help avoid the tracking error and each Index Fund's returns may therefore deviate from its Underlying Index.

Although the Manager regularly monitors the tracking error of each Index Fund, there can be no guarantee or assurance that any Index Fund will achieve any particular level of tracking error relative to the performance of its Underlying Index.

#### **5.5.4. Fluctuations of Underlying Index risk**

The performance of the Units of an Index Fund should, before fees and expenses, correspond closely with the performance of its Underlying Index. If the relevant Underlying Index experiences volatility or declines, the price of the Units of the relevant Index Fund will vary or decline accordingly.

#### **5.5.5. Termination of license to use the Underlying Index risk**

The Manager has been granted a licence by the relevant Index Providers to use the relevant Underlying Index in connection with the relevant Index Fund and to use certain trade marks and any copyright in the relevant Underlying Index. An Index Fund may not be able to fulfil its objective and may be terminated if the licence agreement of its Underlying Index is terminated. The initial term of the licence agreement may be limited in period and thereafter renewable for only short periods. There is no guarantee that the relevant licence agreement will be perpetually renewed.

Although the Manager will seek to find a replacement Underlying Index, an Index Fund may be terminated if its Underlying Index is discontinued and/or the licence agreement is terminated and the Manager is unable to identify or agree with any Index Provider terms for the use of a suitable replacement index, using, in the opinion of the Manager, the same or substantially similar formula for the method of calculation as used in calculating the relevant Underlying Index and which meets the acceptability criteria under Chapter 8.6(e) of the Code. Any such replacement index will be subject to the prior approval of the Commission under the Code and Unitholders will be duly notified of the same. Accordingly, investors should note that the ability of an Index Fund to track the relevant Underlying Index depends on the continuation in force of the relevant Underlying Index licence agreement in respect of the relevant Underlying Index or a suitable replacement. An Index Fund may also be terminated if the relevant Underlying Index ceases to be compiled or published and there is no replacement index, using, in the opinion of the Manager, the same or substantially similar formula for the method of calculation as used in calculating the relevant Underlying Index.

#### **5.5.6. Compilation of Underlying Index risk**

The securities of each Underlying Index are determined and composed by the relevant Index Provider without regard to the performance of the relevant Index Fund. Each Index Fund is not sponsored, endorsed, sold or promoted by the relevant Index Provider. Each Index Provider makes no representation or warranty, express or implied, to investors in the relevant Index Fund or other persons regarding the advisability of investing in Index Securities generally or in any Index Fund particularly. Each Index Provider has no obligation to take the needs of the Manager or investors in the relevant Index Fund into consideration in determining, composing or calculating the relevant Underlying Index. There is no assurance that an Index Provider will compile the relevant Underlying Index accurately, or that the relevant Underlying Index will be determined, composed or calculated accurately. In addition, the process and the basis of computing and compiling the relevant Underlying Index and any of its related formulae, constituent companies and factors may at any time be changed or altered by the relevant Index Provider without notice. Consequently there can be no guarantees that its actions will not prejudice the interests of the relevant Index Fund, the Manager or investors.

Apart from scheduled rebalances, the relevant Index Provider may carry out additional ad hoc rebalances to the relevant Underlying Index in order, for example, to correct an error in the selection of index constituents. Where the relevant Underlying Index is rebalanced and the relevant Index Fund in turn rebalances its portfolio to bring it in line with its Underlying Index, any transaction costs and market exposure arising from such portfolio rebalancing will be borne by the relevant Index Fund and, by extension, its Unitholders. Therefore, errors and additional ad hoc rebalances carried out by the relevant Index Provider to the relevant Underlying Index may increase the costs and market exposure risk of the relevant Index Fund.

#### **5.5.7. Change in composition of the Underlying Index risk**

The composition of the Index Securities constituting the relevant Underlying Index of an Index Fund will change as the Index Securities may be delisted, or as the Index Securities mature or are redeemed or as new securities are included in the relevant Underlying Index or where the methodology of the relevant Underlying Index is changed by the relevant Index Provider.

In addition, the computation basis of the relevant Underlying Index may change. When this happens, the weightings or composition of the Index Securities owned by the relevant Index Fund (either directly or indirectly) will be changed as considered appropriate by the Manager in order to achieve the investment objective. Thus, an investment in Units of the Index Fund will generally reflect the relevant Underlying Index as its constituents change and not necessarily the way it is comprised at the time of an investment in the Units. However, there can be no guarantee that the relevant Index Fund will, at any given time accurately reflect the composition of the relevant Underlying Index. Please refer to “**5.5.3 Tracking Error Risk**” of this section.

#### **5.5.8. Risks Associated with Dual Counter and Multi-Counter**

A Sub-Fund may adopt a Dual Counter or Multi-Counter arrangement.. The novelty of the Dual Counter and Multi-Counter arrangements for exchange traded funds listed on the SEHK may make investment in such Units riskier than in single counter units or shares of an SEHK listed issuer for example where for some reason there is a settlement failure on an inter-counter transfer if the Units of one counter are delivered to CCASS at the last batch settlement run on a trading day, leaving not enough time to transfer the Units to the other counter for settlement on the same day.

In addition, where there is a suspension of the inter-counter transfer of Units between different counters for any reasons, for example, operational or systems interruption, Unitholders will only be able to trade their Units in the currency of the relevant counter. Accordingly, it should be noted that inter-counter transfers may not always be available. There is a risk that the market price on the SEHK of Units traded in one counter may deviate significantly from the market price on the SEHK of Units traded in another counter due to different factors such as market liquidity, supply or demand in each counter and exchange rate fluctuations.

The trading price of Units in each counter is determined by market forces and so will not be the same as the trading price of Units multiplied by the prevailing rate of foreign exchange.

Accordingly, when selling Units or buying Units traded in one counter, an investor may receive less or pay more than the equivalent amount in the currency of another counter if the trade of the relevant Units took place on another counter. There can be no assurance that the price of Units in each counter will be equivalent.

Further, investors without RMB accounts or USD accounts may not be able to buy or sell RMB traded or USD traded (as the case may be) Units.

It is possible that some brokers and CCASS participants may not be familiar with and may not be able to (i) buy Units in one counter and to sell Units in the other, (ii) carry out inter-counter transfers of Units, or (iii) trade Units in different counters at the same time. In such a case another broker or CCASS participant may need to be used. Accordingly, investors may only be able to trade their Units in one currency, investors are recommended to check the readiness of their brokers in respect of the Dual Counter or Multi-Counter (as the case may be) trading and inter-counter transfer and should fully understand the services which the relevant broker is able to provide (as well as any associated fees).

## **5.6. Active investment management risk**

The Manager employs an actively managed investment strategy for each Sub-Fund which adopts an active strategy. A Sub-Fund which is actively managed does not seek to track any index or benchmark, and there is no replication or representative sampling conducted by the Manager. Instead, investments of such Sub-Fund will be based on the Manager's view of market conditions and international investment trends and environment. A Sub-Fund which is actively managed may fail to meet its objective as a result of the Manager's selection of investments for the Sub-Fund, and/or the implementation of processes which may cause the Sub-Fund to underperform as compared to prevailing money market rates or other money market funds with a similar objective.

Whilst it is the intention of the Manager to implement strategies which are designed to achieve the investment objective, there can be no assurance that these strategies will be successful. The Manager may not be successful in selecting the best-performing instruments or investment techniques. Accordingly, there is a risk that investors may not recoup the original amount invested in the relevant Sub-Fund or may lose a substantial part or all of their initial investment.

## **5.7. Regulatory Risks**

### **5.7.1. Withdrawal of authorisation by the Commission risk**

The Trust and each Sub-Fund have been authorized as a collective investment scheme under the Code by the Commission pursuant to section 104 of the SFO. The Commission's authorisation is not a recommendation or endorsement of the Trust or the Sub-Funds nor does it guarantee the commercial merits of the Trust or the Sub-Funds or their performance. This does not mean the Trust or the Sub-Funds are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors. The Commission reserves the right to withdraw the authorization of the Trust and any Sub-Fund, or to withdraw any waiver from the Code or revise the same.

In addition, any authorisation given by the Commission may be subject to certain conditions which may be withdrawn or varied by the Commission. If as a result of such withdrawal or variation of conditions or waivers from the Code, it becomes illegal, impracticable or inadvisable to continue the Trust or any Sub-Fund, the Trust or the relevant Sub-Fund (as applicable) will be terminated.

The Manager may withdraw the authorisation of the Trust or any Sub-Fund if it does not wish the Trust or any Sub-Fund to continue to be authorised by the Commission. In such circumstance, the Manager will give Unitholders no less than three months' prior notice of its intention to seek the Commission's withdrawal of such authorisation.

#### **5.7.2. De-listing of Units risk**

The SEHK imposes certain requirements for the continued listing of securities, including the Units, on the SEHK. Investors cannot be assured that the Units of a Sub-Fund will continue to meet the requirements necessary to maintain the listing of the Units on the SEHK or that the SEHK will not change the listing requirements. If the Units are delisted from the SEHK, Unitholders will have the option to redeem their Units by reference to the Net Asset Value of the relevant Sub-Fund. The Manager may, in consultation with the Trustee, seek the Commission's prior approval to terminate the relevant Sub-Fund and will notify investors accordingly. Should the Commission withdraw authorisation of the Sub-Funds for any reason it is likely that Units may also have to be delisted.

#### **5.7.3. Hong Kong regulatory policies risk**

The government or the regulators may intervene in the financial markets. These changes may be introduced suddenly and in accordance with market conditions. Such changes may have a negative impact on existing funds such as the Sub-Funds including without limitation, an adverse cost impact which may materially prejudice Unitholders of the Sub-Funds. Further, any such change in policies may also negatively impact the incentive of the counterparties to participate in the Sub-Funds and thereby decreasing the liquidity of the Sub-Funds. In order to maintain its authorization status and to continue to list the Units on the SEHK, each Sub-Fund will be required to comply with such rules and policies at all times. To the extent that any such change in rules or policies adversely impact the Sub-Funds, Unitholders may suffer accordingly.

#### **5.7.4. Legal, regulatory and compliance risks**

Each Sub-Fund must comply with regulatory constraints or changes in the laws affecting it or its investment restrictions which might require a change in the relevant Sub-Fund's investment policy and objective. Furthermore, such change in the laws may have an impact on the market sentiment which may in turn affect the performance of the relevant Underlying Index and as a result, the performance of the relevant Sub-Fund. It is impossible to predict whether such an impact caused by any change of law will be positive or negative for the relevant Sub-Fund. In the worst case scenario, a Unitholder may lose a material part of its investment in the relevant Sub-Fund.

Domestic and/or international laws or regulations may change in a way that adversely affects the Trust or the Sub-Funds. Differences in laws between jurisdictions (e.g. Hong

Kong and the US) may make it difficult for the Trustee or Manager to enforce legal agreements entered into in respect of the Sub-Funds. The Trustee and the Manager reserve the right to take steps to limit or prevent any adverse effects from changes to laws or their interpretation, including altering investments of or restructuring the Sub-Funds.

#### **5.7.5. Taxation risk**

Investing in a Sub-Fund may have tax implications for a Unitholder depending on the particular circumstances of each Unitholder. Prospective investors are strongly urged to consult their own tax advisers and counsel with respect to the possible tax consequences to them of an investment in the Units. Such tax consequences may differ in respect of different investors.

#### **5.7.6. Foreign account tax compliance risk**

Sections 1471 – 1474 of the US Internal Revenue Code of 1986, as amended (“**IRS Code**”) (referred to as the Foreign Account Tax Compliance Act or “**FATCA**”) impose rules with respect to certain payments to non-United States persons, such as the Trust and the Sub-Funds, including interest and dividends from securities of US issuers and gross proceeds from the sale of such securities. All such payments may be subject to FATCA withholding at a 30% rate, unless the recipient of the payment satisfies certain requirements intended to enable the US Internal Revenue Service (the “**US IRS**”) to identify United States persons (within the meaning of the IRS Code) with direct or indirect interests in such payments. The Hong Kong government has entered into an intergovernmental agreement with the US (“**IGA**”) for the implementation of FATCA, adopting “**Model 2**” IGA arrangements. Under this “Model 2” IGA arrangements, Foreign Financial Institutions (“**FFIs**”) in Hong Kong (such as the Trust and the Sub-Funds) would be required to register with the US IRS and comply with the terms of FFI Agreement. Otherwise they will be subject to a 30% withholding tax on relevant US-sourced payments made to them.

Although the Manager and the Sub-Funds will endeavor to satisfy any obligations imposed on the Sub-Funds to avoid the imposition of FATCA withholding tax, no assurance can be given that the Sub-Funds will be able to fully satisfy these obligations. If a Sub-Fund becomes subject to a withholding tax as a result of FATCA, the Net Asset Value of the Sub-Fund may be adversely affected and the Sub-Fund and its Unitholders may suffer material loss.

A Sub-Fund’s ability to comply with FATCA will depend on each Unitholder providing the Sub-Fund with information that the Sub-Fund requests concerning the Unitholder or its direct and indirect owners. As at the date of this Prospectus, all Units are registered in the name of HKSCC Nominees Limited. It is the Manager’s understanding that HKSCC Nominees Limited has registered as a participating foreign financial institution under a Model 2 IGA.

Please also refer to the section headed “**10. Taxation**” under the heading “**10.4 FATCA**” in this Prospectus for further details on FATCA and related risks.

All prospective investors and Unitholders should consult with their own tax advisers regarding the possible implications of FATCA and the tax consequences on their



investments in a Sub-Fund. Unitholders who hold their Units through intermediaries should also confirm the FATCA compliance status of those intermediaries.

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**6. INVESTING IN THE SUB-FUND**

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Investors should refer to Schedule 4 for information relating to the methods of investing in a Sub-Fund.

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## **7. VALUATION AND SUSPENSION**

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### **7.1. Determination of the Net Asset Value**

#### **7.1.1. Calculation of Net Asset Value**

The Net Asset Value of each Sub-Fund, Net Asset Value per Unit and where applicable the Net Asset Value of each class of Units and the Net Asset Value per Unit of each class will be calculated in accordance with the Trust Deed as at the Valuation Point on each Valuation Day.

The Net Asset Value of each Sub-Fund shall be determined in its Base Currency by valuing the assets of the relevant Sub-Fund and deducting the liabilities attributable to the relevant Sub-Fund in accordance with the terms of the Trust Deed.

In order to determine the Net Asset Value of a Unit of a class of a Sub-Fund, the Net Asset Value attributable to such class shall be divided by the number of Units of that class in issue as at the relevant Valuation Point for such class of Units.

The Manager may, after consultation with the Trustee, arrange for a revaluation of the Net Asset Value of a Unit of any class if it considers that the Net Asset Value per Unit of the relevant class calculated in relation to any Dealing Day (as the case may be) does not accurately reflect the true value of such Unit. Any revaluation will be made on a fair and equitable basis.

#### **7.1.2. Valuation Policies**

A summary of the applicable key provisions of the Trust Deed relating to the determination of the value of investments in the Trust is set out as follows:

##### **7.1.2.1. Listed investments**

The value of any investment (including a unit, share or other interest in a collective investment scheme quoted, listed, traded or normally dealt in on a Securities Market but excluding a unit, share or other interest in an unlisted collective investment scheme or a commodity) quoted, listed, traded or normally dealt in on a Securities Market shall at the discretion of the Manager be calculated by reference to the last traded price or closing price as calculated and published by the Securities Market (which, in the opinion of the Manager, provides the principal Securities Market for such investment) or (if no last traded price or closing price is available) the latest price on which the investment is quoted, listed, traded or normally dealt in for such amount of such investment at or immediately preceding the Valuation Point, as the Manager may consider in the circumstances to provide a fair criterion, provided that:

- (a) If the Manager in its discretion considers that the prices ruling on a Securities Market other than the principal Securities Market provide in all the circumstances a fairer criterion of value in relation to any such investment, it may, after consultation with the Trustee, adopt such prices.
- (b) If an investment is quoted, listed or normally dealt in on more than one Securities Market, the Manager shall adopt the price or, as the case may be, middle quotation on the Securities Market which, in its opinion and after consultation with the Trustee, provides the principal market for such investment.
- (c) For an investment where only a single external pricing source is available, the price shall be obtained independently for that source as the Manager may, after consultation with the Trustee, deem appropriate.
- (d) In the case of any investment which is quoted, listed or normally dealt in on a Securities Market but in respect of which, for any reason, prices on that Securities Market may not be available at any relevant time, the value thereof shall be certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager after consultation with the Trustee.
- (e) Where there is no Securities Market, all calculations based on the value of investments quoted by any person, firm or institution making a market in that investment (and if there shall be more than one such market maker then such particular market maker as the Manager, in consultation with the Trustee, may determine) shall be made by reference to the mean of the latest bid and asked price quoted thereby.
- (f) There shall be taken into account interest accrued on interest-bearing investments up to (and including) the date as at which the valuation is made, unless such interest is included in the quoted or listed price.

#### **7.1.2.2. Unquoted investments**

The value of any investment (other than an interest in an unlisted collective investment scheme or a commodity) which is not quoted, listed or normally dealt in on a Securities Market shall be the initial value thereof equal to the amount expended out of the relevant Sub-Fund in the acquisition thereof (including in each case the amount of the stamp duties, commissions and other acquisition expenses) provided that the value of any such unquoted investments shall be determined on a regular basis by a professional person approved by the Trustee as qualified to value such unquoted investment. Such professional person may, with the approval of the Trustee, be the Manager.

#### **7.1.2.3. Cash, deposit etc**

Cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager after consultation with the Trustee, any adjustment should be made to reflect the value thereof.

#### **7.1.2.4. Collective investment scheme**

The value of each unit, share or other interest in any collective investment scheme (other than a unit, share or other interest in a collective investment scheme quoted, listed, traded or normally dealt in on a Securities Market) shall be the net asset value per unit, share or other interest as at the same day the Net Asset Value of the relevant Sub-Fund is calculated, or if such collective investment scheme is not valued as at the same day, the last published net asset value per unit, share or other interest in such collective investment scheme (where available) or (if the same is not available) the latest available bid price for such a unit, share or other interest at or immediately preceding the Valuation Point.

If no net asset value, bid and offer prices or price quotations are available, the value of each unit, share or other interest shall be determined from time to time in such manner as the Manager, in consultation with the Trustee, shall determine.

#### **7.1.2.5. Futures contracts**

In respect of any futures contract (including futures contract relating to an Underlying Index) that are listed or quoted on, or normally dealt in, a futures exchange, the value of such futures contract shall be the official closing price of such futures contract or if such price is not available, then, (i) the latest available price of such futures contract or (ii) (if bid and offered quotations are made) the latest available middle market quotation of such futures contract, in each case on the date as at which the valuation is to be made on the futures exchange in which the futures contract was entered into on behalf of the relevant Sub-Fund, or if no such prices are available, a price as quoted by the broker or calculation agent of the relevant futures contract to the Administrator or the Manager.

#### **7.1.2.6. Other valuation methods**

Notwithstanding paragraphs 7.1.2.1 to **Error! Reference source not found.** above, he Manager may, after consultation with the Trustee, adjust the value of any investment or permit some other method of valuation to be used if, having regard to currency, applicable rate of interest, maturity, marketability and other considerations it deems relevant, it considers that such adjustment or use of such other method is required to reflect the fair value thereof.

For instance, where the market value of an investment is unavailable or where the Manager reasonably believes that no reliable price exists or the most recent price available does not reflect a price the relevant Sub-Fund would expect to receive upon the current sale of the investment, the Manager may value the investment at a price which the Manager believes reflects a fair and reasonable price for that investment in the prevailing circumstances.

#### **7.1.2.7. Conversion to base currency**

The value (whether of a borrowing or other liability, an investment or cash) otherwise than in the Base Currency of a Sub-Fund shall be converted into the Base Currency at the prevailing market rate (whether official or otherwise) which the Manager shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange or in accordance with a conversion formula (if any). Conversion of currency may be made at a premium or discount in exceptional circumstances such as where there is a huge fluctuation in the exchange rate.

#### **7.1.2.8. Reliance on price data and information provided through electronic price feeds etc**

Subject as provided below, when calculating the Net Asset Value of a Sub-Fund, price data and other information in relation to the value of any investment or the cost price or sale price thereof provided through electronic price feeds, mechanised or electronic systems of price or valuation, or valuation or pricing information which is provided by any valuer, third party valuation agent, intermediary or other third party appointed or authorised to provide valuations or pricing information of the investments or the assets of the Sub-Fund may be relied upon without verification, further enquiry or liability notwithstanding that the prices so used are not the last traded prices or closing prices.

Without prejudice to the generality of the foregoing, each of the Manager and the Administrator is not liable or otherwise responsible for any loss suffered by any person other than losses resulting from negligence, wilful default or fraud on the part of the Manager or the Administrator or any of their respective affiliates by reason of any inaccuracy, error or delay (whether as a result of deliberate action or otherwise) in any pricing or valuation information provided by pricing agents, pricing sources or pricing models provided by any person, including, without limitation, by the manager, administrator or valuation agent of any fund or portfolio into which the relevant Sub-Fund invests or for any inaccuracy, error or delay (whether as a result of deliberate action or otherwise) in information (including, without limitation, pricing or valuation information) supplied to the Manager or the Administrator.

#### **7.1.2.9. Appointment of a third party for valuation**

Where a third party is engaged in the valuation of the assets of a Sub-Fund, the Manager shall exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of such third party in ensuring such entity possesses the appropriate level of knowledge, experience and resources that is commensurate with the valuation policies and procedures for such Sub-Fund. The valuation activities of such third party shall be subject to ongoing supervision and periodic review by the Manager.

#### **7.1.2.10. Deviation from HKFRS**

Investors should note that, under HKFRS, investments should be valued at fair value and also that, under HKFRS, bid and offer pricing is considered to be representative of the fair value of investments. However, the valuation basis described above may deviate from the HKFRS which may lead to a different valuation had the valuation been performed in accordance with HKFRS. The Manager has considered the impact of such non-compliance and do not expect this issue to affect the results and Net Asset Value of a Sub-Fund materially. To the extent that the valuation basis adopted by the relevant Sub-Fund deviates from HKFRS, the Manager may make necessary adjustments in the annual financial statements for the financial statements to be in compliance with HKFRS.

## **7.2. Suspension of determination of Net Asset Value**

### **7.2.1. Grounds for suspension**

The Manager may, after consultation with the Trustee, having regard to the best interests of the Unitholders declare a suspension of the determination of the Net Asset Value of a Sub-Fund for the whole or any part of any period during which:

- (a) there is a closure (other than customary weekend and holiday closing) of or the restriction or suspension of trading on any commodities market or Securities Market on which a substantial part of the Investments of that Sub-Fund is normally traded or a breakdown in any of the means normally employed by the Manager in ascertaining the prices of Investments or the Net Asset Value of a Sub-Fund or the Issue Price or Redemption Price per Unit;
- (b) for any other reason the prices of Investments held or contracted for by the Manager for the account of that Sub-Fund cannot, in the opinion of the Manager after consultation with the Trustee, reasonably, promptly or fairly be ascertained;
- (c) circumstances exist as a result of which, in the opinion of the Manager after consultation with the Trustee, it is not reasonably practicable to realise a substantial part of the Investments held or contracted for the account of that Sub-Fund or it is not possible to do so without seriously prejudicing the interests of Unitholders of the relevant Sub-Fund;
- (d) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, a substantial part of the Investments of that Sub-Fund or the issue or redemption of Units of the relevant class is delayed or cannot, in the opinion of the Manager after consultation with the Trustee, be carried out promptly at normal rates of exchange;
- (e) when a breakdown in the systems and/or means of communication usually employed in ascertaining the value of any of the Investments or other assets of that Sub-Fund or the Net Asset Value of that Sub-Fund or the Issue Price or Redemption Price per Unit takes place or when for any other reason the value of any of the investments or other assets of that Sub-Fund or the Net Asset Value of that Sub-Fund or the Issue Price or Redemption Price per Unit cannot in the

opinion of the Manager after consultation with the Trustee reasonably or fairly be ascertained or cannot be ascertained in a prompt or accurate manner;

- (f) when, in the opinion of the Manager after consultation with the Trustee, such suspension is required by law or applicable legal process;
- (g) where that Sub-Fund is invested in one or more Collective Investment Schemes and the realisation of interests in any relevant Collective Investment Scheme(s) (representing a substantial portion of the assets of the Sub-Fund) is suspended or restricted;
- (h) when the business operations of the Manager, the Administrator, the Registrar or the Trustee or any of their delegates or agents in relation to the operations of that Sub-Fund are substantially interrupted or closed as a result of or arising from a Force Majeure Event;
- (i) when the Unitholders or the Manager have resolved or given notice to terminate that Sub-Fund or to carry out a scheme of amalgamation involving that Sub-Fund;
- (j) the relevant Underlying Index is not compiled or published;
- (k) the existence of any state of affairs as a result of which delivery of Basket Investments or disposal of Investments for the time being comprised in the Sub-Fund's assets cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Unitholders;
- (l) the dealing of Units is suspended pursuant to any order or direction issued by the Commission; or
- (m) such other circumstance or situation exists as set out in the Appendix of the relevant Sub-Fund.

#### **7.2.2. Declaration of suspension**

If a suspension is declared, during such a period of suspension:

- (a) where the suspension is in respect of the determination of the Net Asset Value:
  - (i) there shall be no determination of the Net Asset Value of the relevant Sub-Fund and the Net Asset Value per Unit of that Sub-Fund (or a class thereof) (although an estimated Net Asset Value may be calculated and published) and any applicable creation or request for redemption of Units (including any Application by any of the Participating Dealers) shall be similarly suspended;
  - (ii) if a request for creation or redemption of Units are received by the Manager during a period of suspension and not withdrawn, such request shall be treated as if it were received in time to be dealt with on the



Dealing Day next following the end of the said suspension and dealt with accordingly; or

- (iii) in respect of an Index Fund, the Manager shall be under no obligation to rebalance the portfolio of the relevant Index Fund until the suspension shall have terminated; or
- (b) where the suspension is in respect of the creation or issue and/or the redemption of Units:
- (i) if a request for creation or redemption of Units are received by the Manager during a period of suspension and not withdrawn, such request shall be treated as if it were received in time to be dealt with on the Dealing Day next following the end of the said suspension and dealt with accordingly; or
  - (ii) there shall be no creation and/or redemption of Units.

For the avoidance of doubt, the creation, issue or redemption of Units may be suspended without suspending the determination of the Net Asset Value.

A suspension shall take effect forthwith upon the declaration thereof until the Manager declares the suspension at an end, except that the suspension shall terminate in any event on the day following the first Business Day on which:

- the condition giving rise to the suspension shall have ceased to exist; and
- no other condition under which suspension is authorised under the Trust Deed and as summarised above.

Whenever the Manager shall declare a suspension in respect of a Sub-Fund and for so long as the relevant Sub-Fund is authorised pursuant to the SFO, the Manager (I) shall, immediately after any such declaration notify the Commission of such suspension; and (II) shall, immediately after any such declaration and at least once a month during the period of such suspension cause a notice of such declaration to be given by posting the declaration on the Website or cause such notice to be published in any other appropriate manner that such declaration has been made.

### **7.3. Suspension of dealing in units on the SEHK (secondary market)**

Dealing in Units of a Sub-Fund on the SEHK, or trading on the SEHK generally, may at any time be suspended by the SEHK subject to any conditions imposed by the SEHK if the SEHK considers it necessary for the protection of investors or for the maintenance of an orderly market or in such other circumstances as the SEHK may consider appropriate.

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## 8. DISTRIBUTION POLICY

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### 8.1. Distributions

The distribution policy of each Sub-Fund is disclosed in the relevant Appendix.

On a distribution from the Sub-Fund, the Trustee, in accordance with the instructions of the Manager, will allocate the amounts available for distribution between Unitholders and the Administrator will arrange for payment of such amounts to Unitholders.

Unless otherwise specified in the relevant Appendix, there is neither a guarantee that such distributions will be made nor will there be a target level of distributions payout.

The Manager will also have the discretion to determine if and to what extent distributions will be paid out of capital attributable to the relevant class of Units. The Manager may also, in its absolute discretion, distribute gross income and charge all or part of the Sub-Fund's fees and expenses attributable to the relevant class of Units to the capital attributable to the relevant class of Units as the Manager considers appropriate, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund in respect of the relevant class of Units and therefore, the Sub-Fund may effectively pay dividends out of capital.

**Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of a Sub-Fund's capital or payment of dividends effectively out of a Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Unit of the relevant class of Units.**

Distributions, if any, shall be distributed among the relevant Unitholders rateably in accordance with the number of Units held by them on the record date as determined by the Manager in respect of the corresponding distribution. For the avoidance of doubt, only Unitholders whose names are entered on the register of Unitholders on such record date shall be entitled to the distribution declared in respect of the corresponding distribution.

The Manager may amend the dividend policy of a Sub-Fund subject to any requirements under the Code or by the Commission.

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## **9. FEES AND EXPENSES**

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### **9.1. Fees and expenses payable by the Sub-Fund**

#### **9.1.1. Management fee**

The current and maximum rate of the management fee for each Sub-Fund is as specified in the relevant Appendix. Unless otherwise specified in the relevant Appendix, the management fee is calculated and accrued as at the Valuation Point on each Valuation Day and payable monthly in arrears.

Unitholders of the relevant Sub-Fund shall be given not less than one week's prior notice should there be any increase in the management fee of such Sub-Fund from the current level up to the permitted maximum level as disclosed in the relevant Appendix.

#### **9.1.2. Trustee's, Administrator's and Registrar's fee**

The current and maximum rate of the trustee fee for each Sub-Fund is as specified in the relevant Appendix. Unless otherwise specified in the relevant Appendix, the trustee fee is calculated and accrued as at the Valuation Point on each Valuation Day and payable monthly in arrears.

The Trustee shall pay the fees of any custodian, co-custodian or sub-custodian to which it has appointed.

In addition, the Trustee will be reimbursed out of the assets of the relevant Sub-Fund for various transaction, processing fees and safekeeping fees and all of its out-of-pocket expenses incurred wholly and exclusively in the performance of its services as Trustee and custodian.

The Administrator and the Registrar are entitled to such fees as specified in the relevant Appendix.

Unitholders of the relevant Sub-Fund shall be given not less than one week's prior notice should there be any increase in the trustee fee of such Sub-Fund from the current level up to the permitted maximum level as disclosed in the relevant Appendix.

#### **9.1.3. Service Agent's fee**

The Service Agent is entitled to receive a monthly reconciliation fee of HK\$5,000 from the Manager. The Manager shall pass on to the relevant Sub-Fund such reconciliation fee.

For any period less than a month, the reconciliation fee is payable on a pro-rata basis and accrues on a daily basis. The Trustee, on behalf of the Trust, will act on the Manager's instruction to pay all other expenses chargeable by the Service Agent out of the relevant Sub-Fund's assets in connection with the Service Agent's role.

#### **9.1.4. Promotional expenses**

The Sub-Fund(s) will not be responsible for any promotional expenses including those incurred by any marketing agents and any fees imposed by such marketing agents on their customers investing in the Sub-Fund(s) will not be paid (either in whole or in part) out of the assets held by the Trustee in respect of such Sub-Fund.

#### **9.1.5. Other charges and expenses**

Each Sub-Fund will bear all operating costs which are directly attributable to it including but not limited to stamp and other duties, governmental charges, brokerages, commissions, exchange costs and commissions, bank charges and other costs and expenses payable in respect of the acquisition, holding and realisation of any investment or any monies, deposit or loan, charges and expenses of its legal counsel, auditors and other professionals, index licensing fees (in respect of Index Funds only) which may be charged on a fixed fee basis or calculated as a percentage of the Net Asset Value of the relevant Sub-Fund, the costs in connection with maintaining a listing of the Units on the SEHK or other exchange (including, if considered appropriate by the Manager, any additional costs of determining the stock code by drawing from special ballot pool, which are estimated to be HKD500,000) and maintaining the Trust's and each Sub-Fund's authorisation under the SFO, costs incurred in the preparation, printing and updating of any offering documents and the costs incurred in the preparation of supplemental deeds, any disbursements or out-of-pocket expenses properly incurred on behalf of the Sub-Fund(s) by the Trustee, the Administrator, the Manager or the Registrar or any of its service providers, the expenses incurred in convening meetings of Unitholders, preparing, printing and distributing annual financial reports and interim unaudited financial reports and other circulars relating to the Sub-Fund(s) and the expenses of publishing Unit prices.

#### **9.1.6. Establishment costs**

The costs and expenses incurred by the Manager, the Trustee and the Administrator in establishing the Trust and the initial Sub-Fund are specified in the relevant Appendix of the initial Sub-Fund.

The costs of establishing subsequent Sub-Fund(s) are as specified in the relevant Appendix and such costs and expenses shall be borne by the relevant Sub-Fund (unless otherwise determined by the Manager) and amortised over such period as specified in the relevant Appendix.

Investors should note that, under HKFRS, the establishment costs should be expensed as incurred. The Manager has considered the impact of such non-compliance and does not expect this issue to affect the results and the Net Asset Value of the relevant Sub-Fund materially. To the extent that the accounting basis adopted by the relevant Sub-Fund deviates from HKFRS, the Manager may make necessary adjustments in the annual financial statements for the financial statements to be in compliance with HKFRS.

#### **9.1.7. Estimated ongoing charges**

The estimated ongoing charges of any newly established Sub-Fund (or class) are the sum of anticipated ongoing expenses of the relevant Sub-Fund (or class) expressed as a percentage of its estimated average Net Asset Value of the relevant Sub-Fund (or class), and the actual ongoing charges of any existing Sub-Fund (or class) are the sum of actual ongoing expenses of the relevant Sub-Fund (or class) expressed as a percentage of its actual average Net Asset Value of the relevant Sub-Fund (or class). The ongoing charges figure is disclosed in the KFS of each Sub-Fund (or class). Where a Sub-Fund (or class) is newly established the Manager will make a best estimate of the ongoing charges and keep such estimate under review. The establishment costs of a Sub-Fund (or class) may also be included in the ongoing charges calculation payable by a Sub-Fund (or class) and in those cases will be clearly disclosed. Ongoing expenses may be deducted from the assets of a Sub-Fund (or class) where these are permitted by the Trust Deed, the Code and the law. These include all types of costs borne by a Sub-Fund (or class), whether incurred in its operation or the remuneration of any party. The estimated or actual ongoing charges do not represent the estimated or actual tracking error, may be different upon actual operation and may vary from year to year.

## **9.2. Fees and expenses payable by Participating Dealers, Primary Market Investors and Secondary Market Investors**

Unless otherwise specified in the relevant Appendix, the fees and expenses payable by Participating Dealers, Primary Market Investors and Secondary Market Investors are summarised in the respective tables below.

### **9.2.1. Participating Dealers**

#### **9.2.1.1. Creation of Units by a Participating Dealer**

Application Cancellation Fee	USD 1,200 per cancellation (see Note 1*)
Extension Fee	USD 1,200 per extension (see Note 1*)
Transaction Fee	
(i) In-Cash Application only	USD 320 per Application (see Note 2*)
(ii) In-Kind Application only	N/A
(iii) Combination of In-Cash Application and In-Kind Application	USD 320 per Application (see Note 2*)
Service Agent Fee	See Note 3*
Registrar Fee	See Note 4*
Stamp duty	Nil

### 9.2.1.2. Redemption of Units by a Participating Dealer

Application Cancellation Fee	USD 1,200 per cancellation (see Note 1*)
Extension Fee	USD 1,200 per extension (see Note 1*)
Transaction Fee	
(i) In-Cash Redemption only	USD 320 per Application (see Note 2*)
(ii) In-Kind Redemption only	N/A
(iii) Combination of In-Cash Redemption and In-Kind Redemption	USD 320 per Application (see Note 2*)
Service Agent Fee	See Note 3*
Stamp duty	Nil

Participating Dealers shall also bear all transaction costs, Duties and Charges and other expenses and charges, and the market risks in constituting and liquidating the Basket(s) in relation to an Application.

\*Note:

- (1) The Application Cancellation Fee and the Extension Fee are payable by the Participating Dealer, and are payable to the Administrator for its own account, on each occasion the Manager grants the request of such Participating Dealer for cancellation or extended settlement in respect of such Application as provided in this Prospectus.
- (2) The Transaction Fee is payable by each Participating Dealer for the account and benefit of the Administrator.
- (3) A Service Agent Fee of HK\$1,000 is payable by each Participating Dealer to the Service Agent for each book-entry deposit transaction or book-entry withdrawal transaction.
- (4) The Administrator will charge each Participating Dealer a fee for each Creation Application and Redemption Application.

### 9.2.2. Primary Market Investors creating or redeeming Units through a Participating Dealer or a stockbroker

Primary Market Investors submitting creation or redemption requests for Units through the Participating Dealer or a stockbroker should note that the Participating Dealer or the stockbroker (as the case may be) may impose fees and charges in handling such requests.

Such investors should check the relevant fees and charges with the Participating Dealer or the stockbroker (as the case may be).

### 9.2.3. Secondary Market Investors dealing in Units on the SEHK

Brokerage	Market rates (in currency determined by the intermediaries used by the investors)
Transaction levy	0.0027% (see Note 5 and Note 8*)
Trading fee	0.00565% (see Note 6 and Note 8*)
Stamp duty	Nil (see Note 7*)
Inter-counter transfers	HKD 5 (see Note 9*)
Accounting and Financial Reporting Council (“AFRC”) transaction levy	0.00015% (see Note 10*)

\*Note:

- (5) A transaction levy of 0.0027% of the price of the Units, payable by each of the buyer and the seller.
- (6) A trading fee of 0.00565% of the trading price of the Units, payable by the buyer and the seller.
- (7) Pursuant to the Stamp Duty (Amendment) Ordinance 2015, stamp duty payable in respect of any transfer in the shares or units of an exchange traded fund (as defined in Part 1 to Schedule 8 of the Stamp Duty Ordinance) on the SEHK is waived.
- (8) The transaction levy and trading fee will be paid by intermediaries to HKEX in Hong Kong dollars and calculated based on an exchange rate as determined by the Hong Kong Monetary Authority on the date of the trade which will be published on the HKEX website by 11:00 a.m. on each trading day.

Investors should consult their own intermediaries as to how and in what currency the trading related fees and charges should be paid by the investors.

- (9) For any Sub-Fund that has adopted Dual-Counter or Multi-Counter, HKSCC will charge each CCASS participant a fee of HKD 5 per instruction for effecting an inter-counter transfer of Units of the Sub-Fund from one counter to another counter. Investors should check with their brokers regarding any additional fees.
- (10) AFRC transaction levy, presently 0.00015% of the trading price of the Units, payable by each of the buyer and the seller.

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## 10. TAXATION

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### 10.1. General

Investors should consult their professional financial advisers on the consequences to them of acquiring, holding, realizing, transferring or selling Units under the relevant laws of the jurisdictions to which they are subject, including the tax consequences, stamping and denoting requirements and any exchange control requirements. These consequences, including the availability of, and the value of, tax relief to investors will vary with the law and practice of the investors' country of citizenship, residence, domicile or incorporation and their personal circumstances.

As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment in a Sub-Fund is made will endure indefinitely. The following is based on the law and practice currently in force in Hong Kong, and accordingly, is subject to changes therein.

### 10.2. Hong Kong Taxation

#### 10.2.1. The Sub-Funds

##### 10.2.1.1. Profits tax

Each Sub-Fund will be exempted from Hong Kong profits tax in respect of its authorised activities in Hong Kong upon its authorisation as a collective investment schemes under section 104 of the SFO.

##### 10.2.1.2. Stamp duty

Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, any Hong Kong stamp duty (i.e. fixed and ad valorem) on the transfer of a Basket to a Sub-Fund which adopts In-Kind Application only, by a Participating Dealer as a consideration for an allotment of Units of such Sub-Fund will be remitted or refunded (i.e. in the primary market). Similarly, Hong Kong stamp duty on the transfer of a Basket by a Sub-Fund which adopts In-Kind Redemption only to a Participating Dealer upon redemption of Units will also be remitted or refunded (i.e. in the primary market).

No stamp duty is payable by a Sub-Fund on an issue or redemption of Units.

#### 10.2.2. Unitholders

##### 10.2.2.1. Profits tax



Profits arising on the disposal / redemption of any Units will only be subject to profits tax for Unitholders carry on a trade or business in Hong Kong where the profits, arise from such trade or business in Hong Kong and are of revenue nature.

Distributions received by Unitholders from their investments in the Units would generally not be chargeable to tax in Hong Kong (whether by way of withholding or otherwise).

#### **10.2.2.2. Stamp duty**

Hong Kong stamp duty is payable on the delivery of Hong Kong stocks by an investor to the Sub-Fund as consideration for an allotment of Units, or by the relevant Sub-Fund to an investor upon redemption of such Units will be remitted, subject to application, under Section 52 of the Stamp Duty Ordinance.

Stamp duty payable in respect of any contract notes or instruments of transfer relating to the transfer in the shares or units of an exchange traded fund (as defined in Part 1 to Schedule 8 of the Stamp Duty Ordinance) on the SEHK is waived. Accordingly transfers of Units do not attract stamp duty and no stamp duty is payable by Unitholders on any transfer.

Investors pay no Hong Kong ad valorem stamp duty when the Sub-Fund issues or redeems Units.

### **10.3. Other jurisdictions**

Please refer to the relevant Appendix on taxation requirements in other jurisdiction(s) that may be applicable to a Sub-Fund.

### **10.4. FATCA**

The US Hiring Incentives to Restore Employment Act (the “**HIRE Act**”) was signed into US law in March 2010 and includes certain provisions commonly referred to as the “Foreign Account Tax Compliance Act” or “**FATCA**”. Broadly, the FATCA provisions are set out in the IRS Code, which impose a reporting regime on foreign financial institutions (“**FFIs**”) such as the Trust and each Sub-Fund with respect to certain payments including interest and dividends received and gross proceeds derived from the sale of certain financial assets. All such payments may be subject to FATCA withholding at a rate of 30%, unless the recipient of the payment satisfies certain requirements intended to enable the IRS to identify United States persons (within the meaning of the IRS Code) (“**US persons**”) with interests in such payment. To avoid such withholding on payments made to it, FFIs (including banks, brokers, custodians and investment funds), such as the Trust and each Sub-Fund will be required to enter into an agreement (an “**FFI Agreement**”) with the IRS to be treated as a participating FFI. Participating FFIs are required to identify all investors that are US persons and report certain information concerning such US persons to the IRS annually. The FFI Agreement will also generally require a participating FFI to deduct and withhold 30% from certain payments made by the participating FFI to investors who fail to cooperate with certain information requests made by the participating FFI or do not consent to FATCA reporting and disclosure to the IRS (referred to as “recalcitrant account holders”) and may be required

to close accounts of such account holders. Moreover, participating FFIs are required to deduct and withhold such payments made to investors that are themselves FFIs but are not compliant with FATCA.

FATCA withholding applies to (i) payments of US source income, including US source dividends and interest, made after 30 June 2014; and (ii) payments of gross proceeds of sale or other disposal of property that can produce US source interest or dividend income after 31 December 2018. The 30% withholding could also apply to payments otherwise attributable to US source income (also known as “foreign passthru payments”) from 1 January 2019 at the earliest. Withholding agents (which includes participating FFIs) will generally be required to begin withholding withholdable payments made after 30 June 2014.

The United States and a number of other jurisdictions have entered into intergovernmental agreements (“IGAs”). The United States Department of the Treasury and Hong Kong have entered into an intergovernmental agreement (the “Hong Kong IGA”) based on the Model 2 format (“**Model 2 IGA**”). The Model 2 IGA modifies the foregoing requirements but generally requires similar information to be disclosed to the IRS. Under the Hong Kong IGA, an FFI (including the Trust and the Sub-Funds) will not be required to impose FATCA withholding at 30% on payments made to recalcitrant account holders or close the accounts of such account holders (provided information regarding such account holders is reported to the IRS as required). Withholding may apply to withholdable payments covered by FATCA if the Trust and each Sub-Fund cannot satisfy the applicable requirements and is determined to be non-FATCA compliant or if the Hong Kong government is found in breach of the terms of the agreed IGA.

The Trust has been registered with the IRS as a reporting single FFI with Global Intermediary Identification Number 6DZ6Q3.99999.SL.344. In order to protect Unitholders and avoid being subject to withholding under FATCA, it is the Manager’s intention to endeavour to satisfy the requirements imposed under FATCA. Hence it is possible that this may require the Trust and each Sub-Fund (through its agents or service providers) as far as legally permitted, to report information on the holdings or investment returns of any Unitholder to the IRS or the local authorities pursuant to the terms of the IGA (as the case may be), including certain Unitholders who fail to provide the information and documents required to identify their status, or who are non-FATCA compliant financial institutions or who fall within other categories specified in the FATCA provisions and regulations. As at the date of this Prospectus, all Units are registered in the name of HKSCC Nominees Limited. HKSCC Nominees Limited has registered as a participating FFI or registered deemed compliant FFI.

The Manager has obtained competent tax advice confirming that the Sub-Funds do not need to be registered with the IRS and that the registration of the Trust with the IRS satisfies the FATCA requirements.

Although the Manager, the Trust and the Sub-Funds will attempt to satisfy any obligations imposed by FATCA on them to avoid the imposition of FATCA withholding tax, no assurance can be given that the Manager, the Trust and the Sub-Funds will be able to fully satisfy these obligations. If any Sub-Fund becomes subject to a withholding tax as a result of FATCA, the Net Asset Value of such Sub-Fund may be adversely affected and such Sub-Fund and its Unitholders may suffer material loss.

The FATCA provisions are complex and their application is uncertain at this time. The above description is based in part on regulations, official guidance, the Hong Kong IGA and model IGAs, all of which are subject to change or may be implemented in a materially different form. Nothing in this section constitutes or purports to constitute tax advice and Unitholders should not rely on any information set out in this section for the purposes of making any investment decision, tax decision or otherwise. All Unitholders should therefore consult their own tax and professional advisers regarding the FATCA requirements, possible implications and related tax consequences with respect to their own situation. In particular, Unitholders who hold their Units through intermediaries should confirm the FATCA compliance status of those intermediaries to ensure that they do not suffer the above mentioned withholding tax on their investment returns.

#### **10.5. Automatic exchange of financial account information**

The Inland Revenue (Amendment) (No.3) Ordinance (the “Ordinance”) was gazetted on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information (“**AEOI**”). The AEOI comprise, among others, the model Competent Authority Agreement (“**CAA**”) and Common Reporting Standard (“**CRS**”). In addition, the Inland Revenue Department of Hong Kong (“**IRD**”) published guidance for financial institutions (“**FIs**”) on 9 September 2016 to assist them in complying with the CRS obligations. The AEOI requires FIs in Hong Kong to collect certain information relating to non-Hong Kong tax residents holding financial accounts with the FIs, and report such information to the IRD for the purpose of automatic exchange. Generally, the information will be reported and automatically exchanged in respect of account holders that are tax residents in a partner jurisdiction(s) with which Hong Kong has a CAA in force; however, a Sub-Fund and/or its agents may further collect information relating to the residents of other jurisdictions.

The Trust is required to comply with the requirements of the Ordinance, which means that the Trust and/or its agents shall collect and provide to the IRD the required information relating to Unitholders and prospective investors. The Ordinance requires the Trust to, amongst other things, (i) register the Trust as a “Reporting Financial Institution” with the IRD; (ii) conduct due diligence on its accounts (i.e. Unitholders) to identify whether any of such accounts are considered “Reportable Accounts” under the Ordinance; and (iii) report to the IRD the required information of such Reportable Accounts. The IRD is expected on an annual basis to transmit the required information reported to it to the government authorities of the jurisdictions with which Hong Kong has a CAA in force. Broadly, AEOI contemplates that Hong Kong FIs should report on: (i) individuals or entities that are tax residents in a jurisdiction with which Hong Kong has a CAA in force; and (ii) certain entities controlled by individuals who are tax residents in such jurisdictions. Under the Ordinance, details of Unitholders, including but not limited to their name, place of birth, address, tax residence, tax identification number (if any), account number, account balance/value, and income or sale or realisation proceeds, should be reported to the IRD and subsequently exchanged with government authorities in the relevant jurisdictions.

By investing in the Trust or a Sub-Fund and/or continuing to invest in the Trust or a Sub-Fund, Unitholders acknowledge that they may be required to provide additional information to the Trust, the Manager and/or the Trust’s agents in order for the Trust to comply with the

Ordinance. The Unitholder's information (and information on controlling persons including beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such Unitholders that are passive non-financial entities), may be transmitted by the IRD to authorities in other jurisdictions.

The information provided herein in relation to AEOI is of a general nature only and is not intended to serve as a basis for decision making. It is for information purposes and does not constitute legal advice. Each Unitholder and prospective investor should consult its own professional advisor(s) on the administrative and substantive implications of AEOI on its current or proposed investment in the Trust.

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## 11. OTHER IMPORTANT INFORMATION

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### 11.1. Reports and accounts

The Trust's financial year end is 31 March in each year. The first financial year end of the Trust is 31 March 2024.

Unitholders will be notified of where they can obtain the printed and electronic copies of the latest audited accounts or the semi-annual unaudited reports once they are available (both published in English only). Unitholders will be notified as soon as practicable and in any event within four months of the end of each financial year in the case of audited accounts and within two months after 30 September in each year in the case of semi-annual unaudited reports. Once issued, such reports will be available in electronic copies from the Website.

The first audited accounts and the first semi-annual unaudited reports of the Trust will be for the financial year ended 31 March 2024 and for the half year period ended 30 September 2023 respectively.

Hard copies of such reports will be available upon request of Unitholders free of charge during usual business hours on any day (excluding Saturdays, Sundays and public holidays) by contacting the Manager, as described below under "Notices".

### 11.2. Potential conflicts of interest and transactions with Connected Persons

The Manager, the Investment Delegate (if any), the Trustee, the Administrator and the custodian (if any) and their respective Connected Persons may from time to time act as trustee, administrator, transfer agent, manager, custodian or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients including those which have similar investment objectives to those of any Sub-Fund or contract with or enter into financial, banking or other transaction with one another or with any investor of the Sub-Funds, or any company or body any of whose shares or securities form part of any Sub-Fund or may be interested in any such contract or transaction. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Trust and the Sub-Funds. Each will, at all times, have regard in such event to its obligations to the Trust and the Sub-Funds and will endeavour to ensure that such conflicts are managed and minimised so far as reasonably practicable and that measures are adopted that seek to ensure such conflicts are resolved fairly, taking into account the interests of Unitholders of the relevant Sub-Fund as a whole.

The Manager may also act as the investment manager of other funds whose investment objectives, investment approach and investment restrictions are similar to those of a Sub-Fund. The Manager or any of its Connected Persons may invest in, directly or indirectly, or manage or advise other investment funds or accounts which invest in assets which may also be purchased or sold by a Sub-Fund. Compliance procedures and measures such as segregation of duties and responsibilities together with different reporting lines and

“Chinese walls” have been put in place by the Manager to minimise potential conflicts of interest. Neither the Manager nor its Connected Persons is under any obligation to offer investment opportunities of which any of them become aware to any Sub-Fund or to account to any Sub-Fund in respect of (or share with any Sub-Fund or to inform any Sub-Fund of) any such transactions or any benefit received by any of them from any such transaction, but will allocate such opportunities fairly between the relevant Sub-Fund and other clients. Where the Manager invests the assets of a Sub-Fund in shares or units of a collective investment scheme managed by the Manager or any of its Connected Persons, the manager of the scheme in which the investment is being made by such Sub-Fund must waive any preliminary or initial charge and redemption charge which it is entitled to charge for its own account in relation to such investment by the relevant Sub-Fund.

The Manager reserves the right for itself and its Connected Persons to co-invest on its own or for other funds and/or other clients with any Sub-Fund, although any such co-investment must be made on terms no better than those in which the relevant Sub-Fund is investing. Further, the Manager and any of its Connected Persons may hold and deal in Units of any Sub-Fund or in investments held by any Sub-Fund either for their own account or for the account of their clients.

Subject to the restrictions and requirements applicable from time to time, the Manager, any Investment Delegates as may be appointed by the Manager or any of their respective Connected Persons may deal with any Sub-Fund as principal provided that dealings are carried out in good faith and effected on best available terms negotiated on an arm’s length basis and in the best interests of the Unitholders of the relevant Sub-Fund. Any transactions between a Sub-Fund and the Manager, the Investment Delegates as may be appointed by the Manager or any of their Connected Persons as principal may only be made with the prior written consent of the Trustee. All such transactions must be disclosed in the relevant Sub-Fund’s annual report.

The services of the Trustee and its Connected Persons provided to the Trust and the Sub-Funds are not deemed to be exclusive and each of them shall be free to render similar services to others so long as its services hereunder are not impaired thereby and to retain for its own use and benefit all fees and other monies payable in respect of any of the arrangements described above. Each of the Trustee and its Connected Persons shall not be deemed to be affected with notice of or to be under any duty to disclose to the Trust, any Sub-Fund, any Unitholder or any other relevant party any fact or information which comes to its notice in the course of it rendering similar services to other parties or in the course of its business in any other capacity or in any manner whatsoever, otherwise than in the course of carrying out its duties under the Trust Deed or as required by any applicable laws and regulations for the time being in force. None of the Trustee and its Connected Persons shall be liable to account to the Trust or any Sub-Fund or any investor of the Trust or the Sub-Fund for any profit or benefit made or derived thereby or in connection therewith (including in situations set out above).

If cash forming part of a Sub-Fund’s assets is deposited with the Trustee, the Manager, the Investment Delegate of such Sub-Fund or any of their Connected Persons (being an institution licensed to accept deposits), such cash deposit shall be maintained in a manner that is in the best interests of the Unitholders of the relevant Sub-Fund, having regard to the

prevailing commercial rate for a deposit of similar type, size and term negotiated at arm's length in accordance with ordinary and normal course of business.

The Manager and the Investment Delegate may enter into trades for the account of a Sub-Fund with the accounts of other clients of the Manager, the Investment Delegate or their Connected Persons (including other collective investment schemes managed by the Manager, the Investment Delegate or their Connected Persons) (“**cross trades**”). Such cross trades will only be undertaken where the sale and purchase decisions are in the best interests of both clients and fall within the investment objective, restrictions and policies of both clients, the cross trades are executed on arm's length terms at current market value, and the reasons for such cross trades are documented prior to execution.

The brokerage and other agency transactions for the account of the relevant Sub-Fund may be executed through brokers or dealers connected to the Manager, the investment adviser or their Connected Persons and the Manager shall ensure that it complies with the following requirements when transacting with such persons:

- (a) such transactions are on arm's length terms;
- (b) the Manager must use due care in the selection of brokers or dealers and ensure that they are suitably qualified in the circumstances;
- (c) transaction execution must be consistent with applicable best execution standards;
- (d) the fee or commission paid to any such broker or dealer in respect of a transaction must not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature;
- (e) the Manager must monitor such transactions to ensure compliance with its obligations; and
- (f) the nature of such transactions and the total commissions and other quantifiable benefits received by such broker or dealer shall be disclosed in the relevant Sub-Fund's annual report.

### **11.3. Cash rebates and soft commissions**

Neither the Manager, any Investment Delegate nor any of their Connected Persons may retain cash or other rebates from a broker or dealer in consideration of directing transactions to them.

The Manager, any Investment Delegate of the relevant Sub-Fund or any of their Connected Persons may enter into contractual arrangements with a broker or dealer (including any Connected Person of the Manager, the Trustee, the Administrator or the Investment Delegate of the relevant Sub-Fund) under which such broker or dealer provide or agree to pay in whole or in part for the provision of goods to, and/or the supply of services, to the Manager, the Investment Delegate of the relevant Sub-Fund or any of their Connected Persons in consideration of the Manager, the Investment Delegate or their Connected Person procuring that such broker or dealer (or persons connected thereto) execute transactions to

be entered into for the account of the relevant Sub-Fund. The Manager shall procure that no such contractual arrangements are entered into unless:

- (a) the goods and services to be provided pursuant thereto are of demonstrable benefit to Unitholders (taken as a body and in their capacity as such) whether by assisting the Manager in its ability to manage the relevant Sub-Fund or otherwise;
- (b) transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full service brokerage rates;
- (c) periodic disclosure is made in the relevant Sub-Fund's annual report in the form of a statement describing the soft dollar policies and practices of the Manager or the Investment Delegate, including a description of goods and services received by them; and
- (d) the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer.

For the avoidance of doubt (and without prejudice to the generality of the foregoing) research and advisory services, economic and political analysis, portfolio analysis (including valuation and performance measurement), market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publications may be considered as of such benefit to Unitholders. Such goods and services may not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries, or direct money payments.

#### **11.4. Termination of the Trust or a Sub-Fund**

The Sub-Funds shall terminate upon the termination of the Trust. The Trust shall continue for an unlimited period unless it is earlier terminated in one of the following ways provided under the Trust Deed and as summarised below.

##### **11.4.1. Termination by the Trustee**

A summary of the circumstances under which the Trust may be terminated by the Trustee by notice in writing is set out as follows:

- (a) if the Manager shall go into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee), becomes bankrupt or if a receiver is appointed over any of their assets and not discharged within 60 days;
- (b) if in the opinion of the Trustee, the Manager shall be incapable of performing or shall in fact fail to perform its duties under the Trust Deed satisfactorily or shall do any other thing which in the opinion of the Trustee is calculated to bring the Trust into disrepute or to be harmful to the interests of the Unitholders;



- (c) if any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable in consultation with the relevant regulatory agencies (the Commission) to continue the Trust;
- (d) if the Manager shall have ceased to be the Manager, within a period of 30 days thereafter, no other qualified corporation shall have been appointed by the Trustee as a successor Manager; or
- (e) if the Trustee shall have notified the Manager of its desire to retire as Trustee and the Manager shall fail to find a qualified corporation to act as a trustee in place of the Trustee within 60 days therefrom (or 30 days therefrom in the event of liquidation of the Manager, or a material breach by the Manager of its obligations under the Trust Deed).

#### **11.4.2. Termination by the Manager**

The circumstances under which the Trust and/or a Sub-Fund and/or any classes of Units relating to such Sub-Fund (as the case may be) may be terminated by the Manager in its absolute discretion by notice in writing include:

- (a) in relation to the Trust, if on any date, the aggregate Net Asset Value of all Units shall be less than USD5 million or its equivalent or in relation to a Sub-Fund, if on any date, the aggregate Net Asset Value of the Units of the relevant classes outstanding hereunder shall be less than USD5 million or its equivalent (or such other amount as disclosed in the relevant Appendix) or, in relation to any class of Units, the aggregate Net Asset Value of the Units of such class outstanding hereunder in respect of such class shall be less than USD5 million or its equivalent (or such other amount stated in the relevant Appendix);
- (b) in the opinion of the Manager, it is impracticable or inadvisable to continue the Trust, the relevant Sub-Fund and/or any class of Units (as the case may be) (including without limitation, a situation where it is no longer economically viable to operate the Trust, the relevant Sub-Fund or the relevant class of Units);
- (c) if any law shall be passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable in consultation with the relevant regulatory agencies (the Commission in Hong Kong) to continue the Trust and/or the relevant Sub-Fund and / or any class of Units of the relevant Sub-Fund;
- (d) if the Trust and/or the relevant Sub-Fund has ceased to be authorised or otherwise officially approved pursuant to the SFO or listed on the SEHK or other Securities Markets;
- (e) in respect of an Index Fund, if the Underlying Index of the Index Fund is no longer available for benchmarking, unless the Manager determines (in consultation with the Trustee) that it is possible, feasible, practicable and in the best interests of the Unitholders to substitute another index for the Underlying Index;

- (f) in respect of a Sub-Fund, if at any time, the Sub-Fund ceases to have any Participating Dealer; or
- (g) the occurrence of any other event(s) or in such other circumstance(s) as set out in the relevant Appendix.

#### **11.4.3. Notification for termination**

In cases of termination of the Trust or the relevant Sub-Fund under the above circumstances, no less than one month's notice (or such other notice period as required by the Code) will be given to Unitholders.

#### **11.4.4. Termination by Unitholders**

A Sub-Fund or a class of Units may also be terminated by an extraordinary resolution of the Unitholders of the relevant Sub-Fund or the Unitholders of the relevant class (as the case may be) on such date the extraordinary resolution is passed or such later date (if any) as such extraordinary resolution may provide. At least twenty one days' notice shall be given to the Unitholders in respect of a meeting of Unitholders where such extraordinary resolution will be tabled.

#### **11.4.5. Unclaimed proceeds**

Any unclaimed proceeds or other cash held by the Trustee upon termination of the Fund, a Sub-Fund or a class of Units, as the case may be, may at the expiration of twelve months from the date upon which the same were payable be paid into court subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

#### **11.5. Trust Deed**

The Trust was established under Hong Kong law by the Trust Deed. All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Trust Deed.

#### **11.6. Indemnification**

The Trust Deed contains provisions for the indemnification of the parties and their exculpation from liability in certain circumstances. Any indemnity expressly given to the Trustee or to the Manager in the Trust Deed is in addition to and without prejudice to any indemnity allowed by law. However, the Trustee and the Manager shall not be exempted from any liability to Unitholders imposed under Hong Kong law or breaches of trust through fraud or negligence, nor may they be indemnified against such liability by Unitholders or at Unitholders' expense. Unitholders and intending applicants are advised to consult the terms of the Trust Deed for further details.

#### **11.7. Modification of Trust Deed**

The Trustee and the Manager shall be entitled to by supplemental deed to modify, alter or add to the provisions of the Trust Deed provided that each of the Trustee and the Manager shall certify in writing that in its opinion such modification, alteration or addition:

- (a) does not materially prejudice the interests of the Unitholders, does not to any material extent release the Trustee or the Manager or any other person from any liability to the Unitholders and does not increase the costs and charges payable from the Trust or the Sub-Funds (other than the costs, charges, fees and expenses incurred in connection with the supplemental deed);
- (b) is necessary in order to make possible compliance with any fiscal, statutory, regulatory or official requirement (whether or not having the force of law); or
- (c) is made to correct a manifest error.

No modification, alteration or addition to the Trust Deed involving any material changes shall be made without the approval of the Commission (but, only to the extent that the Commission's approval is required in respect of such modification, alteration or addition under the Code) or the sanction of an extraordinary resolution of the Unitholders affected.

#### **11.8. Meetings of Unitholders**

The Trust Deed contains detailed provisions for meetings of Unitholders. Meetings may be convened by the Trustee, the Manager or the holders of at least 10% in value of the Units in issue, on not less than 21 days' notice. Notice of meetings will be posted to Unitholders and posted on the Website and HKEX's website at [www.hkex.com.hk](http://www.hkex.com.hk).

Unitholders may appoint proxies, who need not themselves be Unitholders. The quorum for a meeting to pass an ordinary resolution will be Unitholders present in person or by proxy registered as holding not less than 10% of the Units for the time being in issue. The quorum for a meeting to pass an extraordinary resolution will be Unitholders present in person or by proxy registered as holding not less than 25% of the Units for the time being in issue or, for an adjourned meeting, Unitholders present in person or by proxy whatever their number or the number of Units held by them. A meeting to pass an extraordinary resolution may be used to modify the terms of the Trust Deed, or terminating the Trust, a Sub-Fund or a class of Units. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting should be adjourned for not less than 15 days. In the case of an adjourned meeting of which separate notice will be given, such Unitholders as are present in person or by proxy will form a quorum.

An ordinary resolution is a resolution proposed as such and passed by a simple majority of the total number of votes cast. An extraordinary resolution is a resolution proposed as such and passed by a majority of 75% of the total number of votes cast.

The Trust Deed contains provisions for the holding of separate meetings of holders of Units in different Sub-Funds of the Trust and different classes where only the interests of holders in a particular Sub-Fund or class are affected.

HKSCC may appoint such person or persons as it thinks fit to act as its proxy or proxies or as its corporate representatives at any meeting of Unitholders. Where a Unitholder is a recognised clearing house (within the meaning of the SFO) (or is its nominee(s)), it may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any meetings of Unitholders or any meetings of any class of Unitholders provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of Units in respect of which each such person is so authorised. The person so authorised will be deemed to have been duly authorised without the need of producing any documents of title, notarised authorisation and/or further evidence for substantiating the facts that it is duly authorised (save that the Trustee shall be entitled to request for evidence from such person to prove his/her identity) and will be entitled to exercise the same power on behalf of the recognized clearing house as that clearing house or its nominee(s) could exercise if it were an individual Unitholder of the Trust. For the avoidance of doubt, a Unitholder who is a recognised clearing house (or its nominee(s)) shall exercise its voting rights in compliance with the applicable CCASS rules and/or operational procedures.

#### **11.9. Voting rights**

For so long as the Trust and the Sub-Funds are authorised by the Commission under the SFO, any resolution put to the vote of any meeting of the Unitholders shall be decided on poll only. On poll, every Unitholder who is present in person or by representative or by proxy shall have one vote for every Unit of which he is the holder.

#### **11.10. Part XV of the SFO**

Part XV of the SFO sets out the Hong Kong disclosure of interests' regime applicable to Hong Kong listed companies. The regime does not apply to unit trusts that are listed on the SEHK. Consequently, Unitholders are not obliged to disclose their interest in the relevant Sub-Fund.

#### **11.11. Anti-money laundering regulations**

As part of the Trustee's, the Administrator's, the Manager's and the Participating Dealers' responsibility for the prevention of money laundering and to comply with all applicable laws to which the Manager, the Trustee, the Administrator, the Sub-Funds, the Trust or the relevant Participating Dealer is subject, they may require a detailed verification of an investor's identity and the source of the payment of application monies. Depending on the circumstances of each application, a detailed verification might not be required where:

- (a) the applicant makes the payment from an account held in the applicant's name at a recognized financial institution; or
- (b) the application is made through a recognized intermediary.

These exceptions will only apply if the financial institution or intermediary referred to above is within a country recognized as having sufficient anti-money laundering regulations.

Each of the Trustee, the Administrator, the Manager, the relevant Participating Dealer and their respective delegates or agents reserves the right to request such information as is

necessary to verify the identity of an applicant and the source of the payment. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Trustee, the Administrator and/or the Manager and/or the relevant Participating Dealer and/or their respective delegates or agents may refuse to accept the application and the application moneys relating thereto. Neither the Manager, the Trustee, the Administrator, the relevant Participating Dealer nor their respective delegates or agents will be liable to any investor or applicant for any loss caused as a result of any delay or refusal to process applications and claims for payment of interest due to such delay or refusal will not be accepted.

Each of the Trustee, the Administrator, the Manager, the relevant Participating Dealer also reserves to refuse to make any redemption payment to a Unitholder or investor if the Trustee, the Administrator or the Manager or the relevant Participating Dealer or any of their respective delegates or agents suspect or are advised that the payment of redemption proceeds to such Unitholder or investor might result in a breach of applicable anti-money laundering or other laws or regulations by any person in any relevant jurisdiction, or if such refusal is considered necessary or appropriate to ensure the compliance by the Trust or the Sub-Funds or the Trustee or the Administrator or the Manager or the relevant Participating Dealer with any such laws or regulations in any applicable jurisdiction.

None of the Trustee, the Manager, the Administrator, the relevant Participating Dealer or their respective delegates or agents shall be liable to the relevant Unitholder or investor for any loss suffered by such party as a result of the rejection or delay of any subscription application or payment of redemption proceeds.

#### **11.12. Liquidity risk management**

The Manager has established a liquidity management policy which enables it to identify, monitor and manage the liquidity risks of each Sub-Fund and to ensure that the liquidity profile of the investments of the relevant Sub-Fund will facilitate compliance with such Sub-Fund's obligation to meet redemption requests. Such policy, combined with the liquidity management tools of the Manager, also seeks to achieve fair treatment of Unitholders and safeguard the interests of remaining Unitholders in case of sizeable redemptions.

The Manager's liquidity policy takes into account the investment strategy, the liquidity profile, the redemption policy, the dealing frequency, the ability to enforce redemption limitations and the fair valuation policies of each Sub-Fund. These measures seek to ensure fair treatment and transparency for all investors.

The liquidity management policy involves monitoring the profile of investments held by each Sub-Fund on an on-going basis to ensure that such investments are appropriate to the redemption policy of each Sub-Fund, and will facilitate compliance with each Sub-Fund's obligation to meet redemption requests. Further, the liquidity management policy includes details on periodic stress testing carried out by the Manager to manage the liquidity risk of each Sub-Fund under normal and exceptional market conditions.

The tools that may be employed by the Manager to manage liquidity risks include (but, not limited to) the following:

- (i) the Manager may limit the number of Units of any Sub-Fund redeemed on any Dealing Day to 10% of the total number of Units of the relevant Sub-Fund in issue (subject to the conditions under the sub-headings entitled “**3.6.11 Deferral of Redemption Applications**” in Schedule 4. If such limitation is imposed, this would restrict the ability of a Unitholder to redeem in full the Units he intends to redeem on a particular Dealing Day;
- (ii) subject to the restrictions in Schedule 1, the Manager may borrow in respect of a Sub-Fund to meet redemption requests;
- (iii) the Manager may suspend redemption under exceptional circumstances as set out in the section headed “**7. Valuation and Suspension**” under the heading “**7.2 Suspension of Determination of Net Asset Value**”. During such period of suspension, Unitholders would not be able to redeem their investments in the relevant Sub-Fund.

In practice, the Manager will consult the Trustee before the use of any liquidity risk management tools. Investors should note that there is a risk that the tools may be ineffective to manage liquidity and redemption risks.

#### **11.13. Publication of information relating to the Sub-Funds**

The Manager will publish important news and information in respect of each Sub-Fund (including in respect of an Index Fund, its Underlying Index), both in English and in Chinese languages (unless otherwise specified), on the Website and (where applicable) on HKEX’s website at [www.hkex.com.hk](http://www.hkex.com.hk), including:

- (a) this Prospectus and the KFS of each Sub-Fund (as amended and supplemented from time to time);
- (b) the latest annual and semi-annual reports of each Sub-Fund in English only;
- (c) any notices relating to material changes to a Sub-Fund that may have an impact on its investors such as material alterations or additions to this Prospectus including such Sub-Fund’s KFS or the Trust Deed;
- (d) any public announcements made by the Manager in respect of any Sub-Fund, including information with regard to a Sub-Fund and in respect of an Index Fund, its Underlying Index, the suspension of creations and redemptions of Units, the suspension of the calculation of Net Asset Value, changes in fees and the suspension and resumption of trading of Units;
- (e) the real time or near real-time indicative Net Asset Value per Unit of each Sub-Fund (updated at least every 15 seconds during SEHK trading hours throughout each Dealing Day) in the Base Currency of the Sub-Fund and in each trading currency;

- (f) the last Net Asset Value of each Sub-Fund in the Base Currency of the Sub-Fund and the last Net Asset Value per Unit of each class of each Sub-Fund in the Class Currency and in each trading currency (updated on a daily basis);
- (g) in respect of an Index Fund, the full holdings of such Index Fund updated on a daily basis unless otherwise specified in the relevant Appendix and in respect of a Sub-Fund which is an active ETF, the full holdings of such Sub-Fund updated on a monthly basis within one month of the end of each month;
- (h) the past performance information of each Sub-Fund;
- (i) in respect of an Index Fund, the annual tracking difference and tracking error;
- (j) the latest list of Participating Dealers and market makers of each Sub-Fund; and
- (k) if applicable to a Sub-Fund, the composition of distributions (i.e. the relative amounts paid out of (i) net distributable income, and (ii) capital), if any, for a 12-month rolling period.

Although every effort is made to ensure information provided are accurate at the time of publication the Manager shall not accept any responsibility for any error or delay in calculation or in the publication or non-publication of prices which are beyond its control.

Where applicable, updates about the Underlying Index of an Index Fund can be obtained through other financial data vendors. It is your own responsibility to obtain additional and the latest updated information about the Underlying Index (including without limitation, a description of the way in which the Underlying Index is calculated, any change in the composition of the Underlying Index, any change in the method for compiling and calculating the Underlying Index) via the Website and/or the Index Provider's website (neither of which, nor any other website referred to in this Prospectus, has been reviewed by the Commission).

Please refer to the heading "**11.14. Website Information**" of this section for the warning and the disclaimer regarding information contained in such website.

#### **11.14. Website information**

The offer of the Units is made solely on the basis of information contained in this Prospectus. All references in this Prospectus to other websites and sources where further information may be obtained are merely intended to assist investors to access further information relating to the subject matter indicated and such information does not form part of this Prospectus. Neither the Manager, the Trustee nor the Administrator, accepts any responsibility for ensuring that the information contained in such other websites and sources, if available, is accurate, complete and/or up-to-date, and no liability is accepted by the Manager, the Trustee and the Administrator in relation to any person's use of or reliance on the information contained in these other websites and sources save, in respect of the Manager, the Website. Investors should exercise an appropriate degree of caution when assessing the value of such information. The contents of any websites referred to in this Prospectus have not been reviewed by the SFC.

### **11.15. Notices**

All notices and communications to the Manager, Trustee and the Administrator should be made in writing and sent to their respective addresses set out in the section headed “*I. Directory*” above.

### **11.16. Documents available for inspection**

Copies of the following documents in respect of the Trust and the Sub-Funds (where applicable) are available for inspection at all times during usual business hours on any day (excluding Saturdays, Sundays and public holidays) free of charge at the offices of the Manager:

- (a) Trust Deed (and any supplemental deeds);
- (b) the latest annual and semi-annual reports (if any) of the Trust and the Sub-Fund; and
- (c) the risk management and control policy, procedures and methods employed by the relevant Sub-Fund.

Copies of the documents set out in paragraphs (a) above can be purchased from the Manager on payment of a reasonable fee. Copies of the latest annual and semi-annual reports (if any) are available upon request free of charge.

Please refer to the section headed “*I. Directory*” above for the address of the Manager.

### **11.17. Complaints and enquiries**

Investors may, during normal office hours, contact the complaint officer of the Manager if they have any complaints or enquiries in respect of the Trust or the Sub-Fund:

Address : 4513-14, Two International Finance Centre, 8 Finance Street, Central, Hong Kong

Telephone : +852 2115 8710

Depending on the subject matter of the complaints or enquiries, these will be dealt with either by the Manager directly, or referred to the relevant parties for further handling. The Manager will revert and address the investor’s complaints and enquiries as soon as possible. The contact details of the Manager are set out in the paragraph above.

### **11.18. Certification for compliance with FATCA, AEOI or other applicable laws**

Each investor (a) shall be required to, upon demand by the Trustee, the Administrator or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee, the Administrator or the Manager that is necessary for the Trust or a Sub-Fund (A) to avoid withholding (including, without limitation, any withholding taxes



required under FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Trust or the relevant Sub-Fund receives payments and/or (B) to satisfy due diligence, reporting or other obligations under IRS Code and the United States Treasury Regulations promulgated under the IRS Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority in any jurisdiction (b) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments or when such form, certificate or other information is no longer accurate, and (c) will otherwise comply with any registration, due diligence and reporting obligations imposed by the United States, Hong Kong or any other jurisdiction (including but not limited to any law, rule and requirement relating to AEOI), including such obligations that may be imposed by future legislation.

#### **11.19. Power to make filings and reporting with tax authorities**

Subject to applicable laws and regulations in Hong Kong, the Trust, the relevant Sub-Fund, the Trustee, the Administrator or the Manager or any of their authorised person(s) (as permissible under applicable law or regulation) shall have the power to sign and/or file any returns, elections, or statements by a Sub-Fund to be filed with the applicable tax authorities, report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the US IRS and the IRD), certain information in relation to a Unitholder, including but not limited to the Unitholder's name, address, date of birth, tax residence, taxpayer identification number (if any), social security number (if any) and certain information relating to the Unitholder's holdings, account balance/value, and income or sale or redemption proceeds, to enable the Trust or the relevant Sub-Fund to comply with any applicable law (including any law, rule and requirement relating to AEOI), regulation or any agreement with a tax authority (including, but not limited to, any agreement entered into pursuant to FATCA or any similar or successor legislation) to the extent it determines, in its sole discretion, such agreement is in the best interest of the Trust.

#### **11.20. Personal data**

Pursuant to the provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong, "PDPO"), the Trustee, the Registrar, the Administrator, the Manager, or any of their respective delegates (each a "Data User") may collect, hold and use personal data of individual investors in the Trust and the Sub-Funds only for the purposes for which such data was collected and shall comply with personal data protection principles and requirements as set out in the PDPO and any applicable regulations and rules governing personal data use in Hong Kong from time to time. Accordingly, each Data User shall take all practicable steps to ensure that personal data collected, held and processed by them are protected against unauthorized or accidental access, processing, erasure or other use.

## **SCHEDULE 1 – INVESTMENT AND BORROWING RESTRICTIONS**

A Sub-Fund shall be subject to the investment restrictions set out in this Schedule 1 save to the extent that any approval, permission or waiver in respect of any of the below restrictions has been obtained from the Commission or otherwise provided under the Code.

### **1. Investment limitations applicable to each Sub-Fund**

No holding of any security may be acquired for or added to a Sub-Fund which would be inconsistent with achieving the investment objective of the Sub-Fund or which would result in or no cash deposits shall be made which would result in:

- (a) the aggregate value of the Sub-Fund's investments in, or exposure to, any single entity (other than Government and other public securities) through the following exceeding 10% of the latest available Net Asset Value of the relevant Sub-Fund: 7.1
- (i) investments in securities issued by that entity;
  - (ii) exposure to that entity through underlying assets of financial derivative instruments; and
  - (iii) net counterparty exposure to that entity arising from transactions of over-the-counter financial derivative instruments.

For the avoidance of doubt, restrictions and limitations on counterparty as set out in sub-paragraphs 1(a), 1(b) and 4.4(c) of this Schedule 1 will not apply to financial derivative instruments that are:

- (A) transacted on an exchange where the clearing house performs a central counterparty role; and
- (B) marked-to-market daily in the valuation of their financial derivative instrument positions and subject to margining requirements at least on a daily basis.

The requirements under this sub-paragraph 1(a) will also apply in the case of sub-paragraphs 6(e) and (j) of this Schedule 1;

- (b) subject to sub-paragraphs 1(a) and 4.4(c) of this Schedule 1, the aggregate value of the Sub-Fund's investments in, or exposure to, entities within the same group through the following exceeding 20% of the latest available Net Asset Value of the relevant Sub-Fund:
- (i) investments in securities issued those entities;
  - (ii) exposure to those entities through underlying assets of financial derivative instruments; and

- (iii) net counterparty exposure to those entities arising from transactions of over-the-counter financial derivative instruments.

For the purposes of sub-paragraphs 1(b) and 1(c) of this Schedule 1, “entities within the same group” means entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognized accounting standards.

The requirements under this sub-paragraph 1(b) will also apply in the case of sub-paragraphs 6(e) and (j) of this Schedule 1;

- (c) the value of the Sub-Fund’s cash deposits made with the same entity or entities within the same group exceeding 20% of the latest available Net Asset Value of the relevant Sub-Fund provided that the 20% limit may be exceeded in the following circumstances:
  - (i) cash held before the launch of the Sub-Fund and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested;
  - (ii) cash proceeds from liquidation of investments prior to the merger or termination of the Sub-Fund, whereby the placing of cash deposits with various financial institutions would not be in the best interests of investors; or
  - (iii) cash proceeds received from subscriptions pending investments and cash held for the settlement of redemption and other payment obligations, whereby the placing of cash deposits with various financial institutions would be unduly burdensome and the cash deposits arrangement would not compromise investors’ interests.

For the purposes of this sub-paragraph 1(c), “cash deposits” generally refer to those that are repayable on demand or have the right to be withdrawn by the Sub-Fund and not referable to provision of property or services;

- (d) the Sub-Fund’s holding of any ordinary shares (when aggregated with all other Sub-Funds’ holdings of such ordinary shares) exceeding 10% of any ordinary shares issued by any single entity;
- (e) the value of the Sub-Fund’s investment in securities and other financial products or instruments that are neither listed, quoted nor dealt in on a Securities Market, exceeding 15% of the latest available Net Asset Value of such Sub-Fund;
- (f) notwithstanding sub-paragraphs (a), (b), (d) and (e) of this Schedule 1, where direct investment by a Sub-Fund in a market is not in the best interests of investors, a Sub-Fund may invest through a wholly-owned subsidiary company established solely for the purpose of making direct investments in such market. In this case:

- (i) the underlying investments of the subsidiary, together with the direct investments made by the Sub-Fund, must in aggregate comply with the requirements of Chapter 7 of the Code;
  - (ii) any increase in the overall fees and charges directly or indirectly borne by the Unitholders or the Sub-Fund as a result must be clearly disclosed in the Prospectus; and
  - (iii) the Sub-Fund must produce the reports required by the Code in a consolidated form to include the assets (including investment portfolio) and liabilities of the subsidiary company as part of those of the Sub-Fund;
- (g) the value of the Sub-Fund's total holding of Government and other public securities of the same issue exceeding 30% of the latest available Net Asset Value of such Sub-Fund (save that the Sub-Fund may invest all of its assets in Government and other public securities in at least six different issues). For the avoidance of doubt, Government and other public securities will be regarded as being of a different issue if, even though they are issued by the same person, they are issued on different terms whether as to repayment dates, interest rates, the identity of the guarantor, or otherwise;
- (h) (i) the value of the Sub-Fund's investment in units or shares in other collective investment schemes (namely “**underlying schemes**”) which are non-eligible schemes (the list of “eligible schemes” is as specified by the Commission from time to time) and not authorized by the Commission in aggregate exceeding 10% of its latest available Net Asset Value; and
- (ii) the value of the Sub-Fund's investment in units or shares in each underlying scheme which is either an eligible scheme (the list of “eligible schemes” is as specified by the Commission from time to time) or a scheme authorized by the Commission exceeding 30% of its latest available Net Asset Value unless the underlying scheme is authorized by the Commission, and the name and key investment information of the underlying scheme are disclosed in the Appendix of that Sub-Fund,

provided that:

- (A) no investment may be made in any underlying scheme the investment objective of which is to invest primarily in any investment prohibited by Chapter 7 of the Code;
- (B) where an underlying scheme's objective is to invest primarily in investments restricted by Chapter 7 of the Code, such investments may not be in contravention of the relevant limitation. For the avoidance of doubt, a Sub-Fund may invest in underlying scheme(s) authorized by the Commission under Chapter 8 of the Code (except for hedge funds under 8.7 of the Code), eligible scheme(s) of which the net derivative exposure does not exceed 100% of its total net asset value, and Qualified

Exchange Traded Funds in compliance with sub-paragraphs 1(h)(i) and (ii) of this Schedule 1;

- (C) the underlying scheme's objective may not be to invest primarily in other collective investment scheme(s);
- (D) all initial charges and redemption charges on the underlying scheme(s) must be waived if the underlying scheme is managed by the Manager or its Connected Persons; and
- (E) the Manager or any person acting on behalf of the Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or its management company, or any quantifiable monetary benefits in connection with investments in any underlying scheme.

For the avoidance of doubt:

- (aa) unless otherwise provided under the Code, the spread requirements under sub-paragraphs 1(a), (b), (d) and (e) of this Schedule 1 do not apply to investments in other collective investment schemes by a Sub-Fund;
- (bb) unless otherwise disclosed in the Appendix of a Sub-Fund, the investment by a Sub-Fund in a Qualified Exchange Traded Fund will be considered and treated as listed securities for the purposes of and subject to the requirements in sub-paragraphs 1(a), (b) and (d) of this Schedule 1. Notwithstanding the aforesaid, the investments by a Sub-Fund in Qualified Exchange Traded Funds shall be subject to sub-paragraph 1(e) of this Schedule 1 and the relevant investment limits in Qualified Exchange Traded Funds by a Sub-Fund shall be consistently applied;
- (cc) where investments are made in listed REITs, the requirements under sub-paragraphs 1(a), (b) and (d) of this Schedule 1 apply and where investments are made in unlisted REITs, which are either companies or collective investment schemes, then the requirements under sub-paragraphs 1(e) and (h)(i) of this Schedule 1 apply respectively; and
- (dd) where a Sub-Fund invests in index-based financial derivative instruments, the underlying assets of such financial derivative instruments are not required to be aggregated for the purposes of the investment restrictions or limitations set out in sub-paragraphs 1(a), (b), (c) and (f) of this Schedule 1 provided that the index is in compliance with the requirements under 8.6(e) of the Code.

## **2. Investment prohibitions applicable to each Sub-Fund**

The Manager shall not, unless otherwise specifically provided for in the Code, on behalf of any Sub-Fund:

- (a) invest in physical commodities unless otherwise approved by the Commission on a case-by-case basis taking into account the liquidity of the physical commodities concerned and availability of sufficient and appropriate additional safeguards where necessary;
- (b) in any type of real estate (including buildings) or interests in real estate (including any options or rights but excluding shares in real estate companies and interests in REITs);
- (c) make short sales unless (i) the liability of the relevant Sub-Fund to deliver securities does not exceed 10% of its latest available Net Asset Value; (ii) the security which is to be sold short is actively traded on a Securities Market where short selling activity is permitted; and (iii) the short sales are carried out in accordance with all applicable laws and regulations;
- (d) carry out any naked or uncovered short sale of securities;
- (e) subject to sub-paragraph 1(e) of this Schedule 1, lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements as set out in sub-paragraphs 5.1 to 5.4 of this Schedule 1 are not subject to the limitations in this sub-paragraph 2(e);
- (f) acquire any asset or engage in any transaction which involves the assumption of any liability by the relevant Sub-Fund which is unlimited. For the avoidance of doubt, the liability of Unitholders of a Sub-Fund is limited to their investments in that Sub-Fund;
- (g) invest in any security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5%, or collectively they own more than 5%, of the total nominal amount of all the issued securities of that class; and
- (h) invest in any security where a call is to be made for any sum unpaid on that security, unless the call could be met in full out of cash or near cash from the Sub-Fund's portfolio whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transaction in financial derivative instruments for the purposes of sub-paragraphs 4.5 and 4.6 of this Schedule 1.

### 3. Feeder Funds

A Sub-Fund which is a feeder fund may invest 90% or more of its total Net Asset Value in a single collective investment scheme designated by the Manager (“**underlying scheme**”) in accordance with the following provisions:

- (a) such underlying scheme (“**master fund**”) must be authorized by the Commission;

- (b) the Appendix of the Sub-Fund must state that:
  - (i) the Sub-Fund is a feeder fund into the master fund;
  - (ii) for the purpose of complying with the investment restrictions, the Sub-Fund and its master fund will be deemed a single entity;
  - (iii) the Sub-Fund's annual report must include the investment portfolio of the master fund as at the financial year end date; and
  - (iv) the aggregate amount of all the fees and charges of the Sub-Fund and its master fund must be clearly disclosed;
- (c) no increase in the overall total of initial charges, redemption charges, management fees, or any other costs and charges payable to the Manager or any of its Connected Persons borne by the Unitholders or by the feeder fund may result, if the master fund in which the feeder fund invests is managed by the Manager or by a Connected Person of the Manager; and
- (d) notwithstanding proviso (C) to sub-paragraph 1(h) of this Schedule 1, the master fund may invest in other collective investment scheme(s) subject to the investment restrictions as set out in sub-paragraphs 1(h)(i) and (ii) and proviso (A), (B) and (C) to sub-paragraph 1(h) of this Schedule 1.

#### **4. Use of financial derivative instruments**

4.1 A Sub-Fund may acquire financial derivative instruments for hedging purposes. For the purposes of this sub-paragraph 4.1, financial derivative instruments are generally considered as being acquired for hedging purposes if they meet all the following criteria:

- (a) they are not aimed at generating any investment return;
- (b) they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss or risks arising from the investments being hedged;
- (c) although they may not necessarily reference to the same underlying assets, they should relate to the same asset class with high correlation in terms of risks and return, and involve taking opposite positions, in respect of the investments being hedged; and
- (d) they exhibit price movements with high negative correlation with the investments being hedged under normal market conditions.

The Manager, where it deems necessary, shall cause hedging arrangement to be adjusted or re-positioned, with due consideration on the fees, expenses and costs, to enable the relevant Sub-Fund to meet its hedging objective in stressed or extreme market conditions.

4.2 A Sub-Fund may also acquire financial derivative instruments for non-hedging purposes (“**investment purposes**”) subject to the limit that such Sub-Fund's net exposure relating to

these financial derivative instruments (“**net derivative exposure**”) does not exceed 50% of its latest available Net Asset Value provided that such limit may be exceeded in such circumstances as permitted under the Code, handbook, code and/or guideline issued by the Commission from time to time or permitted by the Commission from time to time. For the avoidance of doubt, financial derivative instruments acquired for hedging purposes under sub-paragraph 4.1 of this Schedule 1 will not be counted towards the 50% limit referred to in this sub-paragraph 4.2 so long as there is no residual derivative exposure arising from such hedging arrangement. Net derivative exposure shall be calculated in accordance with the Code and the requirements and guidance issued by the Commission which may be updated from time to time.

- 4.3 Subject to sub-paragraphs 4.2 and 4.4 of this Schedule 1, a Sub-Fund may invest in financial derivative instruments provided that the exposure to the underlying assets of the financial derivative instruments, together with the other investments of the Sub-Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets and investments as set out in sub-paragraphs 1(a), (b), (c), (f), (h)(i) and (ii), proviso (A) to (C) to sub-paragraph 1(h), sub-paragraph 2(b) and proviso (cc) to sub-paragraph 1(h) of this Schedule 1.
- 4.4 The financial derivative instruments invested by a Sub-Fund shall be either listed/quoted on a stock exchange or dealt in over-the-counter market and comply with the following provisions:
- (a) the underlying assets consist solely of shares in companies, debt securities, money market instruments, units/shares of collective investment schemes, deposits with substantial financial institutions, Government and other public securities, highly-liquid physical commodities (including gold, silver, platinum and crude oil), financial indices, interest rates, foreign exchange rates, currencies, or other asset classes acceptable to the Commission, in which the Sub-Fund may invest according to its investment objectives and policies;
  - (b) the counterparties to transactions of over-the-counter financial derivative instruments or their guarantors are substantial financial institutions or such other entity acceptable to the Commission;
  - (c) subject to sub-paragraphs 1(a) and (b) of this Schedule 1, a Sub-Fund’s net counterparty exposure to a single entity arising from transactions of over-the-counter financial derivative instruments may not exceed 10% of its latest available Net Asset Value provided that the exposure of the Sub-Fund to a counterparty of over-the-counter financial derivative instruments may be lowered by the collateral received (if applicable) by the Sub-Fund and shall be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter financial derivative instruments with that counterparty, if applicable; and
  - (d) the valuation of the financial derivative instruments is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the valuation agent, the Manager, the Administrator or the Trustee or their nominee(s), agent(s) or delegate(s) independent of the issuer of the financial derivative instruments through measures established by the Manager. The financial derivative instruments



can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Sub-Fund's initiative. Further, the valuation agent/administrator should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the financial derivative instruments on a regular basis.

4.5 A Sub-Fund should at all times be capable of meeting all its payment and delivery obligations incurred under transactions in financial derivative instruments (whether for hedging or for investment purposes). The Manager shall, as part of its risk management process, monitor to ensure that the transactions in financial derivative instruments in respect of a Sub-Fund are adequately covered on an ongoing basis. For the purposes of this sub-paragraph 4.5, assets that are used to cover the Sub-Fund's payment and delivery obligations incurred under transactions in financial derivative instruments shall be free from any liens and encumbrances, exclude any cash or near cash for the purpose of meeting a call on any sum unpaid on a security, and cannot be applied for any other purposes.

4.6 Subject to sub-paragraph 4.5 of this Schedule 1, a transaction in financial derivative instruments which gives rise to a future commitment or contingent commitment of a Sub-Fund shall be covered as follows:

(a) in the case of financial derivative instruments transactions which will, or may at the Sub-Fund's discretion, be cash settled, the Sub-Fund shall at all times hold sufficient assets that can be liquidated within a short timeframe to meet the payment obligation; and

(b) in the case of financial derivative instruments transactions which will, or may at the counterparty's discretion, require physical delivery of the underlying assets, the Sub-Fund shall hold the underlying assets in sufficient quantity at all times to meet the delivery obligation. If the Manager considers the underlying assets to be liquid and tradable, the Sub-Fund may hold other alternative assets in sufficient quantity as cover, provided that such assets may be readily converted into the underlying assets at any time to meet the delivery obligation provided further that the Sub-Fund shall apply safeguard measures such as to apply haircut where appropriate to ensure that such alternative assets held are sufficient to meet its future obligations.

4.7 The requirements under sub-paragraphs 4.1 to 4.6 of this Schedule 1 shall apply to embedded financial derivative. For the purposes of this Prospectus, an “**embedded financial derivative**” is a financial derivative instrument that is embedded in another security.

## 5. **Securities financing transactions**

5.1 If disclosed in the relevant Appendix, a Sub-Fund may engage in securities financing transactions, provided that they are in the best interests of Unitholders of such Sub-Fund to do so and the associated risks have been properly mitigated and addressed, and provided further that the counterparties to the securities financing transactions are financial institutions which are subject to ongoing prudential regulation and supervision.

- 5.2 A Sub-Fund shall have at least 100% collateralization in respect of the securities financing transaction(s) into which it enters to ensure there is no uncollateralized counterparty risk exposure arising from these transactions.
- 5.3 All the revenues arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities financing transactions (including direct or indirect expenses of the Manager and the Connected Persons of the Manager or the Trustee) shall be returned to the Sub-Fund.
- 5.4 A Sub-Fund shall only enter into a securities financing transaction if the terms of such securities financing transaction include the power for the Sub-Fund at any time to recall the securities or the full amount of cash (as the case may be) subject to the securities financing transaction(s) or terminate the securities financing transaction(s).

## 6. Collateral

In order to limit the exposure to each counterparty as set out in sub-paragraphs 4.4(c) and 5.2 of this Schedule 1, a Sub-Fund may receive collateral from such counterparty, provided that the collateral complies with the requirements set out below:

- (a) Liquidity – the collateral is sufficiently liquid and tradable in order that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing;
- (b) Valuation – the collateral is marked-to-market daily by using independent pricing sources;
- (c) Credit quality – the collateral is of high credit quality provided that, in the event the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral, such collateral shall be replaced immediately;
- (d) Haircut – the collateral is subject to a prudent haircut policy;
- (e) Diversification – the collateral is appropriately diversified so as to avoid concentrated exposure to any single entity and/or entities within the same group. A Sub-Fund’s exposure to the issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in sub-paragraphs 1(a), 1(b), 1(c), 1(f), 1(h)(i) and (ii) and provisos (A) to (C) of sub-paragraph 1(h) and sub-paragraph 2(b) of this Schedule 1;
- (f) Correlation – the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty or the issuer of the financial derivative instruments, or the counterparty of securities financing transactions in such a way that would undermine the effectiveness of the collateral. For this purpose, securities issued by the counterparty or the issuer of the financial derivative instruments, or the counterparty of securities financing transactions or any of their related entities should not be used as collateral;

- (g) Management of operational and legal risks – the Manager has appropriate systems, operational capabilities and legal expertise for proper collateral management;
- (h) Independent custody – the collateral is held by the Trustee or by duly appointed nominee, agent or delegate;
- (i) Enforceability – the collateral is readily accessible or enforceable by the Trustee without further recourse to the issuer of the financial derivative instruments, or the counterparty of the securities financing transactions;
- (j) Re-investment of collateral – any re-investment of collateral received for the account of the relevant Sub-Fund shall be subject to the following requirements:
  - (i) cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorized under 8.2 of the Code or regulated in a manner generally comparable with the requirements of the Commission and acceptable to the Commission, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the Code. For this purpose, money market instruments refer to securities normally dealt in on the money markets, including government bills, certificates of deposit, commercial papers, short-term notes and bankers' acceptances, etc. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments must be taken into account;
  - (ii) non-cash collateral received may not be sold, re-invested or pledged;
  - (iii) the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in sub-paragraphs 7(b) and 7(j) of this Schedule 1;
  - (iv) cash collateral received is not allowed to be further engaged in any securities financing transactions; and
  - (v) when the cash collateral received is reinvested into other investment(s), such investment(s) is/are not allowed to be engaged in any securities financing transactions;
- (k) the collateral is free of prior encumbrances; and
- (l) the collateral generally does not include (i) structured products whose payouts rely on embedded financial derivatives or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitized products; or (iv) unlisted collective investment schemes.

Further details relating to the collateral policy of the Trust and/or Sub-Funds are disclosed in Schedule 3.

## 7. Money Market Funds

In the exercise of its investment powers in relation to a Sub-Fund which is a Money Market Fund authorised by the Commission under 8.2 of the Code, the Manager shall ensure that the core requirements as set out in paragraphs 1, 2, 4, 5, 6, 9, 10.1 and 10.2 of this Schedule 1 shall apply with the following modifications, exemptions or additional requirements:

- (a) subject to the provisions set out below, a Money Market Fund may only invest in short-term deposits and high quality money market instruments (i.e. securities normally dealt in on the money markets including government bills, certificates of deposit, commercial papers, short-term notes, bankers' acceptances, asset-backed securities such as asset-backed commercial papers), and money market funds that are authorised by the Commission under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the Commission and acceptable to the Commission;
- (b) a Money Market Fund shall maintain a portfolio with weighted average maturity not exceeding 60 days and a weighted average life not exceeding 120 days and must not purchase an instrument with a remaining maturity of more than 397 days (or two years in the case of Government and other public securities). For the purposes herein:
  - (i) **“weighted average maturity”** is a measure of the average length of time to maturity of all the underlying securities in a Money Market Fund weighted to reflect the relative holdings in each instrument; and is used to measure the sensitivity of the Money Market Fund to changing money market interest rates; and
  - (ii) **“weighted average life”** is the weighted average of the remaining life of each security held in a Money Market Fund; and is used to measure the credit risk, as well as the liquidity risk,

provided that the use of interest rate resets in variable-notes or variable-rate notes generally should not be permitted to shorten the maturity of a security for the purpose of calculating weighted average life, but may be permitted for the purpose of calculating weighted average maturity;

- (c) notwithstanding sub-paragraphs 1(a) and 1(c) of this Schedule 1, the aggregate value of a Money Market Fund's holding of instruments issued by a single entity, together with any deposits held with that same issuer may not exceed 10% of the latest available Net Asset Value of such Money Market Fund except:
  - (i) the value of a Money Market Fund's holding of instruments and deposits issued by a single entity may be increased to 25% of the latest available Net Asset Value of such Money Market Fund if the entity is a substantial financial institution, provided that the total value of such holding does not exceed 10% of the entity's share capital and non-distributable capital reserves;

- (ii) up to 30% of a Money Market Fund's latest available Net Asset Value may be invested in Government and other public securities of the same issue; or
  - (iii) in respect of any deposit of less than US\$1,000,000 or its equivalent in the Base Currency of the relevant Money Market Fund where such Money Market Fund cannot otherwise diversify as a result of its size;
- (d) notwithstanding sub-paragraphs 1(b) and 1(c) of this Schedule 1, the aggregate value of a Money Market Fund's investments in entities within the same group through instruments and deposits may not exceed 20% of its latest available Net Asset Value provided that:
  - (i) the aforesaid limit will not apply in respect of cash deposit of less than US\$ 1,000,000 or its equivalent in the Base Currency of such Money Market Fund, where it cannot otherwise diversify as a result of its size;
  - (ii) where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%;
- (e) the value of a Money Market Fund's holding of money market funds that are authorised under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the Commission and acceptable to the Commission may not in aggregate exceed 10% of its latest available Net Asset Value;
- (f) the value of a Money Market Fund's holding of investments in the form of asset-backed securities may not exceed 15% of its latest available Net Asset Value;
- (g) subject to paragraphs 5 and 6 of this Schedule 1, a Money Market Fund may engage in sale and repurchase transactions, and reverse repurchase transactions in compliance with the following additional requirements:
  - (i) the amount of cash received by the Money Market Fund under sale and repurchase transactions may not in aggregate exceed 10% of its latest available Net Asset Value;
  - (ii) the aggregate amount of cash provided to the same counterparty in reverse repurchase agreements may not exceed 15% of the latest available Net Asset Value of the Money Market Fund;
  - (iii) collateral received may only be cash, high quality money market instruments and may also include, in the case of reverse repurchase transactions, government securities receiving a favourable assessment on credit quality; and

- (iv) the holding of collateral, together with other investments of the Money Market Fund, must not contravene the investment limitations and requirements set out in the other provisions of this paragraph 7 of this Schedule 1;
- (h) a Money Market Fund may use financial derivative instruments for hedging purposes only;
- (i) the currency risk of an Money Market Fund should be appropriately managed and any material currency risk that arises from investments of the Money Market Fund that are not denominated in its Base Currency shall be appropriately hedged (provided that, for so long as the HKD is pegged to the USD, the Manager shall not be required to hedge investments in one such currency where the Base Currency of the Authorised Money Market Fund is the other such currency);
- (j) a Money Market Fund must hold at least 7.5% of its latest available Net Asset Value in daily liquid assets and at least 15% of its latest available Net Asset Value in weekly liquid assets. For the purposes herein:
  - (i) daily liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within one Business Day; and (iii) amount receivable and due unconditionally within one Business Day on pending sales of portfolio securities; and
  - (ii) weekly liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within five Business Days; and (iii) amount receivable and due unconditionally within five Business Days on pending sales of portfolio securities.
- (k) the Manager shall carry out periodic stress testing of the assets of the Money Market Fund in order to monitor the liquidity of the Money Market Fund.

## **8. Index Funds**

- 8.1 In the exercise of its investment powers in relation to an Index Fund, the Manager shall ensure that the core requirements in paragraphs 1, 2, 4, 5, 6, 9.1, 10.1 and 10.3 of this Schedule 1 shall apply with the modifications or exceptions as set out in sub-paragraphs 8.2 to 8.4 below.
- 8.2 Notwithstanding sub-paragraph 1(a) of this Schedule 1, more than 10% of the latest available Net Asset Value of an Index Fund may be invested in constituent securities issued by a single entity provided that:
  - (a) it is limited to any constituent securities that each accounts for more than 10% of the weighting of the Underlying Index; and

- (b) the Index Fund's holding of any such constituent securities may not exceed their respective weightings in the Underlying Index, except where weightings are exceeded as a result of changes in the composition of the Underlying Index and the excess is only transitional and temporary in nature;

8.3 Investment restrictions in sub-paragraphs 8.2(a) and (b) of this Schedule 1 do not apply if:

- (a) an Index Fund adopts a representative sampling strategy which does not involve the full replication of the constituent securities of the Underlying Index in the exact weightings of such Underlying Index;
- (b) the strategy is clearly disclosed in the relevant Appendix of the Index Fund;
- (c) the excess of the weightings of the constituent securities held by the Index Fund over the weightings in the Underlying Index is caused by the implementation of the representative sampling strategy;
- (d) any excess weightings of the Index Fund's holdings over the weightings in the Underlying Index must be subject to a maximum limit reasonably determined by the Index Fund after consultation with the Commission. In determining this limit, the Index Fund must consider the characteristics of the underlying constituent securities, their weightings and the investment objectives of the Underlying Index and any other suitable factors;
- (e) limits laid down for the Index Fund pursuant to sub-paragraph 8.3(d) must be disclosed in the relevant Appendix of the Index Fund; and
- (f) disclosure must be made in the Index Fund's interim and annual financial reports as to whether the limits imposed for the Index Fund itself pursuant to sub-paragraph 8.3(d) of this Schedule 1 have been complied with in full.

8.4 Subject to approval of the Commission, the investment restrictions in sub-paragraphs 1(b) and (c) of this Schedule 1 may be modified and the 30% limit in sub-paragraph 1(f) of this Schedule 1 may be exceeded, and an Index Fund may invest all of its assets in Government and other public securities in any number of different issues despite sub-paragraph 1(f) of this Schedule 1.

## **9. Borrowing and leverage**

The expected maximum level of leverage of each Sub-Fund is as follows:

### Cash borrowing

9.1 No borrowing shall be made in respect of a Sub-Fund which would result in the principal amount for the time being of all borrowings made for the account of the relevant Sub-Fund exceeding an amount equal to 10% of the latest available Net Asset Value of the relevant Sub-Fund provided always that back-to-back loans do not count as borrowing. For the avoidance of doubt, securities lending transactions and sale and repurchase transactions in compliance with the requirements as set out in sub-paragraphs 5.1 to 5.4 of this Schedule 1

are not borrowings for the purpose of, and are not subject to the limitations in this sub-paragraph 9.1.

- 9.2 Notwithstanding sub-paragraph 9.1 of this Schedule 1, a Money Market Fund may borrow only on a temporary basis for the purposes of meeting redemption requests defraying operating expenses or such other purposes as may be permitted under the Code.

Leverage from the use of financial derivative instruments

- 9.3 A Sub-Fund may also be leveraged through the use of financial derivative instruments and its expected maximum level of leverage through the use of financial derivative instruments (i.e. expected maximum net derivative exposure) is set out in the relevant Appendix.
- 9.4 In calculating the net derivative exposure, derivatives acquired for investment purposes that would generate incremental leverage at the portfolio level of the relevant Sub-Fund are converted into their equivalent positions in their underlying assets. The net derivative exposure is calculated in accordance with the requirements and guidance by the Commission which may be updated from time to time.
- 9.5 The actual level of leverage may be higher than such expected level in exceptional circumstances, for example when there are sudden movements in markets and/or investment prices.

**10. Name of Sub-Fund**

- 10.1 If the name of a Sub-Fund indicates a particular objective, investment strategy, geographic region or market, the Sub-Fund must, under normal market circumstances, invest at least 70% of its Net Asset Value in securities and other investments to reflect the particular objective, investment strategy or geographic region or market which the Sub-Fund represents.
- 10.2 The name of a Money Market Fund must not appear to draw a parallel between the Money Market Fund and the placement of cash on deposit.
- 10.3 The name of an Index Fund must reflect the nature of an index fund.



## **SCHEDULE 2 – SECURITIES FINANCING TRANSACTIONS**

### **1. General**

The summary of policy of securities financing transactions set out in this Schedule 2 is only applicable to a Sub-Fund which may engage in securities financing transactions.

Securities financing transactions may only be effected in accordance with normal market practice and provided that they are in the best interest of Unitholders of the relevant Sub-Fund to do so and the associated risks have been properly mitigated and addressed.

### **2. Securities financing transactions**

Under a securities lending transaction, a Sub-Fund lends its securities to a security-borrowing counterparty for an agreed fee subject to a commitment from that counterparty that it will return equivalent securities on a specified future date or when requested to do so by the relevant Sub-Fund. A Sub-Fund is expected to retain the rights of beneficial ownership as to the loaned securities, including voting rights and rights to interest or other distributions, and will generally have the right to regain record ownership of loaned securities to exercise such beneficial rights.

Under a sale and repurchase transaction, a Sub-Fund sells its securities to a counterparty of reverse repurchase transactions subject to an agreement to repurchase the securities at an agreed price with a financing cost on a specified future date. Where a Sub-Fund enters into a sale and repurchase transaction under which it sells securities to the counterparty, it will incur a financing cost from engaging in this transaction which will be paid to the relevant counterparty.

Under a reverse repurchase transaction, a Sub-Fund purchases securities from a counterparty of sale and repurchase transactions subject to an agreement to re-sell the relevant securities to the counterparty at an agreed price on a specified future date.

A Sub-Fund must have the right to terminate the securities financing transactions at any time and demand the return of all of the securities loaned or the full amount of cash (as the case may be).

### **3. Revenues and expenses**

All revenues arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities financing transactions, shall be returned to the relevant Sub-Fund. Such direct and indirect expenses shall include fees and expenses payable to securities lending agents engaged for the relevant Sub-Fund from time to time. Such fees and expenses of any securities lending agents engaged for the relevant Sub-Fund, will be at normal commercial rates and will be borne by the relevant Sub-Fund in respect of which the relevant party has been engaged.

Information on the revenues generated under such transactions shall be disclosed in the annual and interim financial reports of the relevant Sub-Fund, along with entities to whom

direct and indirect operational costs and fees relating to such transactions are paid. These entities may include the Manager, the Investment Delegate or any of their Connected Persons.

**4. Eligible Counterparties**

Please refer to Schedule 3 for further details.

**5. Collateral**

A Sub-Fund must have at least 100% collateralization in respect of the securities financing transaction(s) into which it enters to ensure there is no uncollateralized counterparty risk exposure arising from these transactions.

Please refer to Schedule 3 for further details.

**6. Maximum and expected level of securities financing transactions**

The maximum and expected level of a Sub-Fund's assets available for securities financing transactions are set out in the Appendix of the relevant Sub-Fund.

**7. Types of assets that may be subject to securities financing transactions**

The types of assets that may be subject to securities financing transactions include equity securities, fixed income securities, collective investment schemes, money market instruments and cash. Use of such assets is subject to a Sub-Fund's investment objective and policy.

**8. Connected person(s) arrangement**

Where any securities financing transaction has been arranged through the Trustee, the Administrator or a Connected Person of the Trustee, the Administrator or the Manager, such transaction shall be conducted at arm's length and executed on the best available terms, and the relevant entity shall be entitled to retain for its own use and benefit any fee or commission it receives on a commercial basis in connection with such arrangement; such transactions with Connected Persons of the Trustee, the Administrator or the Manager (including the fee retained by the Trustee, the Administrator or the Manager or their Connected Persons) will be disclosed in the connected party transaction section of the relevant Sub-Fund's annual financial reports.

**9. Safekeeping arrangement**

Assets received

Assets (including any collateral) received by a Sub-Fund under a title-transfer arrangement should be held by the Trustee or a Correspondent.

Assets provided

Assets (including any collateral) provided to a counterparty under a title-transfer arrangement shall no longer belong to the Sub-Fund. Assets (including any collateral) provided to a counterparty other than under a title-transfer arrangement shall be held by the Trustee or a Correspondent (which may include the counterparty to the relevant securities financing transaction). Upon the exercise of a right of re-use by a counterparty, such assets will not be safe-kept by the Trustee or a Correspondent and such counterparty may use the assets at its absolute discretion.

## **SCHEDULE 3 – COLLATERAL VALUATION AND MANAGEMENT POLICY**

### **1. General**

The Manager employs a collateral management policy in relation to collateral received in respect of securities financing transactions and OTC financial derivative transactions entered into in respect of a Sub-Fund.

A Sub-Fund may receive collateral from a counterparty to a securities financing transaction or OTC derivative transaction in order to reduce its counterparty risk exposure, subject to the investment restrictions and requirements applicable to collateral under Schedule 1.

A description of holdings of collateral (including a description of the nature of collateral, identity of the counterparty providing the collateral, value of the Sub-Fund (by percentage) secured/covered by collateral with breakdown by asset class/nature and credit rating (if applicable)) will be disclosed in the Sub-Fund's annual and interim financial reports for the relevant period.

### **2. Nature and quality of the collateral**

A Sub-Fund will receive as collateral sufficient cash and/or liquid assets, the value of which, during the duration of the securities financing agreement, will be equal to at least 100% of the global valuation of the securities lent (interests, dividends and other eventual rights included), marked to market on a daily basis. Cash collateral may include cash, cash equivalents and money market instruments. Liquid assets as collateral may comprise of government or corporate bonds whether investment grade / non-investment grade, long/short term bonds, listed or traded in any regulated markets.

### **3. Criteria for selecting counterparties**

The Manager has counterparty selection policies and control measures to manage the credit risks of counterparties of securities financing transactions and OTC derivative transactions which shall include amongst other considerations, fundamental creditworthiness (e.g. ownership structure, financial strength) and commercial reputation of specific legal entities in conjunction with the nature and structure of proposed trading activities, external credit ratings of the counterparty, the regulatory supervision applied to the relevant counterparty, and legal status of the counterparty. No constraint regarding the country of origin will apply.

The counterparty of securities financing transactions must be financial institutions which are subject to ongoing prudential regulation and supervision.

The counterparties of OTC derivative transactions will be entities with legal personality typically located in Organisation for Economic Co-operation and Development (OECD) jurisdictions (but may also be located outside such jurisdictions), and be subject to ongoing supervision by a regulatory authority.

The counterparty to a securities financing transaction and an OTC derivative transaction must be an independent counterparty approved by the Manager and is expected to have a

minimum credit rating of BBB- or equivalent, or must be deemed by the Manager to have an implied rating of BBB- or equivalent assigned by an internationally recognised credit agency (e.g. Standard & Poor's or Moody's) or be licensed corporation with the Commission or registered institution with the Hong Kong Monetary Authority when entering into such transactions. Alternatively, an unrated counterparty will be acceptable where the Manager is indemnified or guaranteed against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating of BBB- or equivalent assigned by an internationally recognised credit agency (e.g. Standard & Poor's or Moody's).

#### **4. Valuation of collateral**

The collateral received is valued daily by independent pricing source on a mark-to market basis.

#### **5. Enforceability of collateral**

Collateral (subject to any net-off or set-off, if applicable) must be readily accessible/enforceable by the Trustee without further recourse to the issuer of the financial derivative instruments or the counterparty of the securities financing transactions.

#### **6. Haircut policy**

A documented haircut policy is in place for detailing the policy in respect of each class of assets received by a Sub-Fund in order to reduce exposure to counterparties. A haircut is a discount applied to the value of a collateral asset to account for the fact that its valuation, or liquidity profile, may deteriorate over time. The haircut policy applied to posted collateral will be negotiated on a counterparty basis and will vary depending on the class of asset received by the relevant Sub-Fund. Haircuts will be based on the market risks of the assets used as collateral in order to cover potential maximum expected decline in collateral values during liquidation before a transaction can be closed out with due consideration on stress period and volatile markets. The haircut policy takes account of the price volatility of the asset used as collateral and other specific characteristics of the collateral, including, among others, asset types, issuer creditworthiness, residual maturity, price sensitivity, optionality, expected liquidity in stressed period, impact from foreign exchange, and correlation between securities accepted as collateral and the securities involved in the transactions.

Further details of the applicable haircut arrangement for each asset class can be available from the Manager upon request.

#### **7. Diversification and correlation of collateral**

Collateral must be appropriately diversified in terms of country, markets and issuers with a limit to the maximum exposure to each given issuer. The exposures of a Sub-Fund to the collateral issuers are monitored in accordance with the relevant restrictions on exposure to a single entity and/or entities within the same group as set out in Schedule 1.

Collateral received must be issued by an entity that is independent from the relevant counterparty.

## **8. Cash collateral reinvestment policy**

A Sub-Fund shall not sell, pledge or re-invest any non-cash collateral received by it.

Subject to the applicable restrictions in respect of collateral in Schedule 1, cash collateral received by a Sub-Fund may be reinvested in short-term deposits, high quality money market instruments and money market funds authorized under 8.2 of the Code or regulated in a manner generally comparable with the requirements of the Commission and acceptable to the Commission.

Unless otherwise specified in the relevant Appendix, none of the cash collateral received by a Sub-Fund may be reinvested.

## **9. Safekeeping of collateral**

Any non-cash assets received by a Sub-Fund from a counterparty on a title transfer basis (whether in respect of a securities financing transaction or an OTC derivative transaction) should be held by the Trustee or a Correspondent. This is not applicable in the event that there is no title transfer in which case the collateral will be held by a third party custodian which is unrelated to the provider of the collateral.

A description of collateral holdings of each Sub-Fund will be disclosed in its interim and annual financial reports as required under Appendix E of the Code.

Assets provided by a Sub-Fund on a title transfer basis shall no longer belong to the Sub-Fund. The counterparty may use those assets at its absolute discretion. Assets provided to a counterparty other than on a title transfer basis shall be held by the Trustee or a Correspondent.

**SCHEDULE 4 – PROVISIONS RELATING TO THE OFFER, CREATION, REDEMPTION,  
LISTING AND TRADING OF UNITS**

**1. GENERAL**

This Schedule 4 contains disclosure relating to the offer, creation, redemption, listing and trading of Units of a Sub-Fund. Save for terms defined below, all other terms used in this Schedule 4 shall have the same meanings as assigned to them under the main part of the Prospectus.

**2. INVESTMENT METHODS**

There are currently two methods to invest in Units of a Sub-Fund:

- (a) primary market – creation and redemption of Units directly with the relevant Sub-Fund in the primary market through a Participating Dealer, being a licensed dealer that has entered into a Participation Agreement in respect of the relevant Sub-Fund; and
- (b) secondary market – buying and selling of Units of the relevant Sub-Fund in the secondary market on the SEHK.

**2.1. Primary Market**

**2.1.1. Applications by Primary Market Investors**

Primary Market Investors may make a request to a Participating Dealer or a stockbroker (who has opened an account with a Participating Dealer) to effect a Creation Application or a Redemption Application on their behalf. Investors cannot acquire Units directly from a Sub-Fund. Only the Participating Dealers may submit a Creation Application or a Redemption Application to create or redeem Units directly in a Sub-Fund.

Creation and redemption of Units by the Participating Dealers will be conducted in accordance with the Trust Deed, the Operating Guidelines and the relevant Participation Agreement. Please refer to the heading “**3. Creations and Redemptions of Application Units (Primary Market)**” of this Schedule 4 for the operational procedures in respect of Applications.

Due to the size of the capital investment (i.e. Application Unit size) required either to create or redeem Units through the Participating Dealer in the primary market, this method of investment is more suitable for institutional investors and market professionals.

**2.1.2. Acceptance / rejection by Participating Dealers**

Participating Dealers are under no obligations to create or redeem Units for their clients and may impose terms, including charges, for handling creation or

redemption orders as they determine appropriate, as described in more detail in this Schedule 4.

Each initial Participating Dealer has indicated to the Manager that it will, subject to (i) normal market conditions, (ii) mutual agreement between the relevant Participating Dealer and the Primary Market Investor as to its fees for handling such request(s), and (iii) completion of anti-money laundering and/or client acceptance procedures and requirements, generally accept and submit creation requests or redemption requests received from a Primary Market Investor who is its client, subject to exceptional circumstances set out below. Investors should note that, although the Manager has a duty to monitor the operations of the Trust closely, none of the Trustee, the Manager, and the Administrator is empowered to compel the Participating Dealer to accept a creation request or redemption request from a Primary Market Investor. Primary Market Investors who are retail investors may only submit a creation request or redemption request through a Participating Dealer or a stockbroker who has opened an account with a Participating Dealer.

In addition, a Participating Dealer reserves the right to reject, acting in good faith, any creation request or redemption request received from Primary Market Investor who is its client under exceptional circumstances, including without limitation the following circumstances:

- (a) any period during which (i) the creation or issue of Units of the relevant Sub-Fund and/or the redemption of Units of the relevant Sub-Fund has been suspended pursuant to the provisions in the Trust Deed and as summarised under the sub-heading “**3.7 Suspension of Creations and Redemptions**” of this Schedule 4; and/or (ii) determination of the Net Asset Value of the relevant Sub-Fund has been suspended pursuant to the provisions in the Trust Deed and as summarised under the section headed “**7. Valuation and Suspension**” under heading “**7.2 Suspension of Determination of Net Asset Value**” in Part 1 of the Prospectus;
- (b) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to any of the Basket Investments;
- (c) where acceptance of the creation request or redemption request would render the Participating Dealer in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Participating Dealer and/or any of its Connected Persons; or
- (d) circumstances outside the control of the Participating Dealer make it for all practicable purposes impossible to process the creation request or redemption request.

### **2.1.3. Requirements relating to Applications by Primary Market Investors**

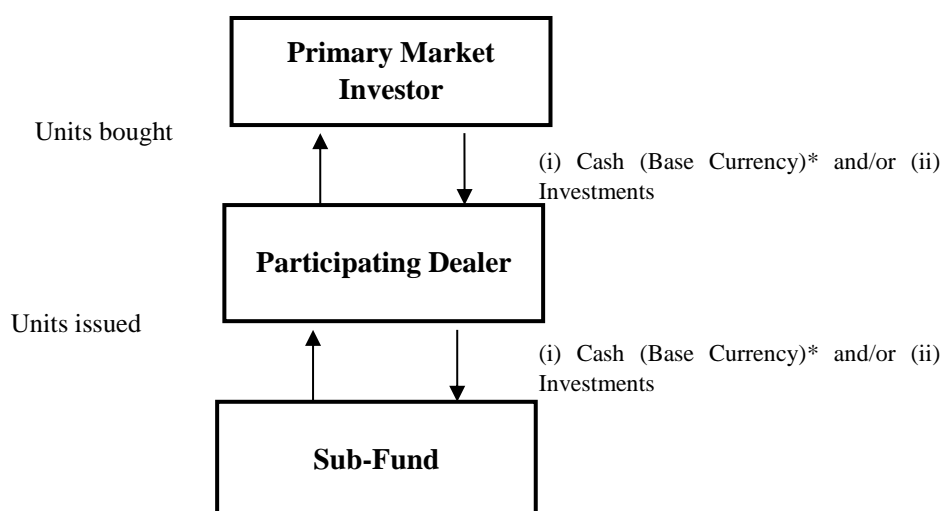


Investors should note that the Participating Dealers and the stockbrokers through whom an Application is made for creation or redemption of Units may impose an earlier dealing deadline, require other supporting documents for the Application and adopt other dealing procedures different from those set out for the relevant Sub-Fund in this Prospectus. For example, the dealing deadline set by the Participating Dealers or the stockbrokers may be earlier than that set out for the relevant Sub-Fund in this Prospectus. Investors should therefore check the applicable dealing procedures with the relevant Participating Dealer or stockbroker (as the case may be).

Participating Dealers and stockbrokers may also impose fees and charges in handling any creation or redemption requests of Primary Market Investors which would increase the cost of investment and/or reduce the redemption proceeds. Such fees and charges will normally be payable in the Base Currency of the relevant Sub-Fund or such other currency as may be determined by the Participating Dealers and stockbrokers. Participating Dealers and stockbrokers may also impose additional terms and restrictions on the holdings of Primary Market Investors and/or may accept or reject the creation or redemption requests of Primary Market Investors based on their internal policies. Please note that although the Manager has a duty to monitor the operations of the Trust closely, none of the Trustee, the Manager and the Administrator is empowered to compel any Participating Dealer or stockbroker to disclose its fees agreed with specific clients or other proprietary or confidential information to the Manager, the Trustee or the Administrator, or to accept any application requests received from third parties. Primary Market Investors are advised to check with the Participating Dealers or stockbrokers as to the relevant fees, costs and other applicable terms.

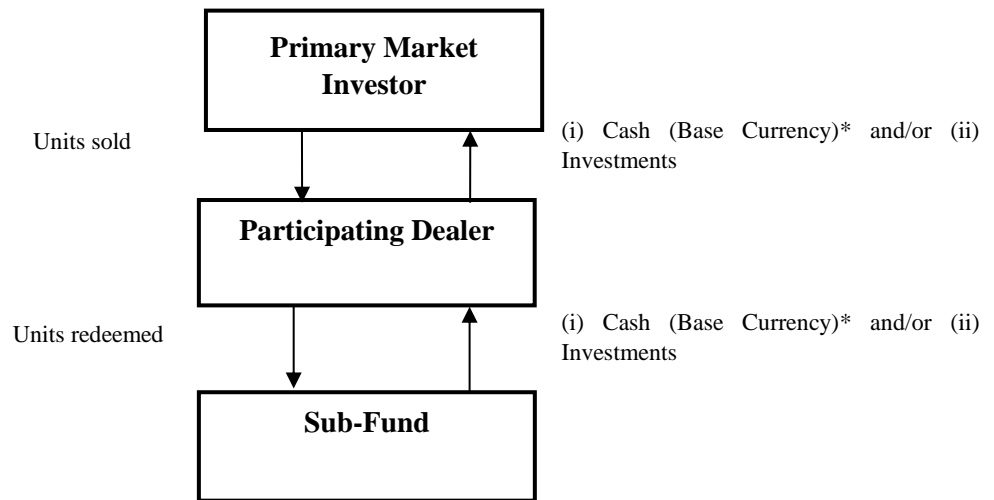
#### 2.1.4. Diagrammatic Illustration of Investment by Primary Market Investors

The following illustrates the process of the creation and issue of Units in the case of Primary Market Investors.



*\*Primary Market Investor may agree with the Participating Dealers settlement in another currency.*

The following illustrates the process of redemption of Units in the case of Primary Market Investors.



*\*Primary Market Investor may agree with the Participating Dealers settlement in another currency*

Primary Market Investors should consult with the relevant Participating Dealer on the method(s) for creation or redemption of Units adopted by the relevant Participating Dealer.

## 2.2. Secondary Market (SEHK)

Secondary Market Investors may purchase and sell Units in the secondary market on the SEHK. This method of investment is more suitable for retail investors due to the smaller size of capital investment. The Units of a Sub-Fund may trade on the SEHK at a premium or discount to its Net Asset Value. Please refer to heading “**4. Exchange Listing and Trading of Units on SEHK (Secondary Market)**” of this Schedule 4 for further information in respect of buying and selling Units on the SEHK.

## 3. CREATIONS AND REDEMPTIONS OF APPLICATION UNITS (PRIMARY MARKET)

This section provides general information regarding the creation and redemption of Units of the Sub-Funds of the Trust. Specific details relating to a Sub-Fund are set out in Part 2 of this Prospectus.

Where a Sub-Fund has a Dual Counter or Multi-Counter, although a Participating Dealer may subject to arrangement with the Manager elect to CCASS to have Units which it creates

deposited in any of the counters, all cash creation and redemption for all of Units must be in the Base Currency of such Sub-Fund or any other currency as set out in the relevant Appendix only.

### **3.1. Initial offer of Units**

#### **3.1.1. Initial Offer Period**

Units in a Sub-Fund will initially be offered only to the Participating Dealer(s) during the Initial Offer Period. The purpose of the Initial Offer Period is to enable the Participating Dealer(s) to apply for Units on their own account or on behalf of third party Primary Market Investors in accordance with the terms of the Trust Deed and the Operating Guidelines. During this period, Participating Dealers (acting for themselves or for third party Primary Market Investors) may apply for Units to be available for trading on the Listing Date by creation.

Upon receipt of a Creation Application from a Participating Dealer (acting for itself or third party Primary Market Investors) during the Initial Offer Period, the Manager shall procure the creation of Units for settlement on the Initial Issue Date.

Primary Market Investors who are retail investors may only submit a creation request or redemption request through a Participating Dealer or a stockbroker who has opened an account with a Participating Dealer.

Investors should note that the Participating Dealers and the stockbrokers through whom a Creation Application is made may impose an earlier dealing deadline, require other supporting documents for the Creation Application and adopt other dealing procedures different from those set out for the relevant Sub-Fund in this Prospectus. For example, the dealing deadline set by the Participating Dealers or the stockbrokers may be earlier than that set out for the relevant Sub-Fund in this Prospectus. Investors are therefore advised to consult with the relevant Participating Dealer on its requirements if they want a Participating Dealer to subscribe for Units on their behalf.

#### **3.1.2. Extension of the Initial Offer Period**

If the Initial Offer Period of a Sub-Fund is extended, dealings in the Units of such Sub-Fund on the SEHK will be postponed to such date as specified in the relevant Appendix.

#### **3.1.3. Initial Issue Price of Units**

The initial Issue Price for a Unit of each Sub-Fund in respect of each Creation Application during the Initial Offer Period is as specified in the relevant Appendix.

The benefit of any rounding adjustments relating to Units will be retained by the relevant class of Units.

Any commission, remuneration or other sums payable by the Manager to any agent or other person in respect of the issue or sale of any Unit shall not be added to the Issue Price of such Unit and shall not be paid by the Trust or the relevant Sub-Fund.

#### **3.1.4. Minimum Launch Level**

The offering of a class of Units or a Sub-Fund may be conditional upon the Minimum Launch Level (if applicable) being received on or prior to the close of the Initial Offer Period.

In the event that the Minimum Launch Level of a class of Units or a Sub-Fund is not achieved or the Manager is of the opinion that it is not in the commercial interest of investors or not feasible, as a result of adverse market conditions or otherwise, to proceed with the relevant class of Units or Sub-Fund, the Manager may in its discretion extend the Initial Offer Period for the relevant class of Units or Sub-Fund or determine that the relevant class of Units or the relevant Sub-Fund and the class or classes of Units relating to it will not be launched. In such event, the relevant class of Units or the Sub-Fund and the class or classes of Units relating to it shall be deemed not to have commenced.

Notwithstanding the aforesaid, the Manager reserves the discretion to proceed with the issue of Units of the relevant class of Units or Sub-Fund even if the Minimum Launch Level has not been achieved.

### **3.2. Continuous offering of Units after Listing**

#### **3.2.1. Dealing Period for Creation Application**

After the Initial Offer Period, a Creation Application shall only be made or accepted (as the case may be) on a Dealing Day and shall only be accepted if made by or through a Participating Dealer in accordance with the terms of the Operating Guidelines and the relevant Participation Agreement.

Any Creation Application received on a day which is not a Dealing Day or after the Dealing Deadline shall be carried forward and deemed to be received at the opening of business on the next Dealing Day, which shall be the relevant Dealing Day for the purposes of that Creation Application provided that the Manager may in the event of system failure which is beyond the reasonable control of the Manager or natural disaster (in consultation with the Trustee) after taking into account the interest of other Unitholders of the relevant Sub-Fund, exercise its discretion to accept an application in respect of a Dealing Day which is received after the Dealing Deadline if it is received prior to the Valuation Point relating to that Dealing Day. Notwithstanding the aforesaid, where in the Trustee's reasonable opinion, the Trustee's, the Registrar's or the Administrator's operational requirements cannot support accepting any such Creation Application, the Manager shall not exercise its discretion to accept any Creation Application.

The Dealing Deadline in respect of a Dealing Day for a Creation Application in respect of a Sub-Fund is as specified in the relevant Appendix.

### **3.2.2. Issue Price of Units**

After the Initial Issue Date, the Issue Price of a Unit in each Sub-Fund shall be the Net Asset Value per Unit calculated as at the Valuation Point in respect of the relevant Valuation Day and unless otherwise specified in the relevant Appendix, rounded to the nearest fourth (4<sup>th</sup>) decimal place (with 0.00005 being rounded up). The benefit of any rounding adjustments relating to the Units will be retained by the relevant class of Units.

For the avoidance of doubt, the Issue Price does not take into account Duties and Charges or fees payable by the Participating Dealers.

Any commission, remuneration or other sums payable by the Manager to any agent or other person in respect of the issue or sale of any Unit shall not be added to the Issue Price of such Unit and shall not be paid by the Trust or the relevant Sub-Fund.

### **3.3. Minimum subscription**

The minimum initial and subsequent subscriptions (if any) for a Sub-Fund is as specified in the relevant Appendix.

### **3.4. Application Unit size**

Unless otherwise determined by the Manager, in consultation with the Trustee, a Creation Application in respect of each Sub-Fund shall only be made by a Participating Dealer during the Initial Offer Period or on a Dealing Day in respect of Units constituting an Application Unit size or whole multiples thereof as specified in the relevant Appendix.

Unless otherwise determined by the Manager, in consultation with the Trustee, Creation Applications submitted in respect of Units other than in Application Unit size will not be accepted.

### **3.5. Creation process**

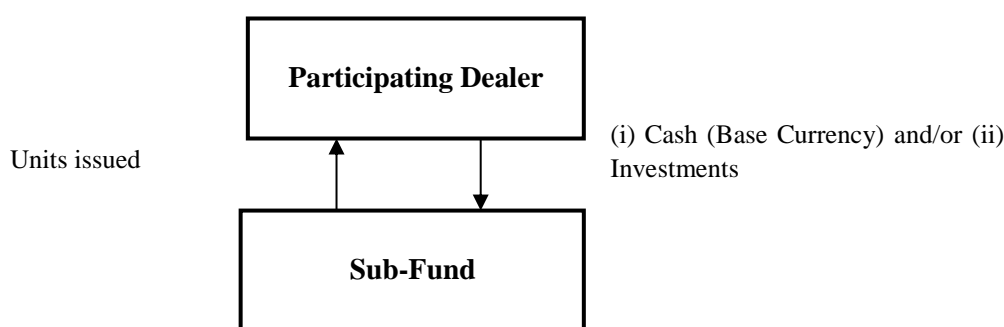
#### **3.5.1. Methods of creation of Units**

The method(s) for creation of Units adopted by each Sub-Fund, whether (i) In-Cash Application only; or (ii) In-Kind Application only; or (iii) combination of In-Kind Application and In-Cash Application, are specified in the relevant Appendix. Each method shall be made in accordance with the Trust Deed and the relevant Participation Agreements and Operating Guidelines.

A Participating Dealer may in its absolute discretion require a creation request received from its client be effected in a particular method. The Manager nonetheless reserves its right to require a Creation Application be effected in a

particular method. Specifically, the Manager has the right to (a) accept cash equal to or in excess of the market value at the Valuation Point for the relevant Dealing Day of such Investment in lieu of accepting such Investment as constituting part of the Creation Application; or (b) accept cash collateral on such terms as it determines if (i) such Investment is likely to be unavailable for delivery or available in insufficient quantity for delivery to the Trustee in connection with the Creation Application; or (ii) the Participating Dealer is restricted by regulation or otherwise from investing or engaging in a transaction in that Investment.

The following illustrates the process of the creation and issue of Units in the case of Participating Dealers.



### 3.5.2. Procedures for Creation Application

To be effective, a Creation Application must:

- (a) be made in a form and substance satisfactory to the Manager and the Administrator;
- (b) comply with the requirements in respect of creation of Units set out in the Trust Deed and as summarised under the heading “**3. Creations and Redemptions of Application Units (Primary Market)**” of this Schedule 4, the Operating Guidelines and the relevant Participation Agreement; and
- (c) be accompanied by such certifications and legal opinions as the Trustee, the Administrator and/or the Manager may in their absolute discretion require or consider necessary to ensure compliance with applicable securities and other laws in relation to the creation of Units which are the subject of the Creation Application.

Except when the creation or issue of Units of a Sub-Fund is suspended pursuant to the provisions under the sub-heading “**3.7 Suspension of Creations and Redemptions**” of this Schedule 4, a Creation Application once given cannot be revoked or withdrawn in whole or in part without the consent of the Manager.

### 3.5.3. Rejection of Creation Applications by the Manager

The Manager, acting reasonably and in good faith, has the absolute right to reject a Creation Application, including but not limited to the following circumstances:

- (a) any period during which (i) the creation or issue of Units of the relevant Sub-Fund and/or the redemption of Units of the relevant Sub-Fund has been suspended pursuant to the provisions in the Trust Deed and as summarised under the sub-heading “**3.7 Suspension of Creations and Redemptions**” of this Schedule 4; and/or (ii) determination of the Net Asset Value of the relevant class of Units has been suspended pursuant to the provisions in the Trust Deed and as summarised under the section headed “**7. Valuation and Suspension**” under heading “**7.2 Suspension of Determination of Net Asset Value**” in Part 1 of the Prospectus;
- (b) in the reasonable opinion of the Manager, acceptance of the Creation Application will have an adverse effect or adverse tax consequences on the Trust or the relevant Sub-Fund or is unlawful or will have an adverse effect on the interests of the Unitholders;
- (c) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to (i) for an Index Fund, any of the Index Securities in its Underlying Index; or (ii) for a Sub-Fund which is an active ETF, a substantial part of the Investments of the Sub-Fund;
- (d) acceptance of the Creation Application would render the Manager in breach of any laws or regulations (including any regulatory restriction or requirement), internal compliance or internal control restriction or requirement of the Manager necessary for compliance with applicable laws or regulations or regulatory requirements;
- (e) the relevant Sub-Fund is not able to acquire further investments due to trading restrictions/limits in the market;
- (f) processing of the Creation Application is not possible due to exceptional circumstances outside the control of the Manager (such as market disruptions or circumstances under which acceptance of the Creation Application will have a material adverse impact on the relevant Sub-Fund);
- (g) the Creation Application is not submitted in the form and manner set out in the Trust Deed and as summarised under the heading “**3. Creations and Redemptions of Application Units (Primary Market)**” of this Schedule 4;
- (h) an Insolvency Event occurs in respect of the relevant Participating Dealer;

- (i) there are insufficient Investments or Index Securities and/or Non-Index Securities (as the case may be) available to the Manager and/or the Trust to constitute the Basket(s) in respect of a Creation Application; or
- (j) the business operations of the Manager or the Trustee or the Administrator or the Registrar or any of their delegates or agents in respect of a Creation Application in the relevant Investment Fund are substantially interrupted or closed as a result of or arising from a Force Majeure Event,

provided that the Manager will take into account the interest of the Unitholders of the Trust and/or the relevant Sub-Fund to ensure that the interests of the Unitholders will not be materially adversely affected. In addition to the foregoing, the Manager may also reject Creation Applications in such other circumstances as set out in the relevant Appendix.

In the event of such rejection, the Manager shall notify the relevant Participating Dealer, the Trustee and the Administrator of its decision to reject such Creation Application in accordance with the Operating Guidelines. Where for any reason there is a limit to the number of Units which can be created, priority will be given to Participating Dealers whose applications have been rejected and the relevant Creation Applications as set out in the Operating Guidelines.

The Manager's right to reject a Creation Application is separate and in addition to a Participating Dealer's right to reject, acting in good faith, any creation request received from a client of the Participating Dealer under exceptional circumstances. Notwithstanding a Participating Dealer has accepted creation requests from its clients and in that connection submitted an effective Creation Application, the Manager may exercise its rights to reject such Creation Application in the circumstances described herein.

#### **3.5.4. Delivery of cash and/or Investments in respect of creation of Units**

Pursuant to a valid Creation Application being accepted by the Manager, the Manager and/or any person duly authorised by the Manager for such purpose shall have the exclusive right to instruct the Trustee to effect:

- (a) for the account of the relevant Sub-Fund, the creation of Units in Application Unit size or whole multiples thereof in exchange for the delivery by the relevant Participating Dealer, to or for the account of the Trustee:
  - (i) where In-Kind Application only is adopted, the Basket Investments for the Units of the relevant class of Units to be issued and a cash amount equivalent to any Duties and Charges and any incidental costs associated with the creation of Units payable, plus, if applicable, an amount equivalent to the Cash Component;



- (ii) where In-Cash Application only is adopted, a cash payment equivalent to the relevant Basket Value for the Units of the relevant class of Units, plus, if applicable, an amount equivalent to the Cash Component, which the Manager shall use amongst others to purchase the Basket Investments comprised in the Basket(s); or
  - (iii) where a combination of In-Kind Application and In-Cash Application is adopted, a combination of Basket Investments for the Units of the relevant class of Units to be issued and a cash payment equivalent to the relevant Basket in the manner set out in sub-paragraph (i) and (ii) above; and
- (b) the issue of Units to the Participating Dealer,

both in accordance with the Trust Deed, the relevant Participation Agreements and Operating Guidelines.

Where In-Cash Application is adopted, the Manager currently only accepts cash payments in the Base Currency of the relevant Sub-Fund (even for a Sub-Fund which adopts Dual Counter or Multi-Counter) or any other currency as set out in the relevant Appendix. Notwithstanding the Dual Counter or Multi-Counter, any cash payable by Participating Dealers in an In-Cash Application must be in the Base Currency of the relevant Sub-Fund or any other currency as set out in the relevant Appendix regardless of whether the Units are deposited into CCASS as RMB traded Units, HKD traded Units or as USD traded Units. The process of creation of Units is the same for all counters.

In relation to an In-Cash Application, the Manager shall be entitled in its absolute discretion to require the Participating Dealer to pay such additional sum as representing Duties and Charges and any incidental costs associated with the creation of the Units and the difference between the prices used when valuing the Investments of the relevant Sub-Fund for the purpose of such creation and the purchase prices actually paid in acquiring such Investments by the Manager for the account of the relevant Sub-Fund.

The Participating Dealer may pass on to the relevant investor such additional sum.

### **3.5.5. Creation and issue of Units**

In respect of a Creation Application received and accepted during the Initial Offer Period, the creation and issue of Units shall be effected on the Initial Issue Date.

After the Initial Offer Period, where a Creation Application is received or deemed to be received and accepted before the Dealing Deadline on a Dealing Day, the creation and issue of Units pursuant to that Creation Application shall be effected on the Settlement Day in accordance with the Operating Guidelines but:

- (a) for valuation purposes only, Units shall be deemed to be created and issued after the Valuation Point on the relevant Valuation Day relating to that Dealing Day on which the relevant Creation Application was received or deemed received; and
- (b) subject to the Trustee confirming to the Registrar that settlement has occurred, the Register shall be updated on the Settlement Day or the Dealing Day immediately following the Settlement Day if the settlement period is extended provided that the Registrar shall be entitled to refuse to enter (or allow to be entered) Units in the Register if at any time the Trustee is of the opinion that the issue of Units does not comply with the provisions of the Trust Deed.

Once Units are created, the Manager shall instruct the Administrator which will then instruct the Registrar to arrange for the issuance, for the account of the Sub-Fund, the Units to the relevant Participating Dealer in accordance with the Operating Guidelines.

Units are denominated in the Base Currency of the Sub-Fund (unless otherwise determined by the Manager) or in respect of a class of Units in the relevant class currency.

No fractions of a Unit shall be created or issued.

All Units are in registered form and no certificates will be issued.

### **3.5.6. Fees relating to Creation Applications**

In respect of each Creation Application, the Administrator shall be entitled to the Transaction Fee and the Manager shall be entitled to charge Duties and Charges and any other cash payments specified in the relevant Participation Agreement and Operating Guidelines, which shall be paid by or on behalf of the relevant Participating Dealer and may be set off and deducted against any cash amount due to the Participating Dealer in respect of such Creation Application(s) or otherwise payable in addition to the Issue Price. See the section “*9. Fees and Expenses*” in Part 1 of the Prospectus for further details.

The Participating Dealer may pass on to the relevant investor such Duties and Charges.

The Administrator with the consent of the Manager shall have the right to revise the amount of the Transaction Fee it charges provided that the level of Transaction Fee charged to all Participating Dealers is the same in respect of the same Sub-Fund.

Where In-Kind Application or a combination of In-Kind Application and In-Cash Application is adopted, a corporate action fee is also payable to HKSCC in respect of a Creation Application where HKSCC is appointed as a conversion agent for such Sub-Fund.

### 3.5.7. Cancellation of Creation Applications

The Administrator may, on the instruction of the Manager, arrange for the cancellation of a Creation Application and any Units deemed created and issued in respect of such Creation Application if it has not received good title to all Investments and/or cash (including Transaction Fees, Duties and Charges) relating to the Creation Application by the Settlement Day, provided that the Manager may at its discretion, in consultation with the Trustee:

- (a) extend the relevant delivery or the settlement period (either for the Creation Application as a whole or for a particular Investment) on such terms and conditions as the Manager may determine (including as to, but not limited to, the payment of an Extension Fee) and in accordance with the provisions of the Operating Guidelines; or
- (b) partially settle the Creation Application to the extent to which Investments and/or cash has been vested in the Trustee, on such terms and conditions as the Manager may determine (including as to, but not limited to, the terms of any extension of the settlement period for the outstanding Investments or cash).

In addition to the preceding circumstances, the Administrator may also, on the instruction of the Manager, arrange for the cancellation of any Creation Application and any Units deemed created and issued in respect of such Creation Application if the Manager determines by such time specified in the Operating Guidelines that it is unable to invest the cash proceeds of any Creation Application.

Upon the cancellation of any Creation Application and any Units deemed created pursuant to a Creation Application as provided for above or if a Participating Dealer, with the approval of the Manager, withdraws a Creation Application other than in the circumstances contemplated in the Trust Deed, such Units shall be deemed for all purposes never to have been created and the relevant Participating Dealer shall have no right or claim against the Manager, the Trustee, the Administrator and/or the Service Agent in respect of such cancellation provided that:

- (i) any Basket Investments deposited for exchange (or equivalent Investments) fully vested in the Trustee and/or any cash (including cash collateral) received by or on behalf of the Trustee in respect of such cancelled Units shall be redelivered to the Participating Dealer without interest as soon as practicable;
- (ii) the Manager shall be entitled to charge the Participating Dealer for the account and benefit of the Administrator an Application Cancellation Fee and any other fees and charges as set out in the Operating Guidelines;
- (iii) the Manager may at its absolute discretion require the Participating Dealer to pay to the Trustee for the account of the relevant Sub-Fund in

respect of each cancelled Unit Cancellation Compensation, being the amount (if any) by which the Issue Price of each such Unit exceeds the Redemption Price which would have applied in relation to each such Unit if a Participating Dealer had, on the date on which such Units are cancelled, made a Redemption Application, together with charges, expenses and losses incurred by the Sub-Fund as a result of any such cancellation;

- (iv) the Participating Dealer may be required to pay to the Trustee the Transaction Fee payable in respect of the Creation Application for the account and benefit of the Administrator;
- (v) the Manager shall be entitled to require the Participating Dealer to pay to the Trustee for the account of the relevant Sub-Fund the Duties and Charges (if any) incurred by the Trust in consequence of such cancelled Creation Application which shall be retained for the benefit of the relevant Sub-Fund; and
- (vi) no previous valuations of the assets in respect of the relevant Sub-Fund shall be re-opened or invalidated as a result of the cancellation of such Units.

### **3.6. Redemption Applications by Participating Dealers**

#### **3.6.1. Redemption Applications generally**

A Redemption Application shall only be made or accepted (as the case may be) on a Dealing Day and shall only be accepted if made by or through a Participating Dealer in accordance with the terms of the Operating Guidelines and the relevant Participation Agreement. No redemptions are permitted during the Initial Offer Period.

Unless otherwise determined by the Manager, in consultation with the Trustee, a Redemption Application shall only be in respect of Units constituting an Application Unit size or whole multiples thereof.

Where a Redemption Application is received on a day which is not a Dealing Day or is received after the Dealing Deadline on a Dealing Day, that Redemption Application shall be carried forward and deemed to be received at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Redemption Application provided that the Manager may in the event of system failure which is beyond the reasonable control of the Manager or natural disaster (in consultation with the Trustee) after taking into account the interest of other Unitholders of the relevant Sub-Fund, exercise its discretion to accept an application in respect of a Dealing Day which is received after the Dealing Deadline if it is received prior to the Valuation Point relating to that Dealing Day. Notwithstanding the aforesaid, where in the Trustee's reasonable opinion, the Trustee's, the Registrar's or the Administrator's

operational requirements cannot support accepting any such application, the Manager shall not exercise its discretion to accept any application.

The Dealing Deadline in respect of a Dealing Day for a Redemption Application in respect of each Sub-Fund is as specified in the relevant Appendix.

### 3.6.2. Redemption Price of Units

The Redemption Price of Units redeemed shall be the Net Asset Value per Unit of the relevant class calculated as at the Valuation Point of the relevant Valuation Day and unless otherwise specified in the relevant Appendix, rounded to the nearest fourth (4<sup>th</sup>) decimal place (with 0.00005 being rounded up). The benefit of any rounding adjustments will accrue to the relevant class.

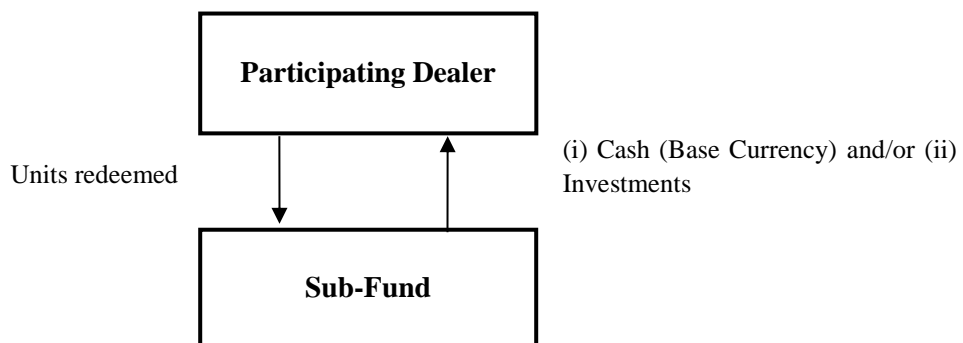
For the avoidance of doubt, the Redemption Price does not take into account Duties and Charges or fees payable by the Participating Dealers.

### 3.6.3. Methods of redemption of Units

Where the Manager accepts a Redemption Application in respect of a Sub-Fund from a Participating Dealer, the Manager may effect the redemption of the relevant Units through, (i) In-Cash Redemption only; or (ii) In-Kind Redemption only; or (iii) combination of In-Cash Redemption and In-Kind Redemption, each in accordance with the Trust Deed and the relevant Participation Agreements and Operating Guidelines. The redemption method(s) adopted by each Sub-Fund is specified in the relevant Appendix.

Participating Dealer may in its absolute discretion require a redemption request received from its client be effected in a particular method. The Manager nonetheless reserves its right to require a Redemption Application be effected in a particular method. Specifically, the Manager has the right to instruct the Trustee to deliver cash equivalent of any Investment in connection with the Redemption Application to the Participating Dealer if (a) such Investment is likely to be unavailable for delivery or available in insufficient quantity for delivery in connection with the Redemption Application; or (b) the Participating Dealer is restricted by regulation or otherwise from investing or engaging in a transaction in that Investment.

The following illustrates the process of redemption of Units in the case of Participating Dealers.



#### **3.6.4. Procedures for redemption of Units**

To be effective, a Redemption Application must:

- (a) be made in a form and substance satisfactory to the Manager and the Administrator;
- (b) comply with the requirements in respect of redemption of Units set out in the Trust Deed and as summarised under the heading “**3. Creations and Redemptions of Application Units (Primary Market)**” of this Schedule 4, the Operating Guidelines and the relevant Participation Agreement; and
- (c) be accompanied by such certifications and legal opinions as the Trustee, the Administrator and/or the Manager may in their absolute discretion require or consider necessary to ensure compliance with applicable securities and other laws in relation to the redemption of Units which are the subject of the Redemption Application.

Except when the redemption of Units of the relevant Sub-Fund is suspended pursuant to the provisions under the sub-heading “**3.7 Suspension of Creations and Redemptions**” of this Schedule 4, a Redemption Application once given cannot be revoked or withdrawn in whole or in part without the consent of the Manager.

#### **3.6.5. Rejection of Redemption Applications by Manager**

The Manager, acting reasonably and in good faith, has the absolute right to reject a Redemption Application in exceptional circumstances or to impose different minimum redemption size requirements, including but not limited to when:

- (a) any period during which (i) the creation or issue of Units of the relevant Sub-Fund and/or the redemption of Units of the relevant Sub-Fund has been suspended pursuant to the provisions in the Trust Deed and as summarised under the sub-heading “**3.7 Suspension of Creations and Redemptions**” of this Schedule 4; and/or (ii) determination of the Net Asset Value of the relevant Sub-Fund has been suspended pursuant to the provisions in the Trust Deed and as summarised under the section headed “**7. Valuation and Suspension**” under heading “**7.2 Suspension of Determination of Net Asset Value**” in Part 1 of the Prospectus;
- (b) in the reasonable opinion of the Manager, acceptance of the Redemption Application will have an adverse effect on the Trust or the relevant Sub-Fund;

- (c) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to (i) for an Index Fund, any of the Index Securities in its Underlying Index; or (ii) for a Sub-Fund which is an active ETF, a substantial part of its Investments;
- (d) acceptance of the Redemption Application would render the Manager in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Manager necessary for compliance with applicable laws or regulations or regulatory requirements;
- (e) processing of the Redemption Application is not possible due to circumstances outside the control of the Manager (such as market disruptions or circumstances under which acceptance of the Redemption Application will have a material adverse impact on the relevant Sub-Fund);
- (f) the Redemption Application is not submitted in the form and manner set out in the provisions of the Trust Deed and as summarised under the heading “**3. Creations and Redemptions of Application Units (Primary Market)**” of this Schedule 4; or
- (g) the business operations of the Manager or the Trustee or the Administrator or the Registrar or any of their delegates or agents in respect of a Redemption Application in the relevant Sub-Fund are substantially interrupted or closed as a result of or arising from a Force Majeure Event,

provided that the Manager will take into account the interest of the Unitholders of the relevant Sub-Fund to ensure that the interests of the Unitholders will not be materially adversely affected. In addition to the foregoing, the Manager may also reject Redemption Applications in such other circumstances as set out in the relevant Appendix.

In the event of such rejection, the Manager shall notify the relevant Participating Dealer, the Trustee and the Administrator of its decision to reject such Redemption Application in accordance with the Operating Guidelines. Where for any reason there is a limit to the number of Units that can be redeemed, priority will be given to Participating Dealers whose applications have been rejected and the relevant Redemption Applications as set out in the Operating Guidelines.

The Manager’s right to reject a Redemption Application is separate and in addition to a Participating Dealer’s right to reject, acting in good faith, any redemption request received from a client of the Participating Dealer under exceptional circumstances. Notwithstanding a Participating Dealer has accepted redemption requests from its clients and in that connection submitted an effective Redemption Application, the Manager may exercise its rights to reject such Redemption Application in the circumstances described herein.

### **3.6.6. Transfer of cash and/or Investments in respect of Redemption Application**

Pursuant to a valid Redemption Application accepted by the Manager, the Manager, the Administrator and/or any person duly authorised by the Manager for such purpose shall instruct the Trustee to:

- (a) effect the redemption and cancellation of the relevant class of Units; and
- (b) transfer to the relevant Participating Dealer:
  - (i) the relevant Basket Investments (as the Manager considers appropriate) in respect of such class of Units, plus, if applicable, the Cash Component; and/or
  - (ii) cash,

both in accordance with the Trust Deed, the relevant Participation Agreements and Operating Guidelines.

The Participating Dealer will then transfer the Basket Investments plus, if applicable, the Cash Component and/or cash to the relevant client if the Redemption Application was submitted by the Participating Dealer for the account of its client.

### **3.6.7. Payment of redemption proceeds of Units**

#### **3.6.7.1. Payment terms in respect of In-Cash Redemption only**

Where In-Cash Redemption is adopted, the Manager currently only allows redemption proceeds to be paid out in cash in the Base Currency of the relevant Sub-Fund (even for a Sub-Fund which adopts Dual Counter or Multi-Counter). Notwithstanding the Dual Counter or Multi-Counter, any cash proceeds received by Participating Dealers in an In-Cash Redemption or a combination of In-Cash Redemption and In-Kind Redemption shall be paid only in the Base Currency of the relevant Sub-Fund. All Units regardless of their trading currency may be redeemed by way of a Redemption Application (through a Participating Dealer). The redemption process is the same for all Units regardless of their trading currency.

In relation to an In-Cash Redemption, the Manager shall be entitled in its absolute discretion to charge (for the account of the relevant Sub-Fund) to the Participating Dealer redeeming any Units of the relevant class such additional sum representing Duties and Charges (which may include, but is not limited to, a provision for stamp duties and other transaction charges or taxes applicable to the sale (or estimated to be applicable to the future sale) of the relevant Basket Investments) and any incidental costs associated with the redemption of Units of the relevant class



(including but not limited to bid/ask spread and price slippage). Such Duties and Charges payable by the Participating Dealer and any incidental costs associated with the redemption of Units of the relevant class (including but not limited to bid/ask spread and price slippage) and the Cash Component payable by the Participating Dealer (if any) may be set off and deducted from the cash payable to the Participating Dealer.

The Participating Dealer may pass on to the relevant investor such additional sum.

### **3.6.7.2. Payment terms in respect of In-Kind Redemption only or a combination of In-Cash Redemption and In-Kind Redemption**

In relation to an In-Kind Redemption or a combination of In-Cash Redemption and In-Kind Redemption, the Manager has the right to instruct the Trustee to deliver cash equivalent to the market value of any Investment in connection with the Redemption Application to the Participating Dealer if (a) the relevant Investment is unlikely to be available for delivery or likely to be available in insufficient quantity for delivery upon the Redemption Application by a Participating Dealer; or (b) the Participating Dealer is restricted by regulation or otherwise from investing or engaging in a transaction in that Investment; (c) it is in the interests of the relevant Sub-Fund to do so; or (d) any other circumstances or reasons exist which, in the view of the Manager, makes it appropriate to pay out cash as aforementioned either generally or in any particular case.

Notwithstanding the Dual Counter or Multi-Counter, any cash proceeds received by Participating Dealers in the in-cash component in a combination of In-Cash Redemption and In-Kind Redemption shall be paid only in the Base Currency of the relevant Sub-Fund. All Units regardless of their trading currency may be redeemed by way of a Redemption Application (through a Participating Dealer). The process of redemption of Units is the same for all counters.

### **3.6.7.3. Timing for payment of redemption proceeds**

The maximum interval between (i) the receipt of a properly documented Redemption Application in accordance with the Operating Guidelines and (ii) payment of redemption proceeds (in cash or in-kind, as applicable) to the relevant Participating Dealer may not exceed one (1) calendar month unless the market(s) in which a substantial portion of investments of the Sub-Fund is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of the redemption money within the aforesaid time period not practicable. In such case, and subject to the Commission's prior approval, payments may be delayed but the extended time frame for the payment of redemption proceeds shall reflect the additional time needed in light of the specific circumstances in the relevant market(s).

Subject to the above and unless otherwise specified in the relevant Appendix, payment of redemption proceeds will normally be made within 3 Business Days of the relevant Dealing Day.

### **3.6.8. Cancellation of Units pursuant to Redemption Application**

On the relevant Settlement Day in relation to an effective Redemption Application:

- (a) the Units, which are the subject of the Redemption Application, shall be redeemed and cancelled;
- (b) the funds of the relevant Sub-Fund shall be reduced by the cancellation of those Units but, for valuation purposes only, such Units shall be deemed to have been redeemed and cancelled after the Valuation Point as at the Valuation Day relating to the Dealing Day on which the Redemption Application is or is deemed to be received; and
- (c) the name of the Unitholder of such Units shall be removed from the Register in respect of those Units on the relevant Settlement Day.

### **3.6.9. Fees relating to Redemption of Units**

In respect of each Redemption Application, the Administrator shall be entitled to the Transaction Fee, and the Manager shall be entitled to charge Duties and Charges and any other cash payments specified in the relevant Participation Agreement and Operating Guidelines, which shall be paid by the relevant Participating Dealer and may be set off and deducted against any Cash Component and/or redemption proceeds due to the relevant Participating Dealer in respect of such Redemption Application. The Participating Dealer may pass on to the relevant investor such Duties and Charges.

The Administrator shall have the right to revise the amount of the Transaction Fee it charges provided that the level of Transaction Fee charged to all Participating Dealers is the same in respect of the relevant Sub-Fund. See the section “**9. Fees and Expenses**” in Part 1 of the Prospectus for further details on the Transaction Fee.

Where In-Kind Redemption or a combination of In-Cash Redemption and In-Kind Redemption is adopted, a corporate action fee is also payable to HKSCC in respect of a Redemption Application where a Conversion Agent is appointed for such Sub-Fund.

The Conversion Agent may charge a Unit Cancellation Fee in connection with each Redemption Application.

### **3.6.10. Cancellation of Redemption Applications**

In respect of a Redemption Application, unless the requisite documents in respect of the Units have been delivered to the Manager by such times and in such manner as prescribed in the relevant Participation Agreements and/or Operating Guidelines, the Redemption Application shall be deemed never to have been made except that the Transaction Fee (for the account and benefit of the Administrator) in respect of such Redemption Application shall remain due and payable, and in such circumstances:

- (a) the Manager shall also be entitled to charge the relevant Participating Dealer an Application Cancellation Fee which is payable to the Administrator for its own account and such fees and charges as set out in the Operating Guidelines;
- (b) the Manager may at its absolute discretion require the relevant Participating Dealer to pay to the Trustee, for the account of the relevant Sub-Fund, Cancellation Compensation in respect of each Unit, being the amount (if any) by which the Redemption Price of each Unit is less than the Issue Price which would have applied in relation to each Unit if a Participating Dealer had, on the final day permitted for delivery of the requisite documents in respect of the Units which are the subject of the Redemption Application, made a Creation Application; and
- (c) no previous valuations of the relevant Sub-Fund shall be re-opened or invalidated as a result of an unsuccessful Redemption Application,

provided that the Manager, in consultation with the Trustee, may at its discretion extend the settlement period on such terms and conditions as the Manager may determine (including as to, but not limited to, the payment of an Extension Fee).

### **3.6.11. Deferral of Redemption Applications**

The Manager may after consultation with the Trustee limit the total number of Units of a Sub-Fund redeemed on any Dealing Day to 10% of the total number of Units of such Sub-Fund in issue.

Where the Manager exercises this power:

- (a) subject to paragraph (b), this limitation will be applied pro rata to all Participating Dealers of the relevant Sub-Fund who have validly requested redemption to be effected on such Dealing Day and only sufficient redemptions which, in aggregate, amount to 10% of the total number of Units in the Sub-Fund then in issue will be carried out;
- (b) Units that are not redeemed because of the exercise of this power will be redeemed on the next succeeding Dealing Day for such Units (subject to any further exercise of this power on any subsequent Dealing Day);
- (c) any part of a Redemption Application to which effect is not given by reason of the exercise of this power will be treated as if the request had

been made with priority in respect of the next Dealing Day and all following Dealing Days (in relation to which the Manager has the same power) until the original request has been satisfied in full;

- (d) Units will be redeemed at the Redemption Price prevailing on the Dealing Day on which they are redeemed; and
- (e) if Redemption Applications are carried forward pursuant to this paragraph, the Manager will give notice to affected Participating Dealers that the relevant Units have not been redeemed and that (subject to any further exercise of this power on any subsequent Dealing Day) such Units will be redeemed on the next succeeding Dealing Day for the relevant Sub-Fund.

### **3.7. Suspension of creations and redemptions**

The Manager may, after consultation with the Trustee, having regard to the best interest of Unitholders, suspend the creation or issue or redemption of Units of a Sub-Fund and/or delay the payment of any monies in respect of any Redemption Application for the whole or any part of any period during which:

- (a) trading on the SEHK is restricted or suspended;
- (b) a market on which (i) for an Index Fund, an Index Security (that is a component of its Underlying Index); or (ii) for a Sub-Fund which is an active ETF, substantial part of its Investments, has its primary listing, or the official clearing and settlement depositary (if any) of such market, is closed;
- (c) dealing on a market on which (i) for an Index Fund, an Index Security (that is a component of its Underlying Index); or (ii) for a Sub-Fund which is an active ETF, substantial part of its Investments, has its primary listing is restricted or suspended;
- (d) in the opinion of the Manager, settlement or clearing of Investments in the official clearing and settlement depositary (if any) of such market is disrupted; or
- (e) the determination of the Net Asset Value of the Sub-Fund is suspended or if any circumstance specified in section headed “*7. Valuation and Suspension*” under the heading “*7.2 Suspension of Determination of Net Asset Value*” in Part 1 of the Prospectus arises.

The Manager may, after consultation with the Trustee, having regard to the best interest of Unitholders, suspend the creation or issue of Units of a Sub-Fund if, as a result of the investment of the proceeds of issue of such Units in accordance with the investment objective of the relevant Sub-Fund, the Trust collectively holds or would hold in aggregate more than 10 per cent of the ordinary shares issued by any single entity and the Commission has not agreed to waive this prohibition under the Code.

Upon declaration of the suspension by the Manager, the suspension shall take effect. During the suspension:

- (i) no Application shall be made by any of the Participating Dealers and in the event any Application is received in respect of any Dealing Day falling within such period of suspension (that has not been otherwise withdrawn), such Application shall be deemed as having been received immediately following the termination of the suspension; and
- (ii) no Units shall be created and issued or redeemed for the account of the Sub-Fund.

The suspension shall terminate (i) when the Manager declares the suspension at an end, or (ii) in any event on the day following the first Business Day on which the condition giving rise to the suspension ceases to exist; and no other condition under which suspension is authorised under the Trust Deed and summarised under this sub-heading “**3.7 Suspension of Creations and Redemptions**” exists.

Whenever the Manager shall declare a suspension, the Manager (i) shall, immediately after any such declaration notify the Commission of such suspension; and (ii) shall, immediately after any such declaration and at least once a month during the period of such suspension cause a notice of such declaration to be given by posting the declaration on the Website or cause such notice to be published in any other appropriate manner and/or cause a notice to be given to Unitholders and to all those (whether Unitholders or not) whose applications to subscribe for or redeem Units shall have been affected by such suspension stating that such declaration has been made.

A Participating Dealer may at any time after a suspension has been declared and before termination of such suspension withdraw an Application submitted prior to such suspension by notice in writing to the Manager and the Manager shall promptly notify the Trustee and/or Administrator accordingly. If the Manager has not received any such notification of withdrawal of such Application before termination of such suspension, the Manager shall treat such Applications as having been received immediately following the termination of such suspension and the Trustee and/or Administrator will accept them on the next Dealing Day following the termination of such suspension. The period for settlement of any Redemption Application will be extended by a period equal to the length of the period of suspension.

### **3.8. Compulsory redemption of Units**

If the Manager or the Trustee or the Administrator or the Registrar suspects that Units are owned directly or beneficially by an Unqualified Person, the Manager or the Trustee or the Administrator or the Registrar may, acting in good faith and in compliance with any applicable laws and regulations:

- (a) give notice requiring the relevant Unitholder to transfer the Units to a person who would not be in contravention of the above restrictions within 30 days of the date of the notice;
- (b) deem receipt of a Redemption Application in respect of such Units; or

- (c) take such other actions as it reasonably believes is required by applicable laws or regulations.

Where the Manager or the Trustee or the Administrator or the Registrar has given such notice and the relevant person has failed to either (i) transfer the relevant Units within 30 days of the date of the notice, or (ii) establish to the satisfaction of the Manager or the Trustee or the Administrator or the Registrar (whose judgment is final and binding) that the relevant Units are not held in contravention of any of the restrictions set out above, the Unitholder is deemed to have given a redemption request in respect of the relevant Units on the expiry of 30 days from the date of the notice.

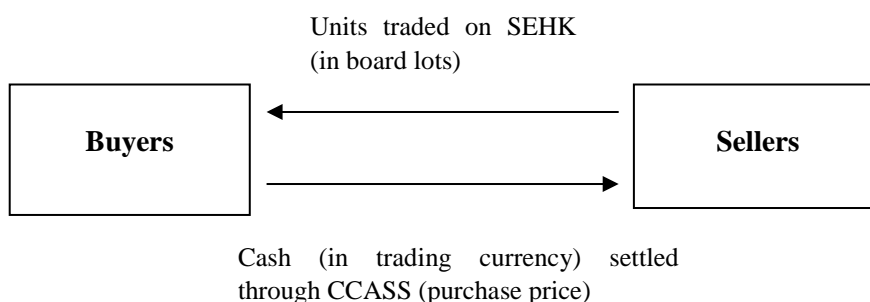
#### 4. EXCHANGE LISTING AND TRADING OF UNITS ON SEHK (SECONDARY MARKET)

The purpose of the listing of the Units of a Sub-Fund on the SEHK is to enable investors to buy and sell Units on the secondary market, normally via a broker or dealer in smaller quantities than would be possible if they were to subscribe and/or redeem Units in the primary market.

Dealings on the SEHK in Units of a Sub-Fund are expected to begin on the Listing Date but may be postponed if the Listing Date is postponed.

A Secondary Market Investor can buy or sell the Units of each Sub-Fund through his stockbroker on the SEHK on or after the Listing Date at any time the SEHK is open. Units of each Sub-Fund may be bought and sold in the Trading Board Lot Size (or the multiples thereof).

The diagram below illustrates the trading of Units on the SEHK:



To sell Units – or to buy new ones – a Secondary Market Investor will need to use an intermediary such as a stockbroker or any of the share dealing services offered by banks or other financial advisers.

**No money should be paid to any intermediary in Hong Kong which is not licensed for Type 1 (dealing in securities) regulated activity under Part V of the SFO.**

Please note that transactions in the secondary market on the SEHK will occur at market prices which may vary throughout the day and may differ from the Net Asset Value per Unit

of the relevant Sub-Fund due to market demand and supply, liquidity and scale of trading spread for the Units in the secondary market. As a result, the market price of the Units of the Sub-Fund in the secondary market may be higher or lower than the Net Asset Value per Unit of the relevant Sub-Fund.

Brokerage, stamp duty and other fees may be payable when selling (and purchasing) Units. Please refer to the section headed “**9. Fees and Expenses**” under the sub-heading “**9.2.3 Secondary Market Investors Dealing in Units on the SEHK**” in Part 1 of the Prospectus for details of the applicable brokerage, stamp duty and other fees.

There can be no assurance that a liquid secondary market will exist for the Units. If trading of the Units of the Sub-Fund on the SEHK is suspended or trading generally on the SEHK is suspended, then there will be no secondary market dealing for those Units.

There can be no guarantee that once the Units of the relevant Sub-Fund are listed on the SEHK they will remain listed.

The Manager will ensure that at least one market maker will maintain a market for the Units of a Sub-Fund. Broadly, the obligations of a market maker will include quoting bid and offer prices on the SEHK with the intention of providing liquidity. Given the nature of the market maker’s role, the Manager will make available to a market maker, the portfolio composition information made available to a Participating Dealer.

Units may be purchased from and sold through the market makers. However, there is no guarantee or assurance as to the price at which a market will be made. In maintaining a market for Units, the market makers may make or lose money based on the differences between the prices at which they buy and sell Units, which is to a certain extent dependent on the difference between the purchase and sale prices of the Investments comprised within the relevant Sub-Fund. Market makers may retain any profits made by them for their own benefit and they are not liable to account to the Sub-Funds in respect of their profits.

If you wish to buy or sell Units on the secondary market, you should contact your brokers.

If trading of the Units on the SEHK is suspended or trading generally on the SEHK is suspended, then there will be no secondary market dealing for the Units.

Units are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Units of any Sub-Fund on one or more other stock exchanges.

Participating Dealers should note that they will not be able to sell or otherwise deal in the Units on the SEHK until dealings begin on the SEHK.

## **5. EVIDENCE OF UNITHOLDING**

Units will be deposited, cleared and settled by the CCASS. Units are held in registered entry form only, which means that no Unit certificates are issued. HKSCC Nominees Limited is the registered owner (i.e. the sole holder of record) of all outstanding Units deposited with

the CCASS and is holding such Units for the participants in accordance with the General Rules of CCASS. Furthermore, the Trustee, the Registrar and the Manager acknowledge that pursuant to the General Rules of CCASS neither HKSCC Nominees Limited nor HKSCC has any proprietary interest in the Units. Investors owning Units in CCASS are beneficial owners as shown on the records of the participating brokers or the relevant Participating Dealer(s) (as the case may be) who are participants of CCASS.

## **6. TRANSFER OF UNITS**

As all Units will be held in CCASS, the Manager's consent is deemed given where an investor is transferring his interest in Units within CCASS. A Unitholder is entitled to transfer Units held by him by using the standard transfer form issued by SEHK or by an instrument in writing in such other form (and if the transferor or the transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution) as the Registrar and the Manager may from time to time approve. The transferor will be deemed to remain the Unitholder of the Units transferred until the name of the transferee is entered in the register of Unitholders in respect of the Units being transferred. Each instrument of transfer must relate to a single Sub-Fund only. If and to the extent that all Units are deposited, cleared and settled in CCASS, HKSCC Nominees Limited will be the sole Unitholder, holding such Units for the persons admitted by HKSCC as a participant of CCASS and to whose account any Units are for the time being allocated in accordance with the General Rules of CCASS.



## **PART 2 – INFORMATION SPECIFIC TO THE SUB-FUNDS**

Part 2 of this Prospectus sets out specific information relevant to each Sub-Fund established under the Trust. It is updated from time to time by the Manager. Information relating to each Sub-Fund is set out in a separate Appendix.

The information presented in each Appendix in this Part 2 should be read in conjunction with the information presented in Part 1 of this Prospectus. Where the information in any Appendix in this Part 2 conflicts with the information presented in Part 1, the information in the relevant Appendix in the Part 2 prevails. However, it is applicable to the specific Sub-Fund of the relevant Appendix only.

Defined terms used in each Appendix and which are not defined in this Part 2, bear the same meanings as in Part 1 of this Prospectus. References in each Appendix to “Sub-Fund” refer to the relevant Sub-Fund which is the subject of that Appendix. References in an Appendix to “Underlying Index” (where applicable) refer to the relevant Underlying Index details of which are set out in that Appendix.

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# **APPENDIX 1**

## **Samsung Bitcoin Futures Active ETF**

*(a sub-fund of Samsung ETFs Trust III, a Hong Kong umbrella unit trust authorized under Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong)*

**(Stock Code for HKD counter: 3135)**

**This is an active futures-based exchange traded fund**

### **MANAGER**

Samsung Asset Management (Hong Kong) Limited

### **LISTING AGENT**

Altus Capital Limited

10 January 2023

Application has been made to the SEHK for the listing of, and permission to deal in, the Units of the Samsung Bitcoin Futures Active ETF (“**Sub-Fund**”). Subject to the approval granting of listing of, and permission to deal in the Units on the SEHK and compliance with the relevant admission requirements of the HKSCC, Units in the Sub-Fund will be accepted as eligible securities by HKSCC for deposit, clearing and settlement in the CCASS with effect from the date of commencement of dealings in Units on the SEHK or such other date as may be determined by HKSCC. Settlement of transactions between participants of the SEHK is required to take place in CCASS on the second CCASS Settlement Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

## 1. KEY INFORMATION

The following table sets out certain key information in respect of the Sub-Fund, and should be read in conjunction with the full text of this Appendix and the Prospectus.

<b>INVESTMENT CONSIDERATIONS</b>	
<b>Investment Type</b>	Active exchange traded fund authorized as a collective investment scheme by the Commission under Chapters 8.9 and 8.10 of the Code.
<b>Investment Objective</b>	The Sub-Fund seeks to provide economic exposure to the value of bitcoin by investing predominately in front-month bitcoin futures contracts and/or micro bitcoin futures contracts traded on the Chicago Mercantile Exchange (“CME”) (collectively the “ <b>Bitcoin Futures on CME</b> ”).
<b>Investment Strategy</b>	Predominately invests in front-month Bitcoin Futures on CME. Please refer to section headed “ <b>2. Investment Objective and Strategy</b> ” in this Appendix for further details.
<b>INVESTING IN THE SUB-FUND</b>	
<b>Initial Offer Period</b>	9:30 a.m. (Hong Kong time) of 10 January 2023 to 4:00 p.m. (Hong Kong time) of 10 January 2023, or such other date as the Manager may determine
<b>Initial Issue Date</b>	12 January 2023, or such other date as the Manager may determine
<b>Listing Date</b>	Expected to be 13 January 2023, but may be postponed by the Manager to a date no later than 20 January 2023
<b>Exchange Listing</b>	SEHK – Main Board
<b>Dual Counter</b>	No – Units are traded in HKD only
<b>Stock Code</b>	03135
<b>Stock Short Name</b>	FA Samsung BTC
<b>ISIN No.</b>	HK0000902855
<b>Trading Board Lot Size</b>	50 Units
<b>Issue Price during the Initial Offer Period</b>	USD 1 or such other price as may be determined by the Manager in consultation with the Trustee

<b>Base Currency</b>	USD
<b>Trading Currency</b>	HKD
<b>Dealing Day</b>	Each Business Day
<b>Dealing Period</b>	Commences at 9:30am (Hong Kong time) on the relevant Dealing Day and ends at the Dealing Deadline on the relevant Dealing Day, as may be revised by the Manager from time to time
<b>Dealing Deadline</b>	4:00 p.m. on the relevant Dealing Day, or such other time as the Manager (with the approval of the Trustee) may determine
<b>Application Unit for Creation/Redemption (only by or through Participating Dealers)</b>	Minimum of 250,000 Units (or multiples thereof or such other number of Units from time to time determined by the Manager in consultation with the Trustee)
<b>Method of Creation/ Redemption (only by or through Participating Dealers)</b>	In-Cash Applications (in USD only) and In-Cash Redemptions (in USD only)
<b>Minimum subscription</b>	One Application Unit size
<b>Minimum Launch Level</b>	USD5 million
<b>Valuation Day</b>	Each Dealing Day or such other day(s) as the Manager may determine
<b>Distribution Policy</b>	<p>Annually (usually in March each year) (if any) subject to the Manager's discretion. Distributions may be made out of capital or effectively out of capital as well as income at the Manager's discretion.</p> <p>Please refer to section headed "<b>7. Distribution Policy of the Sub-Fund</b>" in this Appendix for further information on the distribution policy of the Sub-Fund and the risk factor "<b>5.2.33 Distribution Risk</b>" under section headed "<b>5. Risk Factors</b>" in Part 1 of the Prospectus for the risk associated with distributions paid out of capital or effectively out of capital.</p> <p>Distributions for all Units will be in the Base Currency of the Sub-Fund (USD) only. In the event that the relevant Unitholder has no USD account, the Unitholder may have to bear the fees and charges associated with the conversion of such distribution from USD into HKD or any other currency. Unitholder may also have to bear bank or financial institution fees and charges associated with the handling of the distribution payment. Unitholders are advised to check with their brokers regarding</p>

	arrangements for distributions and to consider the risk factor entitled " <b>4.13 Other currency distributions risk</b> " below.
<b>FEES AND EXPENSES</b>	
<b>Management Fee</b>	Currently 0.89% per annum of the Net Asset Value (“NAV”) of the Sub-Fund subject to a maximum rate of 1.5% per annum of the NAV of the Sub-Fund.
<b>Administration Fee</b>	Currently 0.06% per annum of the NAV of the Sub-Fund subject to a monthly minimum fee of USD 750 and maximum rate of 0.12% per annum of the NAV of the Sub-Fund. The Trustee Fee is included in the Administration Fee.
<b>OTHER SERVICE PROVIDERS</b>	
<b>Administrator</b>	The Hongkong and Shanghai Banking Corporation Limited of 1 Queen’s Road Central Hong Kong
<b>Listing Agent</b>	Altus Capital Limited of 21 Wing Wo Street, Central, Hong Kong
<b>Participating Dealers</b>	Mirae Asset Securities (HK) Limited Korea Investment & Securities Asia Limited SinoPac Securities (Asia) Limited  <i>*please refer to the Website (details as set out below) for the latest list</i>
<b>Market Makers</b>	Flow Traders Hong Kong Limited  <i>*please refer to the Website (details as set out below) for the latest list</i>
<b>Service Agent</b>	HK Conversion Agency Services Limited
<b>OTHER IMPORTANT INFORMATION</b>	
<b>Financial Year</b>	Ending 31 March each year.  The first financial year-end of the Sub-Fund will be 31 March 2024. The first semi-annual unaudited interim reports of the Sub-Fund will be for the period ending 30 September 2023).
<b>Website</b>	www.samsungetfhk.com <sup>#</sup>  <i># The contents of the Website have not been reviewed by the Commission.</i>

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## 2. INVESTMENT OBJECTIVE AND STRATEGY

### 2.1. *Investment Objective*

The Sub-Fund seeks to provide economic exposure to the value of bitcoin by investing predominately in front-month Bitcoin Futures on CME.

**The Sub-Fund does not invest directly in Bitcoin and will not receive any Bitcoin from Bitcoin Futures on CME.**

There is no assurance that the Sub-Fund will achieve its investment objective.

### 2.2. *Investment Strategy*

In seeking to achieve the Sub-Fund's investment objective, the Manager adopts an active investment strategy whereby it will enter into and have exposure of up to 100% of the Sub-Fund's NAV in Bitcoin Futures on CME.

The Sub-Fund will be actively managed to allow flexibility in portfolio composition (e.g. diversification of futures position with multiple expiry dates), rollover strategy (depending on liquidity and contango / backwardation situation), and handling of any market disruption events.

While the Sub-Fund intends to predominately invests in front-month Bitcoin Futures on CME (i.e. contracts with the nearest expiration date), the Manager may, in its absolute discretion and without prior notice to investors, invest in subsequent-month Bitcoin Futures on CME (contracts with expiration dates later than that of front-month contracts), in the best interests of the Sub-Fund and the Unitholders and for the protection of the Sub-Fund. The specifications of Bitcoin Futures on CME are set out in the sub-section headed "**3.2 Bitcoin Futures Contracts**" under the section headed "**3. Overview of Bitcoin and Bitcoin Futures**" in this Appendix. **The Sub-Fund does not invest directly in bitcoin and will not receive any bitcoin from Bitcoin Futures on CME.**

In entering into the Bitcoin Futures on CME, the Manager anticipates that no more than 80% of the NAV of the Sub-Fund from time to time will be used as margin to acquire such futures contracts. If an exchange or a clearing broker imposes more stringent margin requirement under exceptional circumstances, the margin may increase beyond 80% of the Sub-Fund's NAV.

Not less than 20% of the Sub-Fund's NAV (this percentage may be reduced proportionally under the abovementioned circumstances where there is a higher margin requirement) will be invested in USD denominated cash, bank deposits, as well as high-quality money market instruments such as government bills, certificates of deposit, commercial papers, fixed and floating rate short-term notes and bankers' acceptances.

Under exceptional circumstances and in the best interest of investors, no more than 10% of the NAV of the Sub-Fund will be invested in exchange traded funds with primary exposure to bitcoin. For the avoidance of doubt, the sum of notional value of Bitcoin Futures on CME and investments in such bitcoin exchange traded funds will not exceed 100% of the NAV of the Sub-Fund. Any investments in exchange traded funds will be considered and treated as collective investment schemes for the purposes of and subject to the requirements in Chapter 7.11, 7.11A and 7.11B of the Code. The Sub-Fund will not hold more than 10% of any units, shares or interests in any single collective investment scheme. For the avoidance of doubt, the Sub-Fund's investment in non-eligible schemes and not authorised by the SFC will be no more than 10% of its NAV.

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### 2.3. *Rolling Strategy*

Bitcoin Futures on CME are cash-settled on their expiration date unless they are replaced with subsequent-month contracts (i.e. rolling) prior to expiration.

When setting the rolling strategy, the Manager will consider the liquidity, bid-ask spread and roll spread of the front-month and next-month futures contracts. The front-month contracts will normally be rolled to the next-month contracts on a monthly basis over several Business Days immediately before the last trade day of the front-month Bitcoin Futures on CME (i.e. the last Friday of the contract month). “Next-month” contracts are the contracts with the nearest expiration date after the front-month contracts. “Next-month” contracts will become the next front-month contracts immediately after current front-month contracts expired.

The Manager may, in its discretion, deviate from the rolling strategy above (e.g. front-month contracts may be rolled to subsequent-month contracts) subject to liquidity and contango / backwardation considerations and in the best interests of the Sub-Fund and the Unitholders.

### 2.4. *Use of Financial Derivatives Instruments*

Other than margin for the Bitcoin Futures on CME, the Sub-Fund will not itself use leverage and the Sub-Fund’s exposure to financial derivative instruments (based on the settlement price of the Bitcoin Futures on CME) will not exceed 100% of its NAV.

The Commission has granted a waiver to the Sub-Fund from compliance with the requirement under 7.26 of the Code, which limits a fund’s net derivative exposure to up to 50% of its NAV. Pursuant to such waiver, the Sub-Fund’s net derivative exposure may be more than 50% but up to 100% of the Sub-Fund’s NAV.

### 2.5. *Securities Financing Transactions*

Currently, the Manager has no intention to enter into securities lending transactions, repurchase or reverse repurchase transactions and other similar over-the-counter transactions on the part of the Sub-Fund.

### 2.6. *Investment and Borrowing Restriction*

The Sub-Fund is subject to the investment and borrowing restrictions set out in Schedule 1 in Part 1 of the Prospectus.

## 3. **OVERVIEW OF BITCOIN AND BITCOIN FUTURES**

### 3.1. *Bitcoin*

Bitcoin is a virtual asset which was released in 2009. Bitcoin serves as the unit of account on an open-source, decentralized, peer-to-peer computer network (“**Bitcoin Network**”). Although bitcoin may be used as a medium of exchange for goods and services, stored for future use, or converted to a fiat currency, it is not a legal tender. As of the date of this Appendix, the adoption of using bitcoin for these purposes has been limited.

The ownership of bitcoin is not determined by a centralised entity such as central government, but rather by a decentralised group of participants who run open source software program on the Bitcoin Network, and they follow sets of protocol (commonly referred to as Bitcoin Protocol) to operate in terms of transaction validation and recording. The identification of bitcoin ownership is protected by public key cryptography.

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Bitcoin is maintained on a digital ledger of transactions commonly known as a “blockchain”, which contains a record and history for each bitcoin transaction. Each block in the chain contains a number of transactions, and every time a new transaction occurs on the blockchain, a record of that transaction is added to every participant’s ledger. The blocks are securely linked together using cryptography.

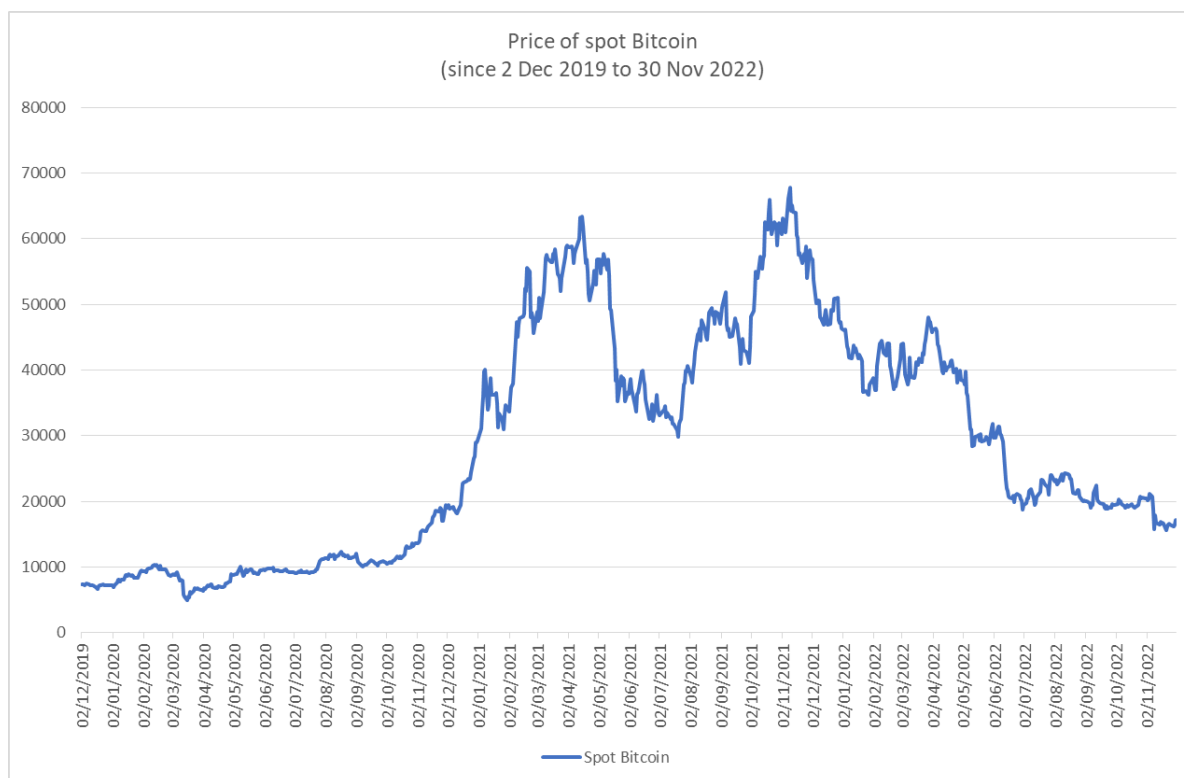
New bitcoin is created by “mining”, which is done by miners using specialized computer software and hardware to solve extremely complicated mathematical problem presented by the Bitcoin Protocol and that verify transactions in bitcoin. A new block of transaction is added to the bitcoin blockchain by the first miner who successfully solved the problem, and such new block will then be confirmed through acceptance by a majority of users who maintain versions of the blockchain on their individual computers. When a bitcoin is successfully mined, the miner receives a predetermined amount of bitcoin as a reward.

The value of bitcoin is not backed by any regulated entities but determined by the limited supply, market demand and availability. There are limitations on both the total amount of bitcoin that will be produced and the rate at which it is released into the network. By design, the supply of bitcoin is limited to 21 million bitcoins. As of the date of this Appendix, there are approximately 19 million bitcoins in circulation. As such, the total and available supply of bitcoin may impact the price of bitcoin.

As bitcoin is an open-source project and has no central authority, any developer may review, propose changes to and develop software for the Bitcoin Protocols. When a modification is introduced, there is no guarantee that it will automatically be adopted by the other participants. If the updated Bitcoin Protocols is not compatible with the original bitcoin software and a sufficient number (but not necessarily a majority) of users and miners elect not to migrate to the updated Bitcoin Protocols, this would result in a “hard fork” of the Bitcoin Network, with one prong running the earlier version of the bitcoin software and the other running the updated bitcoin software, resulting in the existence of two versions of bitcoin network running in parallel and a split of the blockchain underlying the bitcoin network. Such a fork could adversely affect bitcoin’s viability and adversely impact on the value of bitcoin. Further, a substantial giveaway of bitcoin to participants in the Bitcoin Network (sometimes referred to as an “air drop”) may also result in significant and unexpected declines in the value of bitcoin.

Apart from the above, bitcoin is subject to a number of unique and substantial risks, such as high price volatility, custody risk, fraud, cybersecurity risk, trading on less regulated or unregulated platforms and their potential association with illegal activities. In particular, over the course of history of bitcoin, a number of virtual asset trading venues have been closed due to mismanagement, fraud, failure or security breaches. Investors in bitcoin may have little or no recourse should such theft, fraud or manipulation occur and could suffer significant losses. It is possible that a significant portion of bitcoin is held by a small group of investors and speculators and the speculation on the potential future appreciation in the price of bitcoin may artificially inflate or deflate the price of bitcoin. Legal or regulatory changes may also negatively impact the operation of the Bitcoin Network or restrict the use of bitcoin. The realization of any of these risks could result in a decline in the acceptance of bitcoin and consequently a reduction in the value of bitcoin and Bitcoin futures. The value of bitcoin has been historically extremely volatile as illustrated in the chart below:





Source: Bloomberg as of 5 December 2022

### 3.2. *Bitcoin Futures Contracts*

Futures contracts are financial contracts the value of which depends on, or is derived from, the underlying reference asset. In the case of bitcoin futures contracts, the underlying reference asset is bitcoin. The only futures contracts in which the Sub-Fund invests (as described below) are Bitcoin Futures on CME which are cash-settled bitcoin futures contracts. “Cash-settled” means that when the relevant futures contract expires, if the value of the underlying reference asset exceeds the futures contract price, the seller pays to the purchaser cash in the amount of that excess. Alternatively, if the futures contract price exceeds the value of the underlying reference asset, the purchaser pays to the seller cash in the amount of that excess. In a cash-settled futures contract on bitcoin, the amount of cash to be paid is equal to the difference between the final settlement price, equal to the CME CF Bitcoin Reference Rate (“**BRR**”) on the last day of trading and the futures contract price as specified in the agreement.

BFC commenced trading on the CME Globex electronic trading platform on December 17, 2017, under the ticker symbol “BTC.” MBFC commenced trading on the CME Globex electronic trading platform on May 3, 2021, under the ticker symbol “MBT.” Bitcoin Futures on CME are cash-settled in USD, based on the final settlement value of the BRR.

In the event of a hard fork (as described above), the Bitcoin Futures on CME shall continue to settle to the BRR corresponding to the original token pair (BTC:USD). The CME may, in its sole discretion, take alternative action with respect to hard forks in consultation with market participants as may be appropriate. This may have adverse impact on the price of the Bitcoin Futures on CME.

#### Specifications of CME bitcoin futures contracts (“**BFC**”)

- (a) The contract unit is 5 bitcoins, as defined by the BRR.
- (b) Market participants can trade BFC on CME Globex from Sunday to Friday 5:00 p.m. to

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4:00 p.m. (Central Time (“CT”)) with a 60-minute break each day beginning at 4:00 p.m. (CT).

- (c) BFC are listed using the following listing schedule: monthly contracts are listed for 6 consecutive months and quarterly contracts (March, June, September and December) listed for 4 additional quarters and a second December contract if only one is listed.
- (d) Trading terminates at 4:00 p.m. London time on the last Friday of the contract month that is either a London or United States of America (“U.S.”) business day. If the last Friday of the contract month is not a business day in both London and the U.S., trading terminates on the prior London or U.S. business day.
- (e) CME Group staff determines the daily settlements for bitcoin futures based on trading activity on CME Globex between 14:59:00 and 15:00:00 (CT), the settlement period.
- (f) The position limit is 4,000 contracts for “initial spot-month” limit for contracts that will expire in the current month only. Effective date is the first trading day of the expiring contract month. The position limit is level which a market participant may not exceed unless it has an approved exemption. “Initial spot-month” refers to Front-month.
- (g) The single month accountability level is 5,000 contracts and all month accountability level is 5,000 contracts. Position accountability levels are levels which a market participant may exceed and not be in violation of CME rule. A market participant who exceeds an accountability level and/or a reportable level may be asked by CME Group Inc. to provide information relating to the position. Failure to supply the requested information may result in an order to reduce such positions.
- (h) The reportable level is 1 contract. The reportable level is level at which clearing members, omnibus accounts and foreign brokers are required to submit to CME a daily report of all positions.
- (i) For a BFC for a given delivery month, the final settlement price shall be the BRR published at 4 p.m. London time on the last trade date. Revision to the published BRR shall be received prior to 23:59:59 London time on the last trade date. Thereafter, the final settlement futures price shall be deemed final.

Further details may be found at:

<https://www.cmegroup.com/markets/cryptocurrencies/bitcoin/bitcoin.contractSpecs.html>

Specifications of CME micro bitcoin futures contracts (“MBFC”)

- (a) The contract unit is 0.10 bitcoin.
- (b) Market participants can trade MBFC on CME Globex from Sunday to Friday 5:00 p.m. to 4:00 p.m. (CT) with a 60-minute break each day beginning at 4:00 p.m. (CT).
- (c) MBFC are listed using the following listing schedule: monthly contracts are listed for 6 consecutive months and quarterly contracts (March, June, September and December) listed for 4 additional quarters and a second December contract if only one is listed.
- (d) Trading terminates at 4:00 p.m. London time on the last Friday of the contract month that is either a London or U.S. business day. If the last Friday of the contract month is not a business day in both London and the U.S., trading terminates on the prior London or U.S.

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business day.

- (e) The daily settlements in the MBFC are derived directly from the settlements in the bitcoin futures contracts. Daily settlements derived in the BFC will be copied directly to the MBFC for each contract listing.
- (f) The position limit is 4,000 contracts for “initial spot-month” limit for contracts that will expire in the current month only. Effective date is the first trading day of the expiring contract month. The position limit is level which a market participant may not exceed unless it has an approved exemption. “Initial spot-month” refers to Front-month.
- (g) The single month accountability level is 5,000 contracts and all month accountability level is 5,000 contracts. Position accountability levels are levels which a market participant may exceed and not be in violation of CME rule. A market participant who exceeds an accountability level and/or a reportable level may be asked by CME Group Inc. to provide information relating to the position. Failure to supply the requested information may result in an order to reduce such positions.
- (h) The reportable level is 1 contract. The reportable level is level at which clearing members, omnibus accounts and foreign brokers are required to submit to CME a daily report of all positions.
- (i) Delivery is by cash settlement by reference to the final settlement price, equal to the BRR on the last day of trading.

Further details may be found at:

<https://www.cmegroup.com/markets/cryptocurrencies/bitcoin/micro-bitcoin.contractSpecs.html?redirect=/trading/micro-bitcoin-futures.html>

The above position limit, position accountability levels and reportable level are applicable to the Sub-Fund. Futures exchanges (including CME) and clearing houses in the United States are subject to regulation by the Commodity Futures Trading Commission. CME may adopt rules and take other actions that affect trading, including imposing speculative position limits, maximum price fluctuations and trading halts and suspensions and requiring liquidation of contracts in certain circumstances.

#### Liquidity of Bitcoin Futures on CME

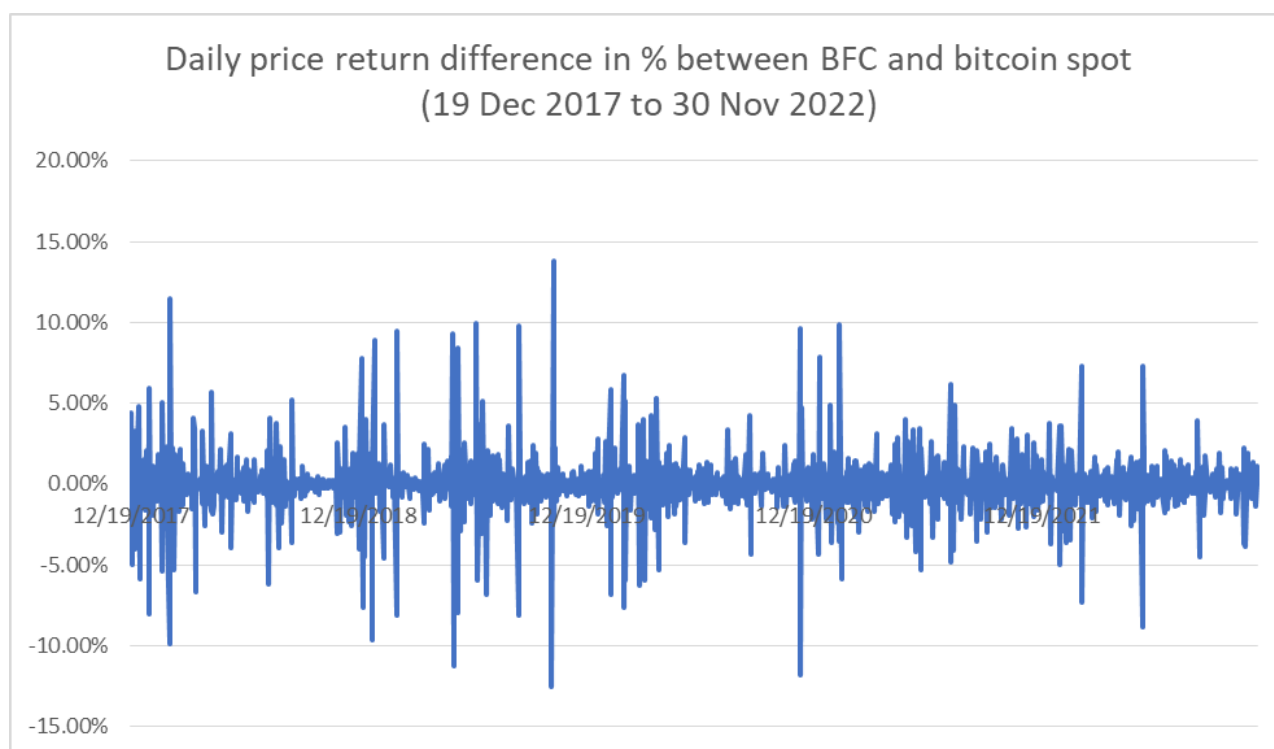
Bitcoin Futures on CME is one of the most liquid financial derivatives that provides investors access to invest in the evolving digital asset market. According to CME, BFC traded more than 10,000 futures contracts daily in 2022 year-to-day (as at 12 December 2022) with an average open interest of 12,779 contracts which is equivalent to 63,895 bitcoin. In addition, over 7.3million contracts have been traded since the launch of the MBFC on May 3 2021 until 12 December 2022, with a year-to-date (as at 12 December 2022) average daily volume of 15,149 contracts and an average open interest of 20,791 contracts which is equivalent to 2,079 bitcoins.

#### Difference between bitcoin spot price and Bitcoin Futures on CME price

Investors should note that the Sub-Fund does not invest directly in bitcoins but instead invests in Bitcoin Futures on CME. The price of such futures contracts reflects the expected value of the bitcoins upon delivery in the future, whereas the spot price of bitcoin reflects the daily immediate delivery value of bitcoin. While the values of Bitcoin Futures on CME are impacted by the same factors affecting the value of bitcoin, a variety of factors can lead to a disparity between the expected future price of a bitcoin and the spot price at a given point in time, such

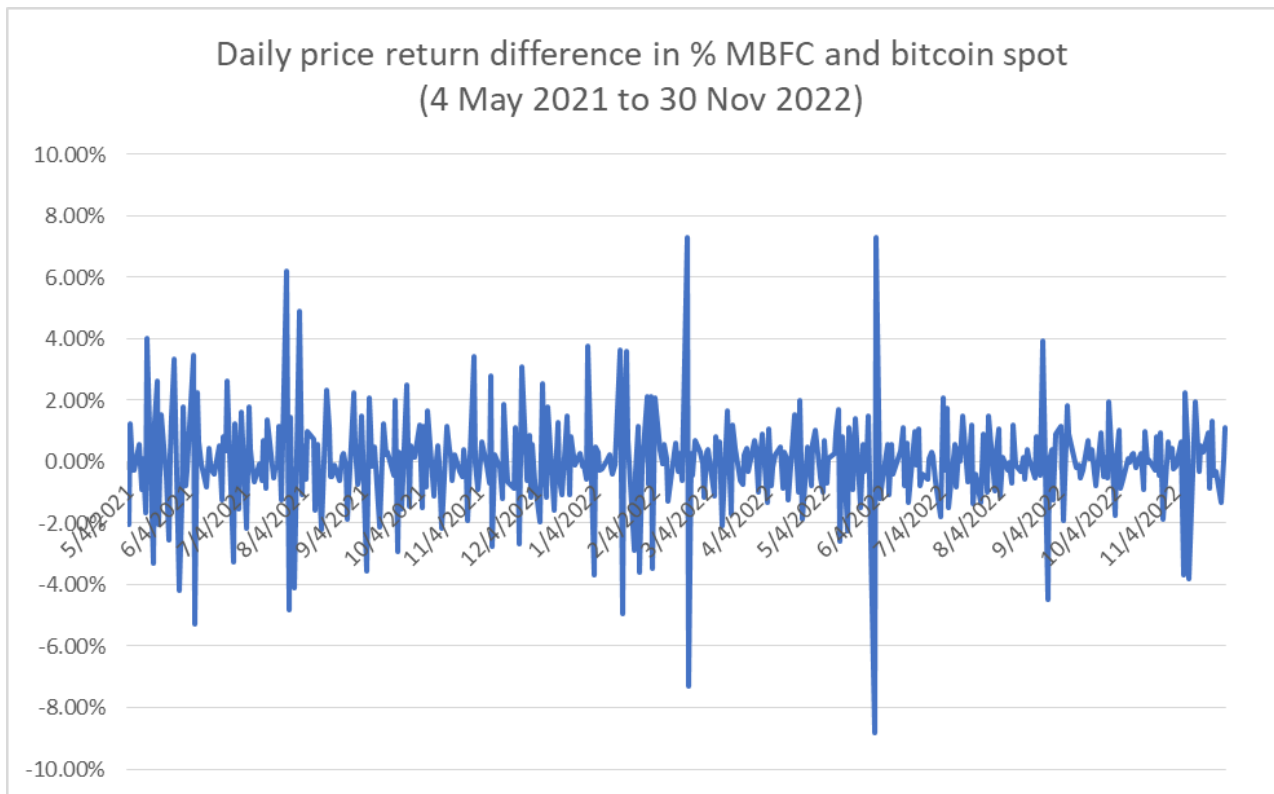
as interest charges incurred to finance the purchase of the bitcoins and expectations concerning supply and demand for the bitcoins at the delivery date. The price movements of a Bitcoin Futures on CME are typically correlated with the movements of the spot price of a bitcoin, but the correlation is generally imperfect and price movements in the spot market may not be reflected in the futures market (and vice versa) as illustrated as follows:

The below chart shows the fluctuation of the price return difference in percentage terms between BFC and bitcoin spot (as represented by bitcoin/USD spot cross referenced from Bloomberg) for the period from 19 December 2017 to 30 November 2022:



The fluctuation of price return difference in percentage terms between BFC and bitcoin spot was on average around 1.21% (in case where the price return of BFC is higher than bitcoin spot price return) and -1.19% (in case where the price return of BFC is lower than bitcoin spot price return), with the largest price return difference of around 13.84% (in case where the price return of BFC is higher than bitcoin spot price return) and -12.48% (in case where the price return of BFC is lower than bitcoin spot price return).

The below chart shows the fluctuation of the price return difference in percentage terms between MBFC and bitcoin spot (as represented by bitcoin/USD spot cross referenced from Bloomberg) for the period from 4 May 2021 to 30 November 2022:



The fluctuation of price return difference in percentage terms between MBFC and bitcoin spot was on average around 1.06% (in case where the price return of MBFC is higher than bitcoin spot price return) and -1.11% (in case where the price return of MBFC is lower than bitcoin spot price return), with the largest price return difference of around 7.29% (in case where the price return of MBFC is higher than bitcoin spot price return) and -8.08% (in case where the price return of MBFC is lower than bitcoin spot price return).

Accordingly, the Sub-Fund may underperform a similar investment that is linked to the spot price of bitcoin.

#### 4. RISK FACTORS RELATING TO THE SUB-FUND

In addition to the general risk factors set out in the section headed “5. *Risk Factors*” in Part 1 of this Prospectus, investors should also consider the specific risks associated with investing in the Sub-Fund as set out below.

##### 4.1. *New product risk*

The Sub-Fund is a futures-based ETF investing directly in Bitcoin Futures on CME. The novelty of such an ETF and the fact that the Sub-Fund is one of the first few virtual asset futures-based ETFs in Hong Kong makes the Sub-Fund potentially riskier than traditional ETFs investing in equity or debt securities.

##### 4.2. *Bitcoin risk*

The Sub-Fund is exposed to the risks of bitcoin through its investments in Bitcoin Futures on CME. Bitcoin is a new and highly speculative investment. Investments linked to bitcoin can be highly volatile compared to investments in traditional securities and the Sub-Fund may experience sudden and large losses, including total loss. An investor should be prepared that the investment value may be lost suddenly (including total loss) and without warning.

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The markets for bitcoin and bitcoin futures may become illiquid and their prices may fluctuate widely due to numerous events or factors that are potentially difficult to evaluate and unforeseeable, including the following:

- New innovation risk

Bitcoin is a relatively new innovation and is subject to rapid price swings, changes and uncertainty. It is not backed by any authorities, government or corporations. The Bitcoin Network was launched in January 2009, platform trading in bitcoin began in 2010, and bitcoin futures trading began in 2017, each of which limits a potential investor's ability to evaluate an investment in the Sub-Fund. Continued and further development of the Bitcoin Network and the acceptance and use of bitcoin are subject to a variety of factors that are difficult to predict or evaluate. Any cessation or reversal of such development of the Bitcoin Network or the acceptance of bitcoin may adversely affect the price of bitcoin, and thus the Sub-Fund's investment in bitcoin futures.

- Unforeseeable risks

Given the rapidly evolving nature of bitcoin, including advancements in the underlying technology, market disruptions and resulting governmental interventions that are unforeseeable, an investor may be exposed to additional risks which cannot currently be predicted.

- Price volatility risk

Investing in bitcoin and related products is highly speculative, and their price movements are difficult to predict. The prices of bitcoin and bitcoin futures have historically been extremely volatile. For example, for the first eleven month of 2022, bitcoin price dropped approximately 63%. The value of the Sub-Fund's investments in bitcoin futures – and therefore the value of the Sub-Fund – could decline significantly and without warning, including to zero.

- Risk relating to the limited history of bitcoin and Bitcoin Futures on CME

Bitcoin and the Bitcoin Network have a limited history, therefore, it is unclear how all elements of bitcoin will unfold over time, specifically with regard to governance between miners, developers and users, as well as the long-term security model as the mining reward of bitcoin decreases over time. Insufficient software development or any other unforeseen challenges that the bitcoin community is not able to resolve could have an adverse impact on bitcoin price and thus the Sub-Fund's investment in bitcoin futures.

- Risk on less regulated trading platforms

Unlike the exchanges for more traditional assets, such as equity securities and futures contracts, bitcoin and bitcoin trading venues are largely unregulated, and are thus prone to fraud or market manipulation. Over the past several years, a number of bitcoin trading venues have experienced fraud, failure or security breaches. Investors who have traded or otherwise held bitcoin with such intermediaries may have little or no recourse and could suffer significant losses. This may adversely affect the value of bitcoin by reducing the acceptance of and confidence on bitcoin and thus the Sub-Fund's investment in bitcoin futures.

- Fraud, market manipulation and security failure risk

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Bitcoin may be subject to the risk of fraud, theft, manipulation or security failures, operational or other problems that impact bitcoin trading venues. In particular, the Bitcoin Network and entities that custody or facilitate the transfers or trading of bitcoin are vulnerable to various cyber attacks. Malicious actors may also exploit flaws in the code or structure in the Bitcoin Network that will allow them to, among other things, steal bitcoin held by others, control the blockchain, steal personally identifying information, or issue significant amounts of bitcoin in contravention of the protocols. A significant portion of bitcoin is held by a small number of holders sometimes referred to as “whales”, who may have the ability to manipulate the price of bitcoin. If parties acting in concert were to gain substantial control of the Bitcoin Network, they would have the ability to manipulate transactions, halt payments and fraudulently obtain bitcoin. These events may reduce user confidence in bitcoin, the Bitcoin Network and the fairness of bitcoin trading venues which in turn may have a negative impact on the price of bitcoin. The occurrence of any of the above may have negative impact on the price of bitcoin and the value of the Sub-Fund’s investments.

- Changes in acceptance of bitcoin

As a new asset and technological innovation, the bitcoin industry is subject to a high degree of uncertainty. The adoption of bitcoin will require growth in its usage for various applications that include retail and commercial payments, cross-border and remittance transactions, speculative investment and technical applications. As such, the value of bitcoin is subject to risks related to its usage, and there is no assurance that bitcoin usage will continue to grow over the long-term to support its value. Reduction or slowdown in the acceptance and/or prevalence of bitcoin may result in lack of liquidity, increased volatility or a significant reduction in the price of bitcoin and the value of the Sub-Fund’s investments.

- Cybersecurity risk

Bitcoin is subject to cybersecurity risks including the potential exploitation of flaws in its code or structure by malicious actors which enable them for examples, to control the bitcoin blockchain, steal bitcoin and personal information or issue significant amounts of bitcoin in contravention of the Bitcoin Protocols. These may derogate the confidence on use of bitcoin and adversely impact on the price and liquidity of bitcoin and bitcoin futures contracts and therefore the value of an investment in the Sub-Fund.

Further, as the Bitcoin Network’s functionality relies on the Internet, the functionality of the Bitcoin Network may be impeded if there is a significant disruption of Internet connectivity affecting large numbers of users or geographic areas or there are technical disruptions or regulatory limitations that affect Internet access. These in turn may adversely impact on the price of bitcoin and the value of the Sub-Fund’s investments.

- Open source risk

The open source nature of the Bitcoin Protocol permits any developer to review the underlying code and suggest changes. If some users and miners adopt a change while others do not and that change is not compatible with the existing software, a fork occurs. Several forks have already occurred in the Bitcoin Network resulting in the creation of new, separate digital assets. Which fork will be considered to be bitcoin for purposes of the BRR is determined by CF Benchmarks. Forks and similar events could adversely affect the price and liquidity of bitcoin and the value of an investment in the Sub-Fund.

- Regulatory risk

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The regulation on bitcoin, digital assets and related products and services continues to evolve and increase. The regulatory landscape for different jurisdictions at different points in time may be inconsistent or even conflicting. This may impede the growth of the bitcoin economy and have an adverse effect on consumer adoption of bitcoin. Regulation of bitcoin continues to evolve, the ultimate impact of which remains unclear and may adversely affect, among other things, the availability, value or performance of bitcoin and, thus, the bitcoin futures contracts in which the Sub-Fund invests. To the extent that future regulatory actions or policies limit or restrict bitcoin usage, bitcoin trading or the ability to convert bitcoin to fiat currencies, the demand for and value of bitcoin may be reduced significantly. Changes to existing regulation (e.g., regarding dealing in virtual asset-related products) may also impact the ability of the Sub-Fund to achieve its investment objective or operate as planned.

These events may reduce user confidence in bitcoin, the Bitcoin Network and the fairness of bitcoin trading venues which in turn may have a negative impact on the price of bitcoin and thus the value of the Sub-Fund.

- Fork risk

As the Bitcoin Network is an open-source project, the developers may suggest changes to the bitcoin software from time to time. If the updated bitcoin software is not compatible with the original bitcoin software and a sufficient number (but not necessarily a majority) of users and miners elect not to migrate to the updated bitcoin software, this would result in a “hard fork” of the Bitcoin Network, with one prong running the earlier version of the bitcoin software and the other running the updated bitcoin software, resulting in the existence of two versions of bitcoin network running in parallel and a split of the blockchain underlying the bitcoin network. The occurrence of such “fork” may result in an adverse impact on the price and liquidity of bitcoin and the value of the Sub-Fund’s investments.

- Air drop risk

A substantial giveaway of bitcoin to participants in the Bitcoin Network (sometimes referred to as an “air drop”) may result in a significant and unexpected declines in the value of bitcoin and the value of the Sub-Fund’s investments.

- Contagion risk

The operation of virtual assets including bitcoin depends upon the centralised elements of the crypto ecosystem (for example, wallets and exchanges) which is exposed to concentration risks given its concentrated reliance on a few entities where certain entities handle more than half of the trading volumes. Therefore, the collapse of any major players in the crypto ecosystem may have contagious adverse effects on the values of virtual assets including bitcoin and the value of the Sub-Fund’s investments.

#### 4.3. *Bitcoin futures risk*

**Bitcoin futures are relatively new asset classes and are subject to unique and substantial risks. Bitcoin futures have historically been much more volatile than traditional asset classes and their prices are heavily influenced by factors contributing to the bitcoin’s price volatility as discussed above. As such, the value of the Sub-Fund’s investments in bitcoin futures could decline rapidly, including to zero. You may lose your entire investment within a single day.**



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The market for bitcoin futures may be less developed, and potentially less liquid and more volatile, than more established futures markets. While the bitcoin futures market has grown substantially since bitcoin futures commenced trading, there can be no assurance that this growth will continue.

The risks associated with bitcoin futures include the following:

#### *4.3.1. Market risk*

Futures contracts generally involve risks that are in addition to, and potentially greater than, the risk of investing directly in securities and other traditional assets. The prices of bitcoin futures have historically been highly volatile and are heavily influenced by factors contributing to the bitcoin's price volatility as discussed above. The market of Bitcoin Futures on CME may be less developed, less liquid, more volatile subject to greater risks than traditional markets. The value of Bitcoin Futures on CME is similarly heavily influenced by factors contributing to the bitcoin's price volatility as discussed above. The value of the Sub-Fund's investments in bitcoin futures (the value of which is based on bitcoin's performance), and hence the NAV of the Sub-Fund, may be subject to fluctuations and decline significantly without warning.

#### *4.3.2. Supply and demand for bitcoin futures contracts*

Market conditions and expectations, position limits, willingness of counterparties to transact, collateral requirements, and other factors each can impact the supply of and demand for bitcoin futures contracts. Investing in futures contracts, in particular where the underlying investment of which is considered speculative such as bitcoin, may be considered aggressive and may expose the Sub-Fund to significant risks, such as counterparty risk and liquidity risk.

Increased demand for bitcoins and/or bitcoin futures contracts, in particular when paired with supply constraints and other factors, may result in bitcoin futures trading at a significant premium to the "spot" price of bitcoin. It is not possible to predict when such conditions will arise or whether or for how long such conditions would continue. To the extent the Sub-Fund purchases bitcoin futures contracts at a premium and the premium declines, the value of an investment in the Sub-Fund is also expected to decline.

#### *4.3.3. Liquidity risk*

The bitcoin futures market is relatively new and may be subject to periods of illiquidity, market disruptions or volatility, during which it may be difficult or impossible to find a counterparty willing to transact or to buy or sell at the desired price at sufficient size. The market for Bitcoin Futures on CME is still developing and the trading volume of the longer-term Bitcoin Futures on CME is currently thin. The liquidity may be further impacted by factors including market conditions and expectations, position limits and collateral requirements. Illiquid markets may cause significant losses. The large size of the positions which the Sub-Fund and other similar funds may acquire increases the risk and magnitude of illiquidity, which may accordingly make the Sub-Fund's positions more difficult to liquidate, and may increase the losses incurred while trying to do so. Limits imposed by counterparties, exchanges or other regulatory organisations, such as accountability levels, position limits and daily price fluctuation limits, may also contribute to a lack of liquidity.

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#### *4.3.4. Risks associated with financial derivative instruments*

The Sub-Fund's investment in bitcoin futures are also subject to the risks associated with financial derivative instruments as further elaborated in the risk factor headed "**5.2.18 Financial Derivatives instruments and structure product risk**" under the section headed "**5. Risk Factors**" in Part 1 of the Prospectus.

#### *4.3.5. Bitcoin futures capacity risk*

The Sub-Fund may not be able to achieve its investment objective if it is unable to gain exposure to bitcoin futures contracts in line with its investment objective for any reason such as illiquidity in the bitcoin futures market, disruption to the bitcoin futures market, limitations imposed by the Sub-Fund's brokers or the listing exchanges or as a result of margin requirements, position limits or accountability levels. Consequently, the investment strategy and rolling strategy of the Sub-Fund may be adversely affected. As a result, the Manager may be need to suspend new creations of Units. This may result in divergence between the trading price of the Unit and the NAV per Unit.

#### *4.3.6. Rolling of futures contracts risk and contango risk*

The Manager will seek to carry out the rolling of futures contracts invested by the Sub-Fund in accordance with the rolling strategy set out in the sub-section headed "**2.3 Rolling Strategy**" in the section headed "**2. Investment Objective and Strategy**" in this Appendix. The NAV of the Sub-Fund may be adversely affected by the cost of rolling futures positions forward (due to the higher prices of the Bitcoin Futures on CME with later expiration date if the market is in contango). The change in price of a Bitcoin Futures on CME may reflect many factors such as perceived economic / market changes or political circumstances as well as increased demand. The Sub-Fund's rolling strategy involves the replacement of shorter-dated Bitcoin Futures on CME with longer-dated Bitcoin Futures on CME. Excluding other considerations, if the market for Bitcoin Futures on CME is in a "contango" market, where the prices are higher in the distant delivery months than in the nearer delivery months, the sale of the Bitcoin Futures on CME would take place at a price lower than the price of the contract which such Bitcoin Futures on CME will be rolled to. Accordingly, sale proceeds from selling existing Bitcoin Futures on CME when rolling will not be sufficient to purchase the same number of contracts with later expiration date at a higher price, thereby creating a negative "roll yield" which could adversely affect the NAV of the Sub-Fund over time. In addition, contango could last for an undetermined period of time, therefore, the Sub-Fund may be subject to a negative roll yield for a long time.

Additionally because of the frequency with which the Sub-Fund may roll Bitcoin Futures on CME, the impact of contango on the Sub-Fund's performance may be greater than it would have been if the Sub-Fund rolled Bitcoin Futures on CME less frequently.

#### *4.3.7. Risk of material non-correlation with spot/current market price of bitcoin*

The Sub-Fund invests in Bitcoin Futures on CME and the price of such futures contracts reflects the expected value of bitcoin upon delivery on the delivery date, whereas the spot price of bitcoin reflects the daily immediate delivery value of bitcoin. Given the futures-based investment strategy of the Sub-Fund, its NAV may substantially differ from the spot price performance of bitcoin. Accordingly, the Sub-Fund may underperform a similar investment that is linked to the spot price of bitcoin.

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If the Sub-Fund invests more in subsequent-month Bitcoin Futures on CME, its performance may deviate more significantly from bitcoin spot price.

*4.3.8. Mandatory measures imposed by relevant parties risk*

Certain parties (such as clearing brokers, execution brokers and CME Globex) may impose certain mandatory measures in respect of the Sub-Fund's investment in bitcoin futures contracts under extreme market circumstances. These measures may include suspending trading, limiting the size and number of the Sub-Fund's futures positions and/or mandatory liquidation of the Sub-Fund's futures positions without advance notice to the Manager. For examples, the Sub-Fund's investment in Bitcoin Futures on CME will be subject to position limits (i.e. the maximum number of futures contracts it may hold or control) established by CME. If such limit is reached, the Sub-Fund may be prohibited from purchasing Bitcoin Futures on CME exceeding these limits. Further, the brokers engaged for the Sub-Fund may impose limits on the amount of exposure to futures contracts the Sub-Fund can obtain through such broker. The Sub-Fund may not be able to achieve its investment objective if it cannot obtain sufficient exposure to Bitcoin Futures on CME. In response to such mandatory measures, the Manager may have to take corresponding actions in the best interests of and without prior notice to the Unitholders and in accordance with the Sub-Fund's constitutive documents, including but not limited to implementing alternative investment strategies as provided for in the set out in the sub-section headed "**2.2 Investment Strategy**" in the section headed "**2. Investment Objective and Strategy**" in this Appendix. These corresponding actions may have an adverse impact on the Sub-Fund. While the Manager will endeavour to provide advance notice to investors regarding these actions, such advance notice may not be possible in some circumstances.

*4.3.9. Price limit risk*

The CME has set dynamic price fluctuation limits on Bitcoin Futures on CME. Once the dynamic price fluctuation limit has been reached, trading may be temporarily halted or no trades may be made at a price beyond that limit. This may limit the Sub-Fund's ability to invest in Bitcoin Futures on CME.

*4.3.10. Leverage risk*

The Sub-Fund's investment in Bitcoin Futures on CME involves the posting of margin. Additional funds may need to be posted as margin to meet such calls based upon daily marking to market of the Bitcoin Futures on CME. Increases in the amount of margin or similar payments may result in the need for the Sub-Fund to liquidate its investments at unfavourable prices in order to meet margin calls. This may result in substantial losses to investors.

*4.3.11. Exchange's clearing house's failure risk*

In the event of the bankruptcy of the relevant exchange's clearing house, the Sub-Fund could be exposed to a risk of loss with respect to its assets that are posted as margin. There can be no assurance that the protections against bankruptcy of the clearing house (if any) will be effective in allowing the Sub-Fund to recover all, or even any, of the amounts it has deposited as margin.

*4.3.12. Valuation risk*

The use of Bitcoin Futures on CME involves the risk of mispricing or improper valuation. The market value of Bitcoin Futures on CME may be subject to greater

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fluctuation than futures on traditional assets. The Sub-Fund's ability to value the Bitcoin Futures on CME may also be impacted by technological issues or errors by pricing services or other third-party service providers. There is no assurance that the Sub-Fund could sell or close out the Bitcoin Futures on CME position for the value established for it at any time, and it is possible that the Sub-Fund would incur a loss because the Bitcoin Futures on CME position is sold or closed out at a discount to the valuation established by the Sub-Fund at that time.

#### *4.3.13. Counterparty risk*

Investing in Bitcoin Futures on CME involves risks that are different from those associated with ordinary portfolio securities transactions as involves entering into contracts with third parties (i.e. counterparties). The counterparty to exchange-traded Bitcoin Futures on CME is the clearing house. Exchange-traded Bitcoin Futures on CME are held through a futures broker acting on behalf of the Sub-Fund. Consequently, the counterparty risk on exchange-traded Bitcoin Futures on CME is the creditworthiness of the futures broker and the clearing house. The Manager is committed to continuous efforts to diversify counterparty risk by having at least two futures brokers with which it transacts Bitcoin Futures on CME, but from time to time, the Sub-Fund may only have one futures broker, which may heighten such counterparty risk. The Manager will use reasonable efforts to onboard more futures brokers for the Sub-Fund from time to time in order to mitigate such risk. The futures broker or the clearing house could fail to perform its obligations, causing significant losses to the Sub-Fund. For example, the Sub-Fund could lose margin payments it has deposited with a futures broker as well as any gains owed but not paid to the Sub-Fund, if the futures broker or clearing house becomes insolvent or otherwise fails to perform its obligations. If a futures broker does not comply with the applicable laws and regulations, or in the event of bankruptcy, a fraud or misappropriation of customer assets by the futures broker, the Sub-Fund could have only an unsecured creditor claim in an insolvency of the futures broker with respect to the margin held by the futures broker.

#### *4.3.14. No rights in the futures contracts risk*

Owning Units of the Sub-Fund is not the same as directly owning Bitcoin Futures on CME. As an owner of Units in the Sub-Fund, a Unitholder will not have rights that holders of bitcoin or Bitcoin Futures on CME may have. A Unitholder will have no right to receive delivery of any bitcoin or Bitcoin Futures on CME. A Unitholder will have no right to receive any payment or delivery of bitcoin or any other payment in respect of the Bitcoin Futures on CME.

The return on Units will not reflect the return investors would realise if investors actually purchased bitcoin or Bitcoin Futures on CME.

#### **4.4. *Risks related to unscheduled roll of the Sub-Fund***

It is specified in the sub-sections headed “**2.2 Investment Strategy**” and “**2.3 Rolling Strategy**” in the section headed “**2. Investment Objective and Strategy**” in this Appendix that, the Manager may in its discretion and without prior notice to investors deviate from the rolling strategy disclosed in this Appendix in the best interests of the Sub-Fund and the Unitholders and for the protection of the Sub-Fund. There is no guarantee that such strategy will produce the desired results.

#### **4.5. *Active investment management risk***

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The Manager employs an actively managed investment strategy for the Sub-Fund. The Sub-Fund does not seek to track any index or benchmark, and there is no replication or representative sampling conducted by the Manager. Instead, investments of the Sub-Fund will be based on the Manager's view of market conditions and international investment trends and environment. The Sub-Fund may fail to meet its objective as a result of the Manager's selection of investments for the Sub-Fund, and/or the implementation of processes which may cause the Sub-Fund to underperform as compared to other funds with a similar objective. Whilst it is the intention of the Manager to implement strategies which are designed to achieve the investment objective, there can be no assurance that these strategies will be successful. The Manager may not be successful in selecting the best-performing instruments or investment techniques. Accordingly, there is a risk that investors may not recoup the original amount invested in the Sub-Fund or may lose a substantial part or all of their initial investment.

4.6. ***Risks associated with bank deposits***

Bank deposits are subject to the credit risks of the relevant financial institutions. As such deposits may not be protected or fully protected under any deposit protection schemes, a default by the relevant financial institution which offers such deposits may result in losses to the Sub-Fund.

4.7. ***Risks associated with money market instruments***

Investment by the Sub-Fund in money market instruments is not the same as placing funds on deposit with a bank or deposit-taking company. Money market instruments are subject to liquidity risk, credit/counterparty risk, interest rate risk, credit rating risk, valuation risk, and downgrade risk. The NAV of the Sub-Fund may be adversely affected when the value of such money market instruments falls.

4.8. ***Regulatory change to the Sub-Fund risk***

The regulations applicable to the Sub-Fund and its underlying investments may be subject to rapid change by government and judicial action. The effect of any such regulatory changes on the Sub-Fund is impossible to predict, but could be substantial and adverse. To the extent possible, the Manager will attempt to monitor such changes to determine the impact such changes may have on the Sub-Fund and what can be done, if anything, to try and limit such impact.

Governments and regulators may intervene in the financial markets and bitcoin and bitcoin futures related markets, such as by the imposition of trading restrictions and/or position limits. This may affect the operation and market making activities of the Sub-Fund, and may create negative market sentiment which may in turn affect the performance of the Sub-Fund.

4.9. ***Concentration risk***

As the exposure of the Sub-Fund is concentrated in the bitcoin market via investing in Bitcoin Futures on CME, it is more susceptible to the effects of bitcoin price volatility than more diversified funds. Moreover, the Sub-Fund holds a limited number of Bitcoin Futures on CME which are predominately front-month contracts, this may result in a larger concentration risk and price volatility of the Sub-Fund than a fund which has a more diversified holding.

4.10. ***Risks of investing in other collective investment schemes***

The Sub-Fund may invest in other collective investment schemes, and may therefore be subject to the risks associated with such underlying schemes. The Sub-Fund does not have control of the investments of the underlying schemes and there is no assurance that the

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investment objective and strategy of the underlying schemes will be successfully achieved which may have a negative impact to the NAV of the Sub-Fund. The underlying schemes in which the Sub-Fund may invest may not be authorised by the SFC. There may be additional costs involved when investing into these underlying schemes. There is also no guarantee that the underlying schemes will always have sufficient liquidity to meet the Sub-Fund's redemption requests as and when made. If the Sub-Fund invests in other active or passive collective investment schemes managed by the Manager or its Connected Persons, all initial charges and redemption charges on these listed or unlisted schemes must be waived, and the Manager must not obtain rebate of any fees or charges levied by these schemes or any quantifiable monetary benefits in connection with investments in these schemes. In addition, where an underlying scheme is managed by the Manager, all management and performance fees charged by the underlying scheme will be waived for the Sub-Fund. In case any conflicts of interest may still arise out of such investments, the Manager will use its best endeavours to resolve it fairly.

#### 4.11. *Currency risk*

Units may be traded in a currency other than the Base Currency of the Sub-Fund. Investors may be affected unfavorably by fluctuations in the exchange rates between the Trading Currency and the Base Currency and by changes in exchange rate controls. Accordingly Secondary Market Investors may be subject to additional costs or losses associated with foreign currency fluctuations between the Trading Currency and Base Currency when trading Units in the secondary market.

#### 4.12. *Trading hours differences risk*

As the CME Globex may be open when Units in the Sub-Fund are not priced, the value of the investments in the Sub-Fund's portfolio may change on days when investors will not be able to purchase or sell the Sub-Fund's Units. Furthermore, the market price of underlying investments listed on the above exchange which is established outside Hong Kong may not be available during part or all of the SEHK trading sessions due to trading hour differences which may result in the trading price of the Sub-Fund deviating away from the NAV.

Investments listed on the exchange may be subject to trading bands which restrict increases and decreases in the trading price, while Units listed on the SEHK may not be subject to the same trading bands. The prices quoted by the SEHK market maker(s) would therefore be adjusted to take into account any accrued market risk that arises due to the foregoing and as a result, the level of premium or discount of the Unit price of the Sub-Fund to its NAV may be higher.

#### 4.13. *Distributions out of or effectively out of capital risk*

The Manager may, at its discretion make distributions out of capital. The Manager may also, at its discretion, make distributions out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of the capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate reduction of the NAV per Unit.

#### 4.14. *Other currency distributions risk*

Investors should note that all Units will receive distributions in the Base Currency (i.e. USD) only. In the event that the relevant Unitholder has no USD account, the Unitholder may have to bear the fees and charges associated with the conversion of such distribution from USD to HKD or any other currency. The Unitholder may also have to bear bank or financial institution fees and charges associated with the handling of the distribution payment. Unitholders are advised to check with their brokers regarding arrangements for distributions.

## 5. CREATIONS AND REDEMPTIONS OF APPLICATION UNITS OF THE SUB-FUND (PRIMARY MARKET)

Please refer to the heading “3. *Creations and Redemptions of Application Units (Primary Market)*” in Schedule 4 in Part 1 of this Prospectus for details on Creation Applications and Redemption Applications.

The following table summarises the indicative timetable for the Sub-Fund:

<p><b>Commencement of Initial Offer Period</b></p> <ul style="list-style-type: none"> <li>Participating Dealers may apply for In-Cash Application on their own account and on behalf of third party Primary Market Investors.</li> <li>Creation Applications must be made in the Application Unit size (or whole multiples thereof).</li> </ul>	<ul style="list-style-type: none"> <li>9:30am (Hong Kong time) on <i>10 January 2023</i></li> </ul>
<p><b>Close of Initial Offer Period</b></p> <ul style="list-style-type: none"> <li>Latest time for In-Cash Applications (in USD only) by Participating Dealers for Units to be available for trading on the Listing Date.</li> </ul>	<ul style="list-style-type: none"> <li>4:00 pm. (Hong Kong time) on <i>10 January 2023</i> but may be postponed by the Manager to a date no later than 11 January 2023</li> </ul>
<p><b>After listing (period commences on the Listing Date)</b></p> <ul style="list-style-type: none"> <li>Secondary Market Investors can buy and sell Units on the SEHK through stockbrokers.</li> <li>Participating Dealers may apply for In-Cash Application (in USD only) and In-Cash Redemption (for their own account and on behalf of third party Primary Market Investors) in the Application Unit size (or whole multiples thereof) continually.</li> </ul>	<ul style="list-style-type: none"> <li>Commence at 9:30am (Hong Kong time) on <i>13 January 2023</i> but may be postponed by the Manager to a date no later than 20 January 2023</li> <li>9:30am (Hong Kong time) to 4:00 p.m. (Hong Kong time) on each Dealing Day</li> </ul>

The above timetable is indicative only and is subject to change.

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The offering of Units of the Sub-Fund may be conditional upon the Minimum Launch Level being USD 5 million in aggregate for the Units of the Sub-Fund offered during the Initial Offer Period) being received on or prior to the close of the Initial Offer Period.

In the event that the Minimum Launch Level of the Sub-Fund is not achieved or the Manager is of the opinion that it is not in the commercial interest of investors or not feasible, as a result of adverse market conditions or otherwise, to proceed with the relevant class of Units of the Sub-Fund, the Manager may in its discretion extend the Initial Offer Period of the Sub-Fund or determine that the Sub-Fund will not be launched. In such event, the Sub-Fund shall be deemed not to have commenced.

Notwithstanding the aforesaid, the Manager reserves the discretion to proceed with the issue of Units of the Sub-Fund even if the Minimum Launch Level has not been achieved.

## **6. EXCHANGE LISTING AND TRADING OF UNITS OF THE SUB-FUND (SECONDARY MARKET)**

### **6.1. *Exchange Listing and Trading***

Application has been made to the SEHK for listing of and permission to deal in Units in the Sub-Fund. The Listing Date is expected to be on 13 January 2023 but may be postponed by the Manager to a date no later than 20 January 2023.

Dealings in the Units of the Sub-Fund on the SEHK will commence on the Listing Date, but may be postponed if the Listing Date is postponed.

Currently, Units of the Sub-Fund are expected to be listed and dealt only on the SEHK and no application for listing or permission to deal on any other stock exchanges is being sought as at the date of this Appendix. Application may be made in the future for a listing of Units of the Sub-Fund on other stock exchanges.

Participating Dealers should note that they will not be able to sell or otherwise deal in the Units on the SEHK until dealings begin on the SEHK. If trading of the Units of the Sub-Fund on the SEHK is suspended or trading generally on the SEHK is suspended, then there will be no secondary market dealing for those Units.

Please refer to the heading “**4. *Exchange Listing and Trading of Units on SEHK (Secondary Market)***” in Schedule 4 in Part 1 of the Prospectus for further information.

## **7. DISTRIBUTION POLICY OF THE SUB-FUND**

The Manager may at its discretion declare and pay distributions in such amount, on such date and at such frequency (usually in March of each year) as the Manager may determine. The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount (in the Base Currency of the Sub-Fund only).

Distribution payment rates in respect of Units of the Sub-Fund will depend on factors beyond the control of the Manager or Trustee including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions. There is neither a guarantee that such distributions will be made nor will there be a target level of distributions payout. Accordingly although it is the Manager’s intention to make



distributions, there can be no assurance that the Manager will pay distributions for the Sub-Fund.

The Manager may in its discretion make cash distributions to Unitholders out of capital or out of gross income (while charging/paying all or part of the Sub-Fund's fees and expenses to/out of the capital of the Sub-Fund) resulting in an increase in distributable income for the payment of distributions which is in effect a payment of distributions out of capital.

**Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of the Sub-Fund's capital or payment of dividends effectively out of the Sub-Fund's capital may result in an immediate reduction of the NAV per Unit of the Sub-Fund.**

The composition of the distributions (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months are available by the Manager on request and also on the Website and on HKEX's website <https://www.hkexnews.hk/index.htm>.

The Manager may amend the Sub-Fund's distribution policy subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to Unitholders (or such other notice period as required or permitted under the Code or by the Commission).

Each Unitholder will receive distributions in the Base Currency. In the event that the relevant Unitholder has no USD account, the Unitholder may have to bear the fees and charges associated with the conversion of such dividend from USD into HKD or any other currency. Unitholders are advised to check with their brokers/intermediaries on the arrangements concerning distributions.

## 8. FEES AND EXPENSES

### 8.1. *Management Fees*

The Manager is entitled to receive the management fee at the following rates, out of the assets of the Sub-Fund:

Management fee	Current	Maximum
	0.89% per annum of the NAV of the Sub-Fund	1.5% per annum of the NAV of the Sub-Fund

The management fee is calculated and accrued as at the Valuation Point on each Valuation Day and payable monthly in arrears. Unitholders of the Sub-Fund shall be given not less than one week's prior notice should there be any increase in the management fee of the Sub-Fund from the current level up to the permitted maximum level as disclosed herein.

### 8.2. *Trustee's, Administrator's and Registrar's Fees*

The Trustee is entitled to receive a fee at the following rates, out of the assets of the Sub-Fund:

Administrator's fee	Current	Maximum
	0.06% per annum of the NAV of the Sub-Fund	0.12% per annum of the NAV of the Sub-Fund

	subject to a monthly minimum fee of USD750	
<b>Registrar's fee</b>	USD15 per Participating Dealer per transaction	

The Administrator's fee accrued daily, calculated as at the Valuation Point on each Valuation Day and payable monthly in arrears. Unitholders of the Sub-Fund shall be given not less than one week's prior notice should there be any increase in the Administrator's fee of the Sub-Fund from the current level up to the permitted maximum level as disclosed herein.

The Administrator's fee is inclusive of the Trustee's fees.

The Trustee shall pay the fees of any custodian, co-custodian or sub-custodian to which it has appointed.

In addition, the Trustee will be reimbursed out of the assets of the Sub-Fund various transaction, processing fees and safekeeping fees and all of its out-of-pocket expenses incurred wholly and exclusively in the performance of its services as Trustee and custodian.

The Administrator and Registrar will each be reimbursed out of the assets of the Sub-Fund for all of its out-of-pocket expenses incurred wholly and exclusively in the performance of its services as Administrator and Registrar respectively.

### 8.3. *Establishment costs of the Sub-Fund*

The costs and expenses incurred by the Manager and the Trustee in establishing the Trust and the Sub-Fund shall be borne by the Manager.

### 8.4. *Other Charges and Expenses*

Please refer to the heading "**9.1.5 Other Charges and Expenses**" under the section headed "**9. Fees and Expenses**" in Part 1 of this Prospectus for further information on other charges and expenses payable by the Sub-Fund.

### 8.5. *Fees Payable by Participating Dealers, Primary Market Investors and Secondary Market Investors*

The fees payable by Participating Dealers, Primary Market Investors and Secondary Market Investors are set out under the heading "**9.2. Fees and Expenses Payable by Participating Dealers, Primary Market Investors and Secondary Market Investors**" under the section headed "**9. Fees and Expenses**" in Part 1 of this Prospectus.

## 9. OTHER IMPORTANT INFORMATION

### 9.1. *Termination of the Sub-Fund*

The Sub-Fund may be terminated by the Manager in its absolute discretion by notice in writing to the Trustee and the Unitholders if the aggregate NAV of the Units of the relevant classes outstanding hereunder shall be less than USD 25 million or its equivalent or, in relation to any class of Units of the Sub-Fund, the aggregate NAV of the Units of such class outstanding in respect of such class shall be less than USD 25 million or its equivalent.

For the avoidance of doubt, the above ground of termination of the Sub-Fund is without prejudice to the other grounds of termination as set out in "**11.4.2 Termination by the**

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*Manager*” under the section headed “**11. Other Important Information**” in Part 1 of the Prospectus.

9.2. ***Publication of information relating to the Sub-Fund***

As set out in “**11.13 Publication of information relating to the Sub-Funds**” under the section headed “**11. Other Important Information**” in Part 1 of the Prospectus, the Manager will publish important news and information in respect of the Sub-Fund on the Website and (where applicable) on HKEX’s website at [www.hkex.com.hk](http://www.hkex.com.hk). In addition, please note the following in respect of the Sub-Fund:

- the near real time indicative NAV per Unit in HKD is indicative and for reference only. This is updated every 15 seconds during SEHK trading hours and is calculated by ICE Data Services;
- the near real time indicative NAV per Unit in HKD is calculated using a real time HKD:USD foreign exchange rate – it is calculated using the near real time indicative NAV per Unit in USD multiplied by a real-time HKD:USD foreign exchange rate quoted by ICE Data Indices LLC;
- the last NAV per Unit in HKD is indicative and for reference purposes only. It is calculated using the last NAV per Unit in USD multiplied by an assumed foreign exchange rate using the exchange rate for HKD quoted by WM Reuters at 4:30 p.m. (New York time) as of the same dealing day. When the Hong Kong market is closed, the official last NAV per Unit in USD and the indicative last NAV per Unit in HKD will not be updated.