

Important - If you are in doubt about the contents of this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant and other financial adviser for independent financial advice.

Investors should note that this Prospectus relates to Sub-Funds which may offer both exchange-traded class of Units and unlisted (not exchange-traded) class of Units.

CSOP ETF SERIES*

(*This includes synthetic ETFs)

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

PROSPECTUS

MANAGER

CSOP Asset Management Limited

26 January 2024

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. CSOP ETF Series * (*This includes synthetic ETFs) ("**Trust**") and its sub-funds set out in Part 2 of this Prospectus (collectively referred to as the "**Sub-Funds**") have been authorised by the Commission pursuant to section 104 of the Securities and Futures Ordinance. Each of the Sub-Funds is a fund falling within Chapter(s) 8.6, 8.9 and/or 8.10 of the Code on Unit Trusts and Mutual Funds ("**Code**"). Authorisation by the Commission is not a recommendation or endorsement of the Trust or any of the Sub-Funds nor does it guarantee the commercial merits of a scheme or its 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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Service Agent or Conversion Agent

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* In respect of the CSOP FTSE China A50 ETF, CSOP SZSE ChiNext ETF* (*This is a synthetic ETF), ICBC CSOP S&P New China Sectors ETF, CSOP CSI 500 ETF* (*This is a synthetic ETF) and CSOP Yinhua CSI 5G Communications Theme ETF

** In respect of the CSOP FTSE China A50 ETF, CSOP SZSE ChiNext ETF* (*This is a synthetic ETF), ICBC CSOP S&P New China Sectors ETF, CSOP CSI 500 ETF* (*This is a synthetic ETF), CSOP Yinhua CSI 5G Communications Theme ETF, CSOP Saudi Arabia ETF and CSOP Nikkei 225 Index ETF

*** In respect of the CSOP Saudi Arabia ETF

^ In respect of the CSOP FTSE China A50 ETF

^^ In respect of the ICBC CSOP S&P New China Sectors ETF and CSOP Hong Kong Dollar Money Market ETF

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Yi Zhou
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Gaobo Zhang
Xiaosong Yang
Zhongping Cai
Zhiwei Liu
Yundong Zhu

In respect of the CSOP Hang Seng TECH Index ETF, CSOP Yinhua CSI 5G Communications Theme ETF, CSOP Bitcoin Futures ETF, CSOP Ether Futures ETF, CSOP Saudi Arabia ETF and CSOP Nikkei 225 Index ETF

@ This information is relevant to Listed Class of Units only

PRELIMINARY

This Prospectus has been prepared in connection with the offer in Hong Kong of Units in the Trust and its Sub-Funds. The Trust is an umbrella unit trust established under Hong Kong law by a trust deed dated 25 July 2012, as amended and restated on 15 June 2021, between CSOP Asset Management Limited (the “**Manager**”) and HSBC Institutional Trust Services (Asia) Limited (the “**Trustee**”), and as further amended and supplemented from time to time. Where specified in the relevant Appendix, a Sub-Fund may issue both exchange-traded classes of Units and/or unlisted (not exchange-traded) classes of Units.

The Manager accepts full responsibility for the accuracy of the information contained in this Prospectus and confirm, 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 and the “Overarching Principles” of the Commission Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products and (in respect of the Listed Class of Units) the Rules Governing the Listing of Securities on the SEHK for the purposes of giving information with regard to the Units of the Trust and the Sub-Funds. The Prospectus contains the information necessary for investors to be able to make an informed judgment of the investment and meets the disclosure requirements under the Code. 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.

Applications may be made to list Units in a Sub-Fund constituted under the Trust on the SEHK. Subject to compliance with the admission requirements of HKSCC, the Units in such Sub-Fund will be accepted as eligible securities by HKSCC for deposit, clearing and settlement in CCASS with effect from the date of commencement of dealings in the Units in such Sub-Fund on the SEHK or such other date as may be determined by HKSCC. A class of Units which is listed on the SEHK is known as a Listed Class of Units. For further details on listing or application for listing of Listed Class of Units of a Sub-Fund on the SEHK and admission of Listed Class of Units of such Sub-Fund as eligible securities by HKSCC, please refer to Part 2 of this Prospectus. Settlement of transactions between participants of SEHK is required to take place in CCASS on the second CCASS Settlement Day (as defined in the “**Definitions**” section) after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC 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 authorized. Distribution of this Prospectus shall not be permitted unless it is accompanied by a copy of the latest Product Key Facts Statement(s) of each of the Sub-Funds, the latest annual financial report of the Trust (if any) and, if later, its most recent interim report. For Sub-Funds which issue both Listed Class of Units and Unlisted Class of Units, a separate set of product key facts statement will be available for each class.

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, 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 “**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 such Sub-Fund.

Investors should note that any amendment or addendum to this Prospectus will only be posted on the **Manager's website** (www.csopasset.com/etf)¹.

Investment involves risk and investors should note that losses may be sustained on their investment. There is no assurance that the investment objective of any of the Sub-Funds of the Trust will be achieved. In particular, investors should consider the general risk factors set out in section "**4. General Risk Factors**" of Part 1 of this Prospectus and any specific risk factors relating to a Sub-Fund as set out in Part 2 of this Prospectus, before investing in any of the Sub-Funds.

¹ The contents of this website and any other websites referred to in this Prospectus have not been reviewed by the Commission and may contain information which is not targeted to Hong Kong investors.

DEFINITIONS

In this Prospectus, unless the context requires otherwise, the following expressions have the meanings set out below.

“Application” means, in respect of Listed Class of Units, a Creation Application or a Redemption Application.

“Application Basket Value” means, in respect of Listed Class of Units, the aggregate value of the Securities and/or FDIs comprising a Basket as fixed by the Manager on the relevant Valuation Day for the purpose of the creation and redemption of such Units in an Application Unit size.

“Application Cancellation Fee” means, in respect of Listed Class of Units, the fee payable by a Participating Dealer in respect of cancellation of an Application as set out in the Trust Deed, the rate of which is set out in Part 2 of this Prospectus.

“Application Unit” means, in respect of Listed Class of Units, such number of Units of a class or whole multiples thereof as specified in Part 2 of this Prospectus or such other multiple of Units of a class from time to time determined by the Manager, in consultation with the Trustee, and notified to Participating Dealers, either generally or for a particular class or classes of Units.

“Auditors” means the auditor or auditors of the Sub-Funds and the Trust from time to time appointed by the Manager with the prior approval of the Trustee pursuant to the provisions of the Trust Deed.

“Base Currency” means the currency of account of a Sub-Fund as specified in Part 2 of this Prospectus.

“Base Security” means a security which is a FDI (including, without limitation, a warrant, a note, a swap 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 Listed Class of Units in an Application Unit size, a portfolio of Securities and/or FDIs determined by the Manager, which (for an Index Tracking Sub-Fund only) seeks to benchmark the Underlying Index by replication strategy provided that such portfolio shall comprise only whole numbers of Securities and/or FDIs and no fraction or, if the Manager determines, shall comprise only round lots and not odd lots.

“Business Day” in respect of a Sub-Fund means, unless the Manager and the Trustee otherwise agree or otherwise specified in Part 2 of this Prospectus, a day on which (a)(i) the SEHK is open for normal trading; and (ii) the relevant market on which the Securities and/or FDIs (as the case may be) comprising or held by the Sub-Fund are traded is open for normal trading, or, if there are more than one such markets, 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 and the Trustee may agree 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 similar event, such day shall not be a Business Day unless the Manager and the Trustee otherwise agree.

“Cancellation Compensation” means, in respect of Listed Class of Units, an amount payable by a Participating Dealer in respect of cancellation of an Application pursuant to the Trust Deed.

“Cash Component” means the aggregate Net Asset Value of the Units comprising the Application Unit(s) less the relevant Application 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 Settlement Day” means the term “Settlement Day” as defined in the General Rules of HKSCC.

“China” or the “PRC” means the People’s Republic of China.

“China A-Shares” means shares issued by companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, traded in Renminbi and available for investment by domestic (Chinese) investors, QFIs and through Stock Connect.

“China B-Shares” means shares issued by companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, traded in foreign currencies and available for investment by domestic (Chinese) investors and foreign investors.

“Code” means the Code on Unit Trusts and Mutual Funds issued by the Commission, as may be amended from time to time.

“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 other officer of that company or of any of its Connected Persons as defined in (a), (b) or (c) above.

“Contract Value” in relation to any Futures Contracts, means the full amount expressed therein as being due to be paid or received by the holder of such Futures Contracts upon settlement or (as the case may be) upon delivery of the subject matter of such Futures Contracts.

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

“Conversion Agency Agreement” means each agreement entered amongst the Manager, the Conversion Agent and HKSCC by which the Conversion Agent agrees to provide its services.

“Conversion Agent’s Fee” means the fee which may be charged for the benefit of the Conversion Agent to each Participating Dealer on Creation Application and Redemption Application made by the relevant Participating Dealer, and which shall be determined by the Conversion Agent and set out in the Operating Guidelines and the Part 2 of this Prospectus.

“Creation Application” means, in respect of Listed Class of Units, an application by a Participating Dealer or PD Agent (as the case may be) for the creation of Units of a Sub-Fund in Application Unit size (or whole multiples thereof) in accordance with the relevant procedures set out in the Trust Deed, and the relevant Participation Agreement.

“CSRC” means the China Securities Regulatory Commission.

“Custodian” means such person or person(s) who for the time being appointed to act as custodian of a Sub-Fund, as specified in Part 2 of this Prospectus.

“Dealing Day” means, in respect of a Sub-Fund, each Business Day during the continuance of such Sub-Fund or such other day or days as the Manager may from time to time, in consultation with the Trustee, determine either generally or in respect of a particular class or classes of Units.

“Dealing Deadline” in relation to any Dealing Day, shall be such time or times as the Manager may from time to time in consultation with the Trustee determine generally or in relation to a particular class or classes of Units or any particular jurisdiction in which Units may from time to time be sold or any particular place for submission of Application(s) by a Participating Dealer, as set out in Part 2 of this Prospectus.

“Deposited Property” means, in respect of each Sub-Fund, all the assets (including cash) received or receivable by the Trustee for the time being held or deemed to be held upon the trusts of the Trust Deed for the account of the relevant Sub-Fund excluding (i) the Income Property and (ii) any amount for the time being standing to the credit of the Distribution Account (as defined in the Trust Deed).

“Dual Counter” means, in respect of Listed Class of Units, the facility by which the Units of a Sub-Fund traded in RMB and traded in HKD 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 or HKD) as described in Part 2 of this Prospectus.

“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 Securities and/or FDIs (as the case may be) or the entering into or termination of any FDIs (e.g. swaps) (including any costs associated with the entering into, or unwind or maintenance of, any hedging arrangements in respect of such FDIs, or any costs associated with any collateral arrangements in respect of such Securities or FDIs) 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 an issue 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 Trust for the difference between (a) the prices used when valuing the Securities and/or FDIs (as the case may be) of the Trust for the purpose of such issue or redemption of Units and (b) (in the case of an issue of Units) the prices which would be used when acquiring the same Securities and/or FDIs (as the case may be) if they were acquired by the Trust with the amount of cash received by the Trust upon such issue of Units and (in the case of a redemption of Units) the prices which would be used when selling the same Securities and/or FDIs (as the case may be) if they were sold by the Trust in order to realise the amount of cash required to be paid out of the Trust Fund upon such redemption of Units.

“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 recognised accounting standards.

“Extension Fee” means, in respect of Listed Class of Units, any fee payable by a Participating Dealer to the Trustee 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 and Part 2 of this Prospectus.

“FDI” means financial derivative instrument, including, for the avoidance of doubt, Futures Contracts and swaps.

“Futures Contract” means any futures contract which is traded on any Futures Exchange.

“Futures Exchange” means the Hong Kong Futures Exchange Limited and such other futures exchange from time to time determined by the Manager.

“Government and other Public Securities” means any Security issued by, or the payment of principal and interest on, which is guaranteed by a government, or any fixed-interest Security issued by its public or local authorities or other multilateral agencies.

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

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

“HKSCC Rules” means the General Rules of HKSCC as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures.

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

“Hong Kong dollar” or **“HK\$”** or **“HKD”** means the lawful currency for the time being and from time to time of Hong Kong.

“H-Shares” means shares issued by companies incorporated in the PRC mainland and listed on the SEHK and traded in Hong Kong dollars.

“Income Property” in respect of each Sub-Fund, means, (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 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 relevant Sub-Fund; and (c) all Cancellation Compensation received or receivable by the Trustee for the account of the relevant Sub-Fund; (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 relevant Sub-Fund; (ii) any amount for the time being standing to the credit of the Distribution Account (as defined in the Trust Deed) for the account of the relevant Sub-Fund or previously distributed to Unitholders; (iii) gains for the account of the relevant Sub-Fund arising from the realisation of Securities and/or FDIs (as the case may be); and (iv) any sums applied towards payment of the fees, costs and expenses payable by the Trust from the Income Property of the relevant Sub-Fund.

“Index Provider” means, in respect of each Index Tracking Sub-Fund, the person responsible for compiling the Underlying Index against which the relevant Sub-Fund benchmarks its investments and who holds the right to licence the use of such Underlying Index to the relevant Sub-Fund.

“Index Futures Contract” means, for an Index Tracking Sub-Fund, the constituent Futures Contracts of the relevant Underlying Index at the relevant time, such other Futures Contracts 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 Futures Contracts of the relevant Underlying Index.

“Index Securities” means, for an Index Tracking Sub-Fund, (i) the constituent Securities of the relevant Underlying Index; (ii) such other Securities the Index Provider has publicly announced shall form part of the Underlying Index in the future but are currently not constituent Securities of the relevant Underlying Index.

“Index Tracking Sub-Fund” means a Sub-Fund with a principal objective to track, replicate or correspond to a financial index or benchmark, with an aim of providing or achieving investment results or returns that closely match or correspond to the performance of the Underlying Index that it tracks.

“Initial Issue Date” means, in respect of a Sub-Fund, the date of the first issue of Units relating to the Sub-Fund as set out in Part 2 of this Prospectus.

“Initial Offer Period” means, in respect of a class of Units, such period as may be determined by the Manager for the purpose of making an initial offer of Units of such class as set out in Part 2 of this Prospectus.

“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.

“Issue Price” means, in respect of each Sub-Fund, the issue price per Unit of a particular class during the Initial Offer Period as determined by the Manager in respect of such class of Units and thereafter the issue price per Unit calculated pursuant to the Trust Deed at which Units are from time to time issued or to be issued, each as set out in Part 2 of this Prospectus.

“Listed Class of Units” means a class of Units of a Sub-Fund which is listed on either the SEHK or any other Recognised Stock Exchange.

“Listing Agent” means, in respect of Listed Class of Units, such entity appointed by the Manager as the listing agent for such Sub-Fund.

“Listing Date” means, in respect of Listed Class of Units, the date on which such Units are listed on the SEHK.

“PRC mainland” or the **“Mainland China”** means all the customs territories of the PRC excluding Hong Kong, Macau and Taiwan of the PRC for purpose of interpretation of this document only.

“Manager” means CSOP Asset Management Limited or any other person (or persons) who for the time being is duly appointed as manager (or managers) of the Trust and accepted by the Commission as qualified to act as such for the purposes of the Code.

“Multi-Counter” means, in respect of Listed Class of Units, the facility by which the Units traded in RMB, HKD and USD 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 or USD) as described in this Prospectus.

“Net Asset Value” or **“NAV”** means the net asset value of a Sub-Fund or, as the context may require, of a Unit calculated pursuant to the Trust Deed.

“Non-Index Futures Contracts” means any Futures Contracts, other than Index Futures Contracts for an Index Tracking Sub-Fund, as may be designated by the Manager, which for the avoidance of doubt include Futures Contracts comprising a Non-Index Tracking Sub-Fund.

“Non-Index Securities” means (i) any Securities, other than Index Securities for an Index Tracking Sub-Fund, as may be designated by the Manager, which for the avoidance of doubt include Securities comprising a Non-Index Tracking Sub-Fund; and (ii) any Base Securities linked to or otherwise used to track the performance of one or more such Securities.

“Non-Index Tracking Sub-Fund” means a Sub-Fund that is not an Index Tracking Sub-Fund.

“Operating Guidelines” means, in respect of Listed Class of Units, the operating guidelines governing, including without limitation, the procedures for creation and redemption of Units of such Sub-Fund, as amended from time to time by the Manager with the approval of the Trustee, and where applicable, with

the approval of HKSCC and the Conversion Agent, and in accordance with the terms of the relevant Participation Agreement.

“Participating Dealer” means a broker or dealer (licensed for Type 1 regulated activity under the Securities and Futures Ordinance) which has entered into a Participation Agreement, and any reference in this Prospectus to “Participating Dealer” shall, where the context requires, include a reference to any PD agent so appointed by the Participating Dealer.

“Participation Agreement” means an agreement either (1) entered into between the Trustee, the Manager and a Participating Dealer (and if applicable, supplemented with a supplemental participation agreement entered into between the same parties and the PD Agent), or (2) entered into between the Trustee, the Manager, the Participating Dealer, HKSCC and the Conversion Agent, each setting out, amongst other things, the arrangements in respect of Applications by such Participating Dealer or PD Agent (as the case may be), 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.

“PD Agent” means a person who is admitted by HKSCC as either a Direct Clearing Participant or a General Clearing Participant (as defined in the General Rules of HKSCC) in CCASS and who has been appointed by a Participating Dealer as its agent for the creation and redemption of Listed Class of Units.

“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.

“QFI” or “QFI Holder” means a qualified foreign investor approved pursuant to the relevant PRC mainland laws and regulations, as may be promulgated and/or amended from time to time, including both qualified foreign institutional investor (QFII)(i.e. QFI to make investment in PRC mainland domestic securities and futures market by remitting foreign currencies) and/or RMB qualified foreign institutional investors (RQFII)(i.e. QFI to make investment in PRC mainland domestic securities and futures market by remitting offshore RMB), as the case may be, or, as the context may require, the QFII/RQFII regime.

“Redemption Application” means, in respect of Listed Class of Units, an application by a Participating Dealer or PD Agent (as the case may be) for the redemption of Units in Application Unit size (or whole multiples thereof) in accordance with the relevant procedures set out in the Trust Deed and the relevant Participation Agreement.

“Redemption Price” means, in respect of a Unit of each Sub-Fund, the redemption price per Unit of a particular class calculated in accordance with the Trust Deed at which Units are from time to time redeemed, as set out in Part 2 of this Prospectus.

“Register” means, in respect of each Sub-Fund, the register of Unitholders of that Sub-Fund to be kept pursuant to the Trust Deed.

“Registrar” means, such person as may from time to time be appointed by the Trustee and acceptable to the Manager, to maintain the Register and in default of such appointment shall mean the Trustee.

“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.

“RMB” or “Renminbi” means renminbi, the currency of the PRC mainland.

“SAFE” means the State Administration of Foreign Exchange of the PRC mainland.

“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.

“Saudi Arabia” or **“KSA”** means the Kingdom of Saudi Arabia.

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

“Securities” means any share, stock, debenture, loan stock, bond, securities, commercial paper, acceptance, trade bill, warrant, participation note, certificate, structured product, treasury bill, instrument or note of, or issued by or under the guarantee of, any body, whether incorporated or unincorporated, and whether listed or unlisted, or of any government or local government 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, including any unit, share or other interest in a collective investment scheme;
- (b) any certificate of interest or participation in, or temporary or interim certificate for, receipt for or warrant to subscribe 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.

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

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

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

“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 in relation to a Sub-Fund.

“Service Agreement” means the service agreement entered into among the Manager, the Trustee, the Service Agent, HKSCC, the Registrar and the relevant Participating Dealer and (where applicable) the PD Agent.

“Settlement Day” means, in respect of Listed Class of Units, 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 number of Business Days after the relevant Dealing Day as the Manager, in consultation with the Trustee, may from time to time determine and notify to the Participating Dealers, either generally or for a particular class or classes of Units.

“Sub-Fund” means a separate trust fund with a segregated pool of assets and liabilities established under the Trust, specific details of which are set out in Part 2 of this Prospectus.

“Subscription Price” means, in respect of Unlisted Class of Units, the price at which Units may be subscribed for, determined in accordance with the Trust Deed.

“substantial financial institution” has the same meaning as in the Code.

“Transaction Fee” means, in respect of Listed Class of Units, the fee which may at the discretion of the Trustee be charged for the account and benefit of the Trustee, where applicable, the Conversion Agent or the Service Agent to each Participating Dealer under the Trust Deed, the maximum level of which shall be determined by the Trustee with the consent of the Manager from time to time and, where applicable, the Conversion Agent or the Service Agent as set out in Part 2 of this Prospectus and in accordance with the terms of the relevant agreements.

“Trust” means the unit trust constituted by the Trust Deed and to be called CSOP ETF Series* (*This includes synthetic ETFs) or such other name as the Trustee and the Manager may from time to time determine.

“Trust Deed” means the trust deed dated 25 July 2012 between the Manager and the Trustee, as amended and restated on 15 June 2021 and as further amended, modified or supplemented from time to time.

“Trustee” means HSBC Institutional Trust Services (Asia) Limited or such other person (or persons) who for the time being is duly appointed to be trustee (or trustees) of the Trust.

“Underlying Index” means, in respect of an Index Tracking Sub-Fund, the index against which the relevant Sub-Fund is benchmarked.

“Unit” means such number of undivided shares or such fraction of an undivided share of a Sub-Fund to which a Unit relates as is represented by a Unit of the relevant class 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.

“Unit Cancellation Fee” means, in respect of Listed Class of Units, the fee charged by the Conversion Agent in respect of the cancellation of Units in connection with an accepted Redemption Application.

“Unlisted Class of Units” means one or more class(es) of Units of a Sub-Fund which is/are neither listed on the SEHK nor any other Recognised Stock Exchange.

“US” means the United States of America.

“US dollar” or **“US\$”** or **“USD”** means the lawful currency for the time being and from time to time of the United States of America.

“Unqualified Person” means:

- (a) a person who by virtue of any law or requirement of any country or governmental authority is not qualified to hold a Unit or who would be in breach of any such law or regulation in acquiring or holding a Unit or if, in the opinion of the Manager, the holding of a Unit by such person might result in the Trust incurring any liability to taxation or suffering a pecuniary disadvantage which the Trust might not otherwise have incurred or suffered, or might result in the Trust, the Manager or the Trustee or any of their Connected Persons being exposed to any liability, penalty or regulatory action; or

- (b) any person if the holding of a Unit by such person might, due to any circumstances whether directly affecting such person and whether relating to such person alone or to any other person in conjunction therewith (whether such persons are connected or not), in the opinion of the Manager, result in the Trust incurring any liability to taxation or suffering a pecuniary disadvantage which the Trust might not otherwise have incurred or suffered, or in the Trust, the Manager or the Trustee or any of their Connected Persons being exposed to any liability, penalty or regulatory action.

“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 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 as the Manager may from time to time determine in its absolute discretion (in consultation with the Trustee). At least one calendar month's prior notice shall be given to the Unitholders of the relevant class or classes of Units before any change in the Manager's determination on the Valuation Day shall become effective.

“Valuation Point” means, in respect of a Sub-Fund, the official closing of trading on: (i) the market on which the Securities and/or FDIs constituting the Sub-Fund are listed, quoted, or dealt on each Valuation Day, and in case there are more than one such markets, the official close of trading on the last relevant market to close, or such other time or times as specified in Part 2 of this Prospectus or as determined by the Manager, in consultation with the Trustee, from time to time provided that there shall always be a Valuation Point on each Valuation Day other than where there is a suspension of determination of the Net Asset Value of the relevant Sub-Fund pursuant to the provisions of the Trust Deed.

PART 1 : GENERAL INFORMATION RELATING TO THE TRUST

Part 1 of this Prospectus contains general information about the Trust and its Sub-Funds, while Part 2 of this Prospectus sets out additional details specific to a Sub-Fund (such as additional terms, conditions and restrictions applicable to the relevant Sub-Fund). Investors should read both Parts of the Prospectus before investing in any of the Sub-Fund. In case of any inconsistency between Part 1 and Part 2, the information in Part 2 shall prevail.

1 THE TRUST

The Trust is an umbrella unit trust constituted by way of a trust deed dated 25 July 2012 (as amended and restated on 15 June 2021), between CSOP Asset Management Limited as Manager and HSBC Institutional Trust Services (Asia) Limited as Trustee, (as further amended and supplemented from time to time). The terms of the Trust Deed are governed by the laws of Hong Kong.

Specific details of a Sub-Fund of the Trust are set out in Part 2 of this Prospectus. Each of the Sub-Funds is a fund falling within Chapter(s) 8.6, 8.9 and/or 8.10 of the Code.

The Manager may create further Sub-Funds in the future. Where indicated in the relevant Appendix in Part 2 of this Prospectus, Units in a Sub-Fund may be available for trading on the SEHK using a Dual Counter or Multi-Counter.

Multiple classes of Units may be issued in respect of each Sub-Fund and the Manager may create additional classes of Units for any Sub-Fund in its sole discretion in the future. All assets and liabilities attributable to each Sub-Fund shall be segregated from the assets and liabilities of any other Sub-Funds, and shall not be used for the purpose of, or borne by the assets of, any other Sub-Fund (as the case may be).

Each Sub-Fund may issue Listed Class of Units and Unlisted Class of Units. In respect of Sub-Funds which offer both Listed Class of Units and Unlisted Class of Units, please refer to the table set out in the relevant Appendix which sets out the key similarities and differences between each class of Units.

2 KEY OPERATORS AND SERVICE PROVIDERS

2.1 Manager

The Manager of the Trust and its Sub-Funds is CSOP Asset Management Limited.

The Manager was established in January 2008 and is licensed to carry on Types 1 (Dealing in Securities), 4 (Advising on Securities) and 9 (Asset Management) regulated activities under Part V of the Securities and Futures Ordinance.

The Manager, a subsidiary of China Southern Asset Management Co. Limited, is the first Hong Kong subsidiary set up by mainland Chinese fund houses to carry out asset management and securities advisory activities in Hong Kong.

The Manager is dedicated to serving investors as a gateway for investment between China and the rest of the world. For inbound investment, the Manager's boasting local expertise makes it the ideal adviser or partner of international investors. For outbound investment, it is keen to introduce suitable overseas investment opportunities to domestic Chinese institutional and retail investors. The Manager provides discretionary management services and advisory services to both institutional investors and investment funds.

The Manager undertakes the management of the assets of the Trust. The Manager may appoint investment adviser(s) to provide investment advice to the Manager in relation to any Sub-Fund. Details of investment advisers appointed in relation to a Sub-Fund (if any) and their remuneration will be stated in Part 2 of this Prospectus.

2.1.1 **Directors of the Manager**

The directors of the Manager are Yi Zhou, Chen Ding, Gaobo Zhang, Xiaosong Yang, Zhongping Cai, Zhiwei Liu and Yundong Zhu.

Yi Zhou

Mr. Zhou holds a degree in Computer Communication from the Nanjing University of Posts and Telecommunications and has 16 years of experience in the securities industry. Mr. Zhou once worked on technology management in the telecommunications center of Jiangsu Posts & Telecommunications Bureau and administrative management at Jiangsu Mobile Communication Co., Ltd. He served as the Chairman of the Board of Directors at Jiangsu Beier Co., Ltd. and Nanjing Xinwang Tech Co., Ltd., and the Deputy General Manager of Shanghai Beier Fortune Communications Company.

Mr. Zhou is the CEO, Chairmen of Executive Committee, and Executive Director of Huatai Securities Co., Ltd., and is appointed as the Chairman of China Southern Asset Management Co., Ltd. in May 2022. Mr. Zhou joined Huatai Securities in August 2006 and served as the President and party secretary of Huatai Securities Co., Ltd. Mr. Zhou, from June 2016 to December 2019, served as the Chairman of the Board of Directors of Huatai Securities Co., Ltd.

Chen Ding, MH

Ms. Ding joined CSOP Asset Management Limited in 2010 and is the Chief Executive Officer, overseeing the overall business of the Manager.

Ms. Ding, from 2003 to June 2013, was the Assistant CEO and Managing Director of China Southern Asset Management Co. Ltd., one of the largest fund management companies in China. During her tenure with the company, she issued China's first and largest QDII mutual fund, and successfully established the QDII business of China Southern Asset Management Co. Ltd.. She was also a member of the Investment Management Committee of China Southern Asset Management Co. Ltd., where she was responsible for setting investment policies and strategies of the fund, monitoring market, portfolio and systematic risk, asset allocation and stock selection in addition to reviewing and monitoring portfolio performance of the fund.

Ms. Ding also actively participates in community services. She co-founded Chinese Asset Management Association of Hong Kong with industry peers in 2013 and served as the Chairperson of the association. The association actively promoted positive interaction between Chinese Asset Management companies and strived to provide a conducive business environment for Chinese Asset Management companies in Hong Kong. Ms. Ding made outstanding contributions to the prosperity of Hong Kong's capital market by actively advising on projects such as the establishment of RQFII scheme, Mutual Recognition of Funds between the Mainland and Hong Kong, Inclusion of ETFs in Stock Connect and Wealth Management Connect Scheme. Ms. Ding was the only person from the financial services industry who was awarded the Medal of Honour by the Government of the Hong Kong Special Administrative region in July 2021, in recognition of her contributions to the Hong Kong's financial market over the years.

Ms. Ding resigned from Chairperson in 2020 and is currently the Permanent Honorary Chairperson of Chinese Asset Management Association of Hong Kong. She was also appointed as Vice-Chairman of the Hong Kong Financial Services Development Council in January 2023 as well as Convenor of Mainland Opportunities Committee of the Hong Kong Financial Services Development Council since 2019. In addition, Ms. Ding is now a member of the Hong Kong Mandatory Provident Fund Schemes Appeal Board, and Executive Board Member of the Hong Kong Treasury Markets Association. Prior to that, she has ever served as a member of the Product Advisory Committee of the Securities and Futures Commission, a member of the Process Review Panel of the Securities and Futures Commission, a member of the Securities and Futures Appeals Tribunal, a member of the Financial Infrastructure and Market

Development Sub-Committee of the Hong Kong Monetary Authority, the Co-Chairman of the International Business Committee of the Asset Management Association of China and the Vice Chairperson of Chinese Securities Association of Hong Kong.

Ms. Ding is awarded as the CEO of the year by I&M Professional Investment Awards in 2022 and 2023; the CEO of the Year in Asia by Asia Asset Management in 2023. Prior to joining China Southern Asset Management Co. Ltd., Ms. Ding served from 2001 to 2003 as an Associate General Manager of China Merchants Securities Co. Ltd. in the PRC mainland. She assumed key roles in building solid management infrastructure and repositioning the asset management business of the company.

Ms. Ding was also the Investment Manager of ML Stern & Co., in California, United States, which is a securities house. She was responsible for accounts management, where she provided investment solutions to high net worth and institutional investors; customer relationship development, where she conducted company research and profiling; communicated with sell-side analysts and prepared investment analyses for clients, and participated in the innovation of annuity product rollouts.

Ms. Ding holds a Master's Degree in Business Administration from the San Francisco State University in the United States and a Bachelor degree in Electrical Engineering from the Sichuan University in the PRC mainland.

Gaobo Zhang

Mr. Zhang is a founding partner and the Chief Executive Officer of Oriental Patron Financial Group and is responsible for formulating the investment strategies, monitoring the investment performance and approving investment decisions. He joined CSOP Asset Management Limited in 2008.

From February 1988 to February 1991, Mr. Zhang was a deputy chief of the Policy Division of Hainan Provincial Government. From 1991 to 1993, Mr. Zhang was deputy chief of Financial Markets Administration Committee of the People's Bank of China Hainan Branch. He was chairman of Hainan Stock Exchange Centre from 1992 to 1994. Mr. Zhang was appointed as an executive director of Wealthking Investments Limited, a company listed on the Hong Kong Stock Exchange from February 2003 to December 2020. Mr. Zhang is also an independent non-executive director of Beijing Enterprises Water Group Limited, a company listed on the Hong Kong Stock Exchange and a non-executive director of Vimetco N.V., a company listed on the London Stock Exchange from June 2007 to June 2017. As from 2021, Mr. Zhang starts to play the role as founder and CEO of Micro Connect Group.

Mr. Zhang obtained a Bachelor's degree in Science from Henan University in China in 1985 and later graduated from the Peking University in China with a Master's degree in Economics in 1988.

Xiaosong Yang

Mr. Yang is the Chief Executive Officer and Director of China Southern Asset Management Co., Ltd where Mr. Yang has overall responsibility for the business. He joined China Southern Asset Management Co., Ltd as the Head of Compliance in 2012.

Prior to joining China Southern Asset Management Co. Ltd., Mr. Yang worked for China Securities Regulatory Commission. Mr. Yang holds a Master's Degree in Economics from Renmin University of China in the PRC mainland.

Zhongping Cai

Mr. Cai is the Chief Financial Officer and the General Manager of the Finance Department of China Southern Asset Management Co. Ltd., Director of CSOP Asset Management Limited, Supervisor of China Southern Capital Management Limited, and Director of Shenzhen SouthernFund Equity Investment Fund Management Co. Ltd.

Prior to joining China Southern Asset Management Co. Ltd., Mr. Cai served as Director of the Finance Department of UBS SDIC in China. He joined China Southern Asset Management Co. Ltd. in 2014.

Mr. Cai holds a Master's Degree from Zhongnan University of Economics and Law in PRC mainland.

Zhiwei Liu

Dr. Liu has been appointed as chairman of the board and the chairman of the nomination committee of Wealthking Investments Limited since 16 December 2020, and an executive Director since 16 April 2019. From 16 April 2019 to 16 December 2020 and from 29 December 2021 to 14 March 2022, he was the chief executive officer of Wealthking Investments Limited. From June 2016 to June 2018, he was an executive Director, the president, and a member of the corporate governance committee of Wealthking Investments Limited. From December 2015 to June 2016, he served as a non-executive director of Wealthking Investments Limited. On 22 August 2022, Dr. Liu was appointed as an executive director and the chairman of the board of GoFintech Innovation Limited (formerly known as China Fortune Financial Group Limited), the shares of which are listed on the Main Board of the Hong Kong Stock Exchange. Dr. Liu obtained a bachelor's degree in Industrial Management Engineering from Zhe Jiang University in 1989. He furthered his studies in Graduate School of the People's Bank of China between 1989 and 1992 and obtained his master's degree in International Finance. In 2007, Dr. Liu obtained a doctoral degree in Economics & Law from Hunan University. He completed a professional programme in Finance CEO from Cheung Kong Graduate School of Business in 2010.

Dr. Liu has over 20 years of experience in financing, securities investment and capital market. He served as a non-executive director of Shanghai Zendai Property Limited (stock code: 755), whose shares are listed on the Hong Kong Stock Exchange for the period from 2 February 2010 to 12 December 2012. He was the vice chairman of Chang'an International Trust Co., Ltd (formerly known as Xi'an International Trust Co., Ltd) from 2008 to 2011. Dr. Liu served as a supervisor of Xin Jiang Hui-tong (Group) Co., Ltd (stock code: 415) from December 2005 to December 2008, whose shares are listed on the Shenzhen Stock Exchange. He also served as a general manager of the merger and acquisition department of Guosen Securities Co., Ltd from 1997 to 1998.

Yundong Zhu

Mr Zhu joined China Southern Asset Management Co., Ltd in 2002. Mr Zhu is the Deputy Chief Executive Officer and Party Committee Member of China Southern Asset Management Co., Ltd., Chairman of China Southern Capital Management Limited, and Director of CSOP Asset Management Limited.

Prior to joining China Southern Asset Management Co. Ltd., Mr Zhu worked for the Local Budget Department and the General Office of the Ministry of Finance of People's Republic of China, and China Economic Development Trust & Investment Corporation. Mr Zhu holds a Bachelor's Degree in Economics from Jiangxi University of Finance and Economics in the PRC mainland.

2.2 Investment Adviser

The details of the Investment Adviser appointed in respect of a Sub-Fund are set out in Part 2 of this Prospectus.

2.3 **Listing Agent (applicable in respect of Listed Class of Units only)**

The details of the Listing Agent appointed in respect of a Sub-Fund are set out in Part 2 of this Prospectus.

2.4 **Trustee and Registrar**

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

The Trustee is a registered trust company under the Trustee Ordinance, Chapter 29 of the Laws of Hong Kong and approved by the Mandatory Provident Fund Schemes Authority as trustee of registered MPF schemes under the Mandatory Provident Fund Schemes Ordinance. HSBC Institutional Trust Services (Asia) Limited is an indirect wholly-owned subsidiary of HSBC Holdings plc, a public company incorporated in England and Wales.

The Trustee will also act as the Registrar of the Trust and each Sub-Fund.

Under the Trust Deed, the Trustee is responsible for the safekeeping of the assets of the Trust, subject to the provisions of the Trust Deed.

The Trustee may, however, appoint a person or persons (including a Connected Person of the Trustee) to be agent, nominee, custodian, joint custodian, co-custodian and/or sub-custodian to hold certain assets of any Sub-Fund and may empower any such person or persons to appoint, with the prior consent in writing of the Trustee, co-custodians and/or sub-custodians. The Trustee may also appoint delegates for the performance of its duties, powers or discretions under the Trust Deed. The Trustee is required to (a) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of nominees, agents and delegates which are appointed for the custody and/or safekeeping of the property of the Sub-Fund(s) and, (b) be satisfied that such persons retained remain suitably qualified and competent on an ongoing basis to provide the relevant custodial services to the Sub-Funds provided however 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 such person(s) not being the Trustee's Connected Person appointed as agents, nominees, custodians or joint custodians of certain assets of any Sub-Fund. The Trustee however shall remain liable for any act or omission of any such person that is a Connected Person of the Trustee and that is appointed as agent, nominee, custodian, joint custodian, co-custodian and/or sub-custodian to hold certain assets of any Sub-Fund (including the Custodian which is appointed by the Trustee and the Manager, and the PRC Custodian and the Sub-Custodian which are appointed by the Custodian, each being Connected Persons of the Trustee) as if the same were the acts or omissions of the Trustee.

The Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of Euro-clear Clearing System Limited or Clearstream Banking S.A. or any other recognised or central depositories or clearing system which may from time to time be approved by the Trustee and the Manager.

Subject as provided in the Trust Deed, the Trustee is entitled to be indemnified from the assets of the Trust and/or the relevant Sub-Fund from and against any and all actions, proceedings, liabilities, costs, claims, damages, expenses, including all reasonable legal, professional and other similar expenses which may be incurred by or asserted against the Trustee in performing its obligations or duties in connection with the Trust and/or the relevant Sub-Fund. Notwithstanding the aforesaid, the Trustee can neither be exempted from any liability to holders imposed under Hong Kong law or breaches of trust through fraud or negligence nor may it be indemnified against such liability by holders or at holders' expense. Subject to the applicable law and the provisions of the Trust Deed, the Trustee shall not, in the absence of fraud, negligence or wilful default on the part of the Trustee, be liable for any losses, costs or damage to the Trust, any Sub-Fund or any Unitholder.

The Trustee in no way acts as guarantor or offeror of the Units or any underlying investment. The Trustee has no responsibility or authority to make investment decisions, or render investment advice with respect to the Trust or any Sub-Fund, which is the sole responsibility of the Manager.

The Trustee will remain as the trustee of the Trust until the Trustee retires or is removed. The circumstances under which the Trustee may retire or be removed are set out in the Trust Deed. Where any Sub-Fund is authorised pursuant to section 104 of the Securities and Future Ordinance, any change in the Trustee is subject to the Commission's prior approval and the Trustee will remain as the trustee of the Trust until a new trustee is appointed in accordance with the provisions set out in the Trust Deed. Unitholders will be duly notified of any such changes in accordance with the requirements prescribed by the Commission.

The Trustee will be entitled to the fees described in the section headed "**10. Fees and Charges**" under the heading "**10.2 Trustee's and Registrar's Fee**" below and to be reimbursed for all costs and expenses in accordance with the provisions of the Trust Deed.

The Manager has the sole responsibility for making investment decisions in relation to the Trust and/or each Sub-Fund and the Trustee (including its delegates) are not responsible for and have no liability for any investment decision made by the Manager. Except as expressly stated in this Prospectus, the Trust Deed and/or required by the Code, neither the Trustee nor any of its employees, service providers or agents are or will be directly or indirectly involved in the business affairs, organisation, sponsorship or investment management of the Trust or any Sub-Fund. Also, none of the Trustee, its employees, service providers or agents is responsible for the preparation or issue of this Prospectus, and does not accept responsibility for any information contained in this Prospectus, other than the descriptions under this section "**2.4 Trustee and Registrar**".

2.5 **Custodian**

The details of the Custodian of a Sub-Fund, if appointed, are set out in Part 2 of this Prospectus.

2.6 **Service Agent or Conversion Agent (applicable in respect of Listed Class of Units only)**

HK Conversion Agency Services Limited acts as Service Agent or Conversion Agent, as appropriate in respect of the Listed Class of Units of a Sub-Fund, the details of which are set out in Part 2 of this Prospectus. Under the terms of the Service Agreement, the Participation Agreement or Conversion Agency Agreement (as the case may be), the Service Agent or the Conversion Agent (as the case may be) performs, through HKSCC, certain of its services in connection with the creation and redemption of Listed Class of Units in a Sub-Fund by Participating Dealers or PD Agent (as the case may be).

2.7 **Auditors**

The auditors of the Trust and the Sub-Funds are PricewaterhouseCoopers.

2.8 **Participating Dealers (applicable in respect of Listed Class of Units only)**

The role of the Participating Dealers is to apply to create and redeem Listed Class of Units in a Sub-Fund from time to time in accordance with the terms of the relevant Participation Agreement.

If the Participating Dealer has appointed a PD Agent, the PD Agent will help as an agent of the Participating Dealer to create and redeem Listed Class of Units in a Sub-Fund insofar as any obligations under the relevant Participation Agreement or the Service Agreement (where applicable) entered into by the Participating Dealer and where applicable, which appointment is acknowledged by the Participating Dealer, the Trustee and the Manager.

The Manager has the right to appoint the Participating Dealers for a Sub-Fund. The criteria for the eligibility and selection of Participating Dealers or PD Agent (as the case may be) is as follows: (i) the Participating Dealer and PD Agent must be licensed for at least Type 1 regulated activity pursuant to the Securities and Futures Ordinance with a business presence in Hong Kong; (ii) the Participating Dealer and (where applicable) PD Agent must have entered into a Participating Agreement with the Manager and the Trustee; (iii) the Participating Dealer (and where applicable, the appointment of the PD Agent by the Participating Dealer) must be acceptable to the Manager; and (iv) the Participating Dealer (and where applicable, the PD Agent appointed by the Participating Dealer) must be a participant in CCASS.

The list of Participating Dealers or PD Agent (as the case may be) in respect of each Sub-Fund is available on www.csopasset.com/etf¹. The Participating Dealers or PD Agent (as the case may be) are not responsible for the preparation of this Prospectus and shall not be held liable to any person for any information disclosed in this Prospectus.

2.9 **Market Makers (applicable in respect of Listed Class of Units only)**

A market maker is a broker or a dealer permitted by the SEHK to act as such by making a market for the Listed Class of Units in the secondary market on the 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 Listed Class of Units on the SEHK. Market makers accordingly facilitate the efficient trading of Listed Class of Units by providing liquidity in the secondary market when it is required in accordance with the market making requirements of the SEHK.

Subject to applicable regulatory requirements, the Manager will use its best endeavours to put in place arrangements so that there is at least one market maker for each Sub-Fund in respect of the Listed Class of Units to facilitate efficient trading. Where a Dual Counter or Multi-Counter has been adopted, the Manager will use its best endeavours to put in place arrangements so that there is at all times at least one market maker for Listed Class of 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 use its best endeavours to put in place arrangements so that there is at least one other market maker per counter to facilitate the efficient trading of Listed Class of Units. The Manager will use its best endeavours to put in place arrangements so 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 list of market makers in respect of each Sub-Fund is available on www.csopasset.com/etf¹ and from time to time will be displayed on www.hkex.com.hk. Further details relating to market making arrangement (including market making arrangement where Dual Counter or Multi-Counter is adopted) are described in Part 2 of this Prospectus.

3 **INVESTMENT CONSIDERATIONS**

A Sub-Fund may be an Index Tracking Sub-Fund or a Non-Index Tracking Sub-Fund (including a listed open-ended fund, also known as an active exchange traded fund).

The investment objective of each Index Tracking Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Underlying Index to that Sub-Fund.

An Underlying Index comprises a group of Index Securities or FDIs (as the case may be) which an Index Provider selects as being representative of a market, market segment, specific industry sector or other appropriate benchmark. The Index Provider determines the relative weightings of the Index Securities or FDIs (as the case may be) in the relevant Underlying Index and publishes information regarding the market value of such Underlying Index.

A listed open-ended fund (i.e. an active exchange traded fund) does not track an index. The Manager will actively manage the relevant Non-Index Tracking Sub-Fund based on its investment strategy in seeking to achieve the investment objective of such Sub-Fund, as described in the relevant Appendix.

The investment objective and strategy specific to each Sub-Fund, as well as other important details, are set out in Part 2 of this Prospectus.

4 **GENERAL RISK FACTORS**

Investments involve risks. Each Sub-Fund is subject to market fluctuations and to the risks inherent in all investments. The price of Units of each Sub-Fund and the income from them may go down as well as up and an investor 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 assurance that a Sub-Fund will achieve its investment objective. The following general risk factors apply to each Sub-Fund unless stated otherwise.

Before investing in any of the Sub-Funds, investors should carefully consider the general risk factors set out in this section and any specific risk factors relating to a Sub-Fund as set out in Part 2 of this Prospectus.

4.1 **Risk Factors relating to Mainland China**

Mainland China market risk. A Sub-Fund may invest in Mainland China. Investing in the Mainland China market is subject to the risks of investing in emerging markets generally and the risks specific to the Mainland China market which involves a greater risk of loss than investment in more developed countries due to higher economic, political, social and regulatory uncertainty and risks linked to volatility and market liquidity.

Since 1978, the PRC mainland government has implemented economic reform measures which emphasise decentralisation and the utilisation of market forces in the development of the Chinese economy, moving from the previous planned economy system. However, many of the economic measures are experimental or unprecedented and may be subject to adjustment and modification. Any significant change in PRC mainland's political, social or economic policies may have a negative impact on investments in the Mainland China market.

Chinese accounting standards and practices may deviate significantly from international accounting standards. The settlement and clearing systems of the Chinese securities and futures markets may not be well tested and may be subject to increased risks of error or inefficiency.

Investments in equity interests of Chinese companies may be made through China A-Shares, B-Shares and H-Shares. The PRC mainland securities and futures market has in the past experienced substantial price volatility, and there is no assurance that such volatility will not occur in future.

Investment in RMB denominated bonds may be made in or outside the PRC mainland. As the number of these securities and their combined total market value are relatively small compared to more developed markets, investments in these securities may be subject to increased price volatility and lower liquidity.

Investors should also be aware that changes in the PRC mainland taxation legislation could affect the amount of income which may be derived, and the amount of capital returned, from the

investments of the relevant Sub-Fund. Laws governing taxation will continue to change and may contain conflicts and ambiguities.

Foreign exchange control risk. The Renminbi is not currently a freely convertible currency and is subject to exchange control imposed by the Chinese government. Such control of currency conversion and movements in the Renminbi exchange rates may adversely affect the operations and financial results of companies in the PRC mainland. Insofar as a Sub-Fund's assets are invested in the PRC mainland, it will be subject to the risk of the PRC mainland government's imposition of restrictions on the repatriation of funds or other assets out of the country, limiting the ability of the relevant Sub-Fund to satisfy payments to investors.

Renminbi exchange risk. Starting from 2005, the exchange rate of the Renminbi is no longer pegged to the US dollar. The Renminbi has now moved to a managed floating exchange rate based on market supply and demand with reference to a basket of foreign currencies. The daily trading price of the Renminbi against other major currencies in the inter-bank foreign exchange market would be allowed to float within a narrow band around the central parity published by the People's Bank of China. As the exchange rates are based primarily on market forces, the exchange rates for Renminbi against other currencies, including US dollars and Hong Kong dollars, are susceptible to movements based on external factors. It should be noted that the Renminbi is currently not a freely convertible currency as it is subject to foreign exchange control policies of the Chinese government. The possibility that the appreciation of Renminbi will be accelerated cannot be excluded. On the other hand, there can be no assurance that the Renminbi will not be subject to devaluation. In particular, there is no guarantee that the value of Renminbi against the investors' base currencies (for example HKD) will not depreciate. Any devaluation of the Renminbi could adversely affect the value of investors' investments in the relevant Sub-Fund. Investors whose base currency is not the Renminbi may be adversely affected if the Renminbi depreciates against the base currency of holding of the investors in that such investors' investments may be worth less when they exchange Renminbi back to their base currency.

Further, the PRC mainland government's imposition of restrictions on the repatriation of Renminbi out of Mainland China may limit the depth of the Renminbi market in Hong Kong and reduce the liquidity of the relevant Sub-Fund. Any delay in repatriation of Renminbi may result in delay in payment of redemption proceeds to the redeeming Unitholders. The Chinese government's policies on exchange control and repatriation restrictions are subject to change, and the Sub-Fund's or the investors' position may be adversely affected.

PRC mainland tax considerations. By investing in securities issued by tax residents in the PRC mainland (including without limitation China A-Shares, exchange traded funds issued and listed in the PRC mainland ("**A-Share ETFs**") and bonds ("**PRC Mainland Securities**"), a Sub-Fund may be subject to withholding and other taxes imposed in the PRC mainland.

(a) Corporate Income Tax ("CIT")

If the Trust or the relevant Sub-Fund is considered as a tax resident enterprise of the PRC mainland, it will be subject to PRC mainland CIT at 25% on its worldwide taxable income. If the Trust or the relevant Sub-Fund is considered as a non-tax resident enterprise with an establishment or place of business ("**E&P**") in the PRC mainland, the profits attributable to that E&P would be subject to CIT at 25%. Non-resident enterprises without any E&P in the PRC mainland are subject to PRC mainland Withholding Income Tax ("**WIT**") generally at a rate of 10% to the extent it directly derives the PRC mainland-sourced passive income, unless any specific exemption or reduction is available under current PRC mainland tax laws and regulations or relevant tax treaties.

The Manager intends to manage and operate the Trust and the relevant Sub-Fund in such a manner that the Trust and the relevant Sub-Fund should not be treated as tax resident enterprises of the PRC mainland or non-tax resident enterprises with an E&P in the PRC mainland for CIT purposes, although this cannot be guaranteed.

(i) *Interests*

Interests derived from government bonds issued by the in-charge Finance Bureau of the State Council and/or local governments bonds approved by the State Council shall be exempt from PRC mainland CIT under the CIT law.

Unless a specific exemption / reduction is applicable, for recipients that are non-tax residents without an E&P in the PRC mainland under the CIT law, PRC mainland WIT is levied on the payment of interests on debt instruments issued by PRC mainland tax residents. The general WIT rate applicable is 10%.

The Ministry of Finance (“**MOF**”) and the State Taxation Administration (“**STA**”) jointly issued circular Caishui [2018] No. 108 (“**Circular 108**”) on 22 November 2018, which stipulates that QFIIs and RQFIIs are exempt from WIT in respect of bond interest income received from 7 November 2018 to 6 November 2021 from investments in the Mainland China bond market. On 22 November 2021, the MOF and the STA issued Public Notice [2021] No. 34 (“**PN 34**”) to grant an extension on such exemption to 31 December 2025.

Under the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the “China-HK Arrangement”), if a Hong Kong tax resident derives interest income from the PRC mainland, the WIT rate can be reduced to 7% provided that the Hong Kong tax resident is the beneficial owner of the interest income under the China-HK Arrangement and other relevant conditions are satisfied, subject to the agreement of the PRC mainland tax authorities. In practice, due to the practical difficulties in demonstrating that an investment fund is the beneficial owner of the interest income received, such investment fund is generally not entitled to the reduced WIT rate of 7%. In general, the prevailing rate of 10% should be applicable to the Sub-Fund.

(ii) *Dividends*

Dividends derived from holding PRC Mainland Securities by a non-tax resident recipient from PRC mainland tax residents are subject to the PRC mainland WIT and the general WIT rate applicable is 10%, unless a specific exemption or reduction is applicable.

(iii) *Capital gains*

Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (the “Stock Connects”)

Pursuant to Caishui [2014] No. 81 (“**Circular 81**”) and Caishui [2016] No. 127 (“**Circular 127**”) promulgated by the MOF, the STA and the CSRC on 14 November 2014 and 5 November 2016 respectively, PRC mainland CIT will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including the relevant Sub-Fund) on the trading of A-Shares through the Stock Connects.

QFIs

Caishui [2014] No.79 (“**Circular 79**”), jointly promulgated by the MOF, the STA and the CSRC on 14 November 2014 states that (i) PRC mainland WIT will be imposed on capital gains obtained by QFIIs and RQFIIs from the transfer of PRC mainland equity investment assets (including PRC mainland domestic stocks) realised prior to 17 November 2014 in accordance with the tax laws; and (ii) QFIIs and RQFIIs (without an E&P in the PRC mainland or having an establishment in the PRC mainland but the income so derived in Mainland China is not effectively connected with such establishment) will be temporarily exempted from WIT on gains derived

from the transfer to PRC mainland equity investment assets (including PRC mainland A-Shares and A-Share ETFs) effective from 17 November 2014.

Based on Circular 79, Circular 81 and Circular 127, no provision for gross realised or unrealised capital gains derived by the Sub-Fund from trading of A-Shares and A-Shares ETFs via QFI, Stock Connects or Swap is made by the Manager on behalf of the relevant Sub-Fund.

There are currently no specific tax rules or regulations governing the taxation of capital gains realised by foreign investors on the disposal of bonds or fixed income securities. As mentioned above, the temporary exemption granted under Circular 79 applies to equity investment only, and Circular 79 is silent on whether the exemption is also applicable to non-equity investment such as PRC mainland debt securities and other investments.

Based on the current verbal interpretation of the STA and the local PRC mainland tax authorities, debt or fixed income securities can be regarded as movable properties, and capital gains derived by foreign investors from investment in PRC mainland debt or fixed income securities via QFIs should not be treated as PRC mainland-sourced income and thus not subject to PRC mainland WIT. However, there are no written tax regulations issued by the PRC mainland tax authorities to explicitly clarify such treatment.

As a matter of practice, the collection of such 10% PRC mainland WIT on capital gains realised by non-PRC mainland resident enterprises from the trading of PRC mainland debt or fixed income securities has not been strictly enforced by the PRC mainland tax authorities. There is a possibility of the PRC mainland tax rules, regulations and practice being changed and taxes being applied retrospectively. There are also risks and uncertainties associated with the current PRC mainland tax laws, regulations and practice. There is a risk that taxes may be levied in future on the relevant Sub-Fund for which no provision is made, which may potentially cause substantial loss to the relevant Sub-Fund.

Investor should note that the aforesaid tax filing and tax treaty application are made in accordance with the prevailing tax rules and practices of the PRC mainland tax authority at the time of submission. The Net Asset Value of the relevant Sub-Fund may require further adjustment to take into account any retrospective application of new tax regulations and development, including change in interpretation of the relevant regulations by the PRC mainland tax authority.

The Manager will closely monitor any further guidance by the relevant PRC mainland and Hong Kong tax authorities and adjust the withholding policy of the relevant Sub-Fund accordingly. The Manager will act in the best interest of the Sub-Fund at all times.

(b) Value-added Tax ("VAT")

The MOF and the STA issued Caishui [2016] No. 36 ("**Circular 36**") on 23 March 2016 announcing that the VAT transform program covers all the remaining industries of the program, including financial services. Circular 36 has taken effect from 1 May 2016, unless otherwise stipulated therein.

(i) *Capital gains*

According to Circular 36 and Circular Caishui [2016] No. 70, capital gains derived by QFIIs and RQFIIs on trading of marketable securities are exempted from VAT. According to Circular 81 and Circular 127, foreign investors which derive capital gains from trading activities via the Stock Connects are also exempted from VAT.

Therefore, to the extent that the Sub-Fund(s)' investments (such as A-Shares and A-Shares ETFs, Access Products or debt instruments) are conducted through QFI, Stock Connects or Swap, the capital gains should be exempted from VAT.

(ii) *Interests / Dividends*

Deposit interest income and interest received from government bonds and local government bonds are also exempt from VAT. Interest received by foreign investors (including QFIs) from non-government bonds (including corporate bonds) issued by PRC mainland tax resident enterprises should technically be subject to 6%.

According to Circular 108, it stipulates that foreign institutional investors are temporarily exempt from VAT in respect of bond interest income received from 7 November 2018 to 6 November 2021 from investments in the Mainland China bond market. According to PN 34, such exemption is extended to 31 December 2025.

Dividend income or profit distributions on equity investment derived from Mainland China are not included in the taxable scope of VAT.

Generally speaking, if VAT is applicable, there are also other surtaxes (which include Urban Construction and Maintenance Tax ("UCMT"), Education Surcharge ("ES") and Local Education Surcharge ("LES")) that would amount to as high as 12% of VAT payable. Pursuant to the UCMT Law and Public Notice [2021] No. 28 jointly issued by the MOF and the STA, effective from 1 September 2021, no UCMT, ES and LES would be levied on the VAT paid for the service provisions and sale of intangible assets in PRC mainland by overseas parties to PRC mainland parties. However, in practice, it is uncertain whether the exemption would apply to investment income derived by foreign institutional investors and the implementation may vary depending on the local practice.

(c) Stamp duty

Stamp duty under the PRC mainland laws generally applies to the execution and receipt of all taxable documents listed in the PRC mainland's Stamp Duty Law. Stamp duty is levied on the execution or receipt in Mainland China of certain documents, including contracts for the sale of China A-Shares and B-Shares traded on the PRC mainland stock exchanges. In the case of contracts for sale of China A-Shares and B-Shares, such stamp duty is currently imposed on the seller but not on the purchaser, at the rate of 0.1% of the sales consideration.

Stamp duty is not expected to be imposed on non-tax resident holders of government and corporate bonds, either upon issuance or subsequent transfer of such bonds.

(d) Swap arrangement

The Sub-Fund may gain economic exposure to A-Share through Swap. A swap counterparty may implement hedge arrangements by acquiring A-Shares using QFI status (that of either itself, a third party or an affiliate), which will be subject to PRC mainland taxation as mentioned before. As a result, PRC mainland tax liabilities (if any) accruing to the swap counterparty under the hedge arrangements may ultimately be charged to the Company or the Sub-Fund contractually and would likely have an economic effect on the value of the Sub-Fund.

(e) General

Various tax reform policies have been implemented by the PRC mainland government in recent years, and existing tax laws and regulations may be revised or amended in the future. There is a possibility that the current tax laws, regulations and practice in the PRC mainland will be changed with retrospective effect in the future and any such change may have an adverse effect on the Net Asset Value of the relevant Sub-Fund. Moreover, there is no assurance that tax incentives currently offered to foreign companies, if any, will not be abolished and the existing tax laws and regulations will not be revised or amended in the future. Any changes in tax policies may reduce the after-tax profits of the companies in the PRC mainland which the relevant Sub-Fund invests in, thereby reducing the income from, and/or value of the Units.

(f) Tax Provision

In order to meet the potential tax liability on capital gains arising from disposal of PRC Mainland Securities, the Manager reserves the right to provide for WIT on such gains and withhold the tax for the account of the relevant Sub-Fund. The Manager will at the inception of the relevant Sub-Fund decide whether the investment objectives and policies of the relevant Sub-Fund would necessitate the making of tax provisions in respect of the relevant Sub-Fund for the above tax obligations. Even if provisions are made, the amount of such provisions may not be sufficient to meet the actual tax liabilities. Where any provision is made, the level of the provisioning will be set out in Part 2 of this Prospectus and amount of actual provision will be disclosed in the financial reports of the relevant Sub-Fund. With the uncertainties under the applicable PRC mainland tax laws and the possibility of such laws being changed and taxes being applied retrospectively, any provision for taxation made by the Manager may be excessive or inadequate to meet actual PRC mainland tax liabilities on gains derived from investments held by the relevant Sub-Fund. Upon any future resolution of the abovementioned uncertainty or further changes to tax law or policies, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary. Investors should note that if provision for taxation is made, such provision may be excessive or inadequate to meet actual PRC mainland tax liabilities on investments made by the relevant Sub-Fund. As a result, investors may be advantaged or disadvantaged depending on the final rules of the relevant PRC mainland tax authorities. If no provision for potential WIT is made and in the event that the PRC mainland tax authorities enforce the imposition of such WIT in respect of the relevant Sub-Fund's investment, the Net Asset Value of the relevant Sub-Fund may be affected. As a result, redemption proceeds or distributions may be paid to the relevant Unitholders without taking full account of tax that may be suffered by the relevant Sub-Fund, which tax will subsequently be borne by the relevant Sub-Fund and affect the Net Asset Value of the relevant Sub-Fund and the remaining Units in the relevant Sub-Fund. In this case, the then existing and new Unitholders will be disadvantaged from the shortfall.

On the other hand, if the provision is in excess of the final PRC mainland tax liabilities attributable to the relevant Sub-Fund, the excess will be distributed to the Sub-Fund and reflected in the value of Units in the Sub-Fund. Notwithstanding the foregoing, please note that no Unitholders who have realised their Units in the Sub-Fund before the distribution of any excess provision to the relevant Sub-Fund shall be entitled to claim in whatsoever form any part of the withholding amounts distributed to that Sub-Fund, which amount would be reflected in the value of Units in the Sub-Fund. Therefore, Unitholders who have redeemed their Units will be disadvantaged as they would have borne the loss from the overprovision for PRC mainland tax.

Unitholders should seek their own tax advice on their tax position with regard to their investment in a Sub-Fund.

It is possible that the current tax laws, regulations and practice in the PRC mainland will change, including the possibility of taxes being applied retrospectively, and that such

changes may result in higher taxation on PRC mainland investments than currently contemplated.

PRC mainland law and regulations risk. The PRC mainland's legal system is based on written statutes and, therefore, prior court decisions do not have binding legal effect, although they are often followed by judges as guidance. The PRC mainland government has been developing a comprehensive system of commercial laws, and considerable progress has been made in promulgating laws and regulations dealing with economic matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, enforcement of such laws and regulations may be uncertain and sporadic, and implementation and interpretation of such laws and regulations may be inconsistent. The PRC mainland's judiciary is relatively inexperienced in enforcing the existing laws and regulations, leading to a higher than usual degree of uncertainty as to the outcome of any litigation. Even where adequate laws exist in the PRC mainland, it may be difficult to obtain swift and equitable enforcement of such laws, or to obtain enforcement of a judgment by a court of another jurisdiction. The introduction of new Chinese laws and regulations and the interpretation of existing ones may be subject to policy changes reflecting domestic political or social changes. The regulatory and legal framework for capital markets and joint stock companies in the PRC mainland may not be as well developed as those of developed countries. PRC mainland laws and regulations affecting securities and futures markets are relatively new and evolving. As the PRC mainland's legal system develops, there can be no assurance that changes in such legislation or interpretation thereof will not have an adverse effect upon the business and prospects of the relevant Sub-Fund's portfolio investments in Mainland China.

4.2 **Investment risks**

General risks involved in investing in a Sub-Fund. An investment in Units of a Sub-Fund involves risks similar to those of investing in a broad-based portfolio of securities and/or FDIs traded on exchanges in the relevant overseas securities and FDI market, including market fluctuations caused by factors such as economic and political developments, changes in interest rates and perceived trends in security prices. The principal risk factors, which could decrease the value of an Investor's investment, are listed and described below:

- Less liquid and less efficient securities and futures markets;
- Greater price volatility especially for Sub-Funds investing in equity securities;
- Exchange rate fluctuations and exchange controls;
- Less publicly available information about issuers;
- The imposition of restrictions on the expatriation of funds or other assets of a Sub-Fund;
- Higher transaction and custody costs and delays and risks of loss attendant in settlement procedures;
- Difficulties in enforcing contractual obligations;
- Lesser levels of regulation of the securities and futures markets;
- Different accounting, disclosure and reporting requirements;
- More substantial government involvement in the economy;
- Higher rates of inflation; and
- Disruption of normal market trading and valuation of securities and/or FDIs due to extreme market conditions, natural catastrophes, greater social, economic, and political uncertainty and the risk of nationalization or expropriation of assets and war or terrorism.

Investment risk. The Sub-Funds are not principal guaranteed and, for an Index Tracking Sub-Fund, the purchase of its Units is not the same as investing directly in the Index Securities or FDIs (as the case may be) comprised in the Underlying Index.

Securities Risk. The investments of a 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).

Equity Risk. 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. Such factors include the possibility of sudden or prolonged market declines and risks associated with individual companies. The fundamental risk associated with any equity portfolio is the risk that the value of the investments it holds might suddenly and substantially decrease in value.

Risk of Indemnity. Under the Trust Deed, the Trustee and the Manager (and their respective directors, officers and employees) shall be entitled, except to the extent of any fraud, negligence, or wilful default on its (or their) part, 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 a Sub-Fund and the value of the Units.

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 income from them 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 capital return and income of a Sub-Fund is based on the capital appreciation and income on the Securities and/or FDIs it holds, less expenses incurred. The Sub-Fund's return may fluctuate in response to changes in such capital appreciation or income.

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 Securities and/or FDIs in which a Sub-Fund invests may underperform returns from other securities and/or FDIs markets or from investment in other assets. Different types of Securities and/or FDIs tend to go through cycles of out-performance and underperformance when compared with other general securities and/or FDIs markets.

Financial Derivative Instruments and Collateral Risks. The risks associated with the use of FDIs are different from, or possibly greater than, the risks associated with investing directly in Securities and other traditional investments. Generally, a derivative is a financial contract the value of which depends upon, or is derived from, the value of an underlying asset, reference rate or index, and may relate to stocks, bonds, interest rates, currencies or currency exchange rates, commodities, and related indices. Any Sub-Fund investing in FDIs may utilise both exchange-traded and over-the-counter derivatives. Compared to equity securities, FDIs can be more sensitive to changes in market prices of the underlying assets and thus market prices of FDIs may fall in value as rapidly as they may rise. Investors investing in such Sub-Funds are exposed to a higher degree of fluctuation in value than a Sub-Fund which does not invest in FDIs. Transactions in over-the-counter FDIs may involve additional risk such as the risk that a counterparty defaults as there is no regulated market for such FDIs. Investing in FDIs also involves other types of risks including, but not limited to, the risk of adopting different valuation methodologies and imperfect correlation between the FDI and its underlying securities, rates and indices. Risks associated with FDIs also include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of a FDI can result in a loss significantly greater than the amount invested

in the FDI by a Sub-Fund. Exposure to FDIs may lead to a high risk of significant loss by a Sub-Fund. There is no assurance that any derivative strategy used by a Sub-Fund will succeed.

There are risks associated with management of collateral and re-investment of collateral. The value of any collateral received in respect of any FDI transactions may be affected by market events. In the case of collateral assets which are listed securities, the listing of such securities may be suspended or revoked or the trading of such securities on the stock exchanges may be suspended, and during the period of suspension or upon revocation, it may take longer to realise the relevant collateral assets. In the case of collateral assets which are debt securities, the value of such securities will be dependent on the creditworthiness of the issuers or obligors in respect of the relevant collateral assets. In the event any issuer or obligor of such collateral assets is insolvent, the value of the collateral assets will be reduced substantially and may cause the relevant Sub-Fund's exposure to such counterparty to be under-collateralised. If the Sub-Fund reinvests cash collateral, it is subject to investment risk including the potential loss of principal.

A Sub-Fund uses investment techniques, including investments in FDIs, such as Futures Contracts and swaps that may be considered aggressive. The use of FDIs may result in larger losses or smaller gains than investing in or shorting the Securities included in the relevant Underlying Index. Investments in these FDIs may generally be subject to market risks that cause their prices to fluctuate more than an investment directly in a security and may increase the volatility of Sub-Fund. The use of FDIs may expose the relevant Sub-Fund to additional risks such as counterparty risk, liquidity risk and increased daily correlation risk. When a Sub-Fund uses FDIs, there may be imperfect correlation between the value of the underlying reference assets and the FDI, which may prevent the relevant Sub-Fund from achieving its investment objective.

A Sub-Fund may use either a futures-based strategy, a swap-based synthetic strategy or a combination of both strategies. With respect to the use of swap agreements, if the Underlying Index has a dramatic intraday move in value that causes a material decline in the Sub-Fund's Net Asset Value, the terms of the swap agreement between the relevant Sub-Fund and its swap counterparty may allow the swap counterparty to immediately close out of the transaction with the relevant Sub-Fund. In such circumstances, the relevant Sub-Fund may be unable to enter into another swap agreement or invest in other FDI to achieve the desired exposure consistent with the Sub-Fund's investment objective. Any financing, borrowing or other costs associated with using FDIs may also have the effect of lowering the relevant Sub-Fund's return. In addition, the relevant Sub-Fund's investments in FDIs are subject to the following risks:

- Swaps. Swaps are entered into primarily with major global financial institutions for a specified period which may range from one day to more than one year. In a standard swap transaction, two parties agree to exchange the return (or differentials in rates of return) earned or realised on particular predetermined reference or underlying Securities or instruments. The gross return to be exchanged or swapped between the parties is calculated based on a notional amount or the return on or change in value of a particular dollar amount invested in a basket of Securities representing a particular index. Total return swaps are subject to counterparty risk, which relates to credit risk of the swap counterparty and liquidity risk of the swaps themselves.
- Futures Contracts. A futures contract is a contract to purchase or sell a particular security, or the cash value of an index, at a specified future date at a price agreed upon when the contract is made. Under such contracts, no delivery of the actual Securities is required. Rather, upon the expiration of the contract, settlement is made by exchanging cash in an amount equal to the difference between the contract price and the closing price of a security or index at expiration, net of the variation margin that was previously paid.

Risks relating to sale and repurchase agreements. In the event of the failure of the counterparty with which collateral has been placed, a 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. The Sub-Fund may also be subject to legal risk, operational risk, liquidity risk of the counterparty and custody risk of the collateral.

Risks relating to reverse-repurchase agreements. In the event of the failure of the counterparty with which cash has been placed, a 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. The Sub-Fund may also be subject to legal risk, operational risks, liquidity risk of the counterparty and custody risk of the collateral.

Concentration Risk. If the Underlying Index of an Index Tracking Sub-Fund is concentrated in a particular security (or FDI) or group of securities (or FDIs) of a particular industry or group of industries, that Index Tracking Sub-Fund may be adversely affected by or depend heavily on the performance of those securities (or FDIs) and be subject to price volatility. In addition, the Manager may invest a significant percentage or all of the assets of a Sub-Fund in a single security (or FDI), group of securities (or FDIs), industry or group of industries, and the performance of the Sub-Fund could be closely tied to that security (or FDI), group of securities (or FDIs), industry or group of industries and could be more volatile than the performance of other more diversified funds, and be more susceptible to any single economic, market, political or regulatory occurrence.

Single country risk. The investments of a Sub-Fund which invest in a single country, are not as diversified as regional funds or global funds. This means that such Sub-Funds tend to be more volatile than other mutual funds and its portfolio value can be exposed to country specific risks.

Foreign Security Risk. A Sub-Fund may invest entirely within or may relate to the equity markets of a single country or region. These markets may be subject to special risks associated with foreign investment including market fluctuations caused by factors affected by political and economic development. Investing in the Securities of non-Hong Kong companies involves special risks and considerations not typically associated with investing in Hong Kong companies. These include differences in accounting, disclosure, auditing and financial reporting standards, the possibility of expropriation or confiscatory taxation, adverse changes in investment or exchange control regulations, the imposition of restrictions on the expatriation of funds or other assets of a Sub-Fund, political instability which could affect local investments in foreign countries, and potential restrictions on the flow of international capital. Non-Hong Kong companies may be subject to less governmental regulation than Hong Kong companies. Moreover, individual foreign economies may differ favourably or unfavourably from the Hong Kong economy in such respects as growth of gross domestic product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payment positions.

Management Risk. A Sub-Fund may be 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. Although it is the Manager's intention to use full replication strategy to track the relevant Underlying Index for some of the Index Tracking Sub-Funds, there is no guarantee that this can be achieved, as the implementation of a full replication strategy may be subject to constraints which are beyond the control of the Manager. In addition, in the interest of a Sub-Fund, the Manager has absolute discretion to exercise shareholders' rights with respect to Securities and/or FDIs comprising the relevant 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. Investors should also note that in certain cases, none of the Manager, the relevant Sub-Fund or the Unitholders has any voting rights with respect to Securities and/or FDIs comprising the relevant Sub-Fund.

Restricted markets risk. A Sub-Fund may invest in securities in jurisdictions (including Mainland China) which impose limitations or restrictions on foreign ownership or holdings. In such circumstances, the relevant Sub-Fund may be required to make investments in the relevant markets directly or indirectly. In either case, legal and regulatory restrictions or limitations may have adverse effect on the liquidity and performance of such investments due to factors such as limitations on fund repatriation, dealing restrictions, adverse tax treatments, higher commission costs, regulatory reporting requirements and reliance on services of local custodians and service providers. This may lead to an increased tracking error for the relevant Index Tracking Sub-Fund.

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. For an Index Tracking Sub-Fund, the insolvency or other corporate failures of any one or more of the constituents of the Underlying Index may have an adverse effect on the Underlying Index and therefore the relevant Index Tracking Sub-Fund's performance. Investors may lose money by investing in a Sub-Fund.

Reliance on the Manager. Unitholders must rely upon the Manager in formulating the investment strategies and the performance of a 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.

Counterparty Risk. The Manager for the account of a Sub-Fund, may enter into transactions with financial institutions, such as brokerage firms, broker-dealers and banks, may enter into transactions in relation to such Sub-Fund's investments. The 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 Sub-Fund to suffer a loss.

A Sub-Fund may invest in FDIs such as Futures Contracts and/or swaps involving counterparties for the purpose of attempting to gain exposure to a relevant Underlying Index without actually purchasing those Securities or investments. The use of these FDIs involves risks that are different from those associated with Securities. For example, each Sub-Fund is exposed to the risk that the swap counterparty may be unwilling or unable to make timely payments to meet its contractual obligations or may fail to return holdings that are subject to the agreement with the swap counterparty. If the swap counterparty becomes bankrupt or defaults on its payment obligations to the relevant Sub-Fund, it may not receive the full amount it is entitled to receive. In addition, the relevant Sub-Fund may enter into swap agreements with a limited number of counterparties, which may increase the relevant Sub-Fund's exposure to counterparty credit risk. The relevant Sub-Fund does not specifically limit its counterparty risk with respect to any single counterparty and there is a chance for the relevant Sub-Fund to have single counterparty. Further, there is a risk that no suitable counterparties are willing to enter into, or continue to enter into, transactions with the relevant Sub-Fund and, as a result, the relevant Sub-Fund may not be able to achieve its investment objectives. A Sub-Fund will not enter into any agreement involving a swap counterparty unless the Manager believes that the other party to the transaction is creditworthy.

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, FDIs and/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 relevant Sub-Fund's assets.

Borrowing Risks. The Trustee, on the instruction of the Manager, may borrow for the account of a Sub-Fund (up to 10% of the Net Asset Value of the relevant 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.

Accounting standards and disclosure. The Manager intends to adopt Hong Kong Financial Reporting Standards ("**HKFRS**") in drawing up the annual financial reports of the Trust and the Sub-Funds. However, investors should note that the calculation of the Net Asset Value for determining fees and for subscription and redemption purposes will not necessarily be in compliance with generally accepted accounting principles, that is, 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 "**8.1 Determination of the Net Asset Value**" below, listed investments may be valued by reference to the last traded price or the official closing price instead of bid and ask pricing as required under HKFRS. Accordingly, investors should note that the Net Asset Value as described in this Prospectus may not necessarily be the same as the Net Asset Value to be reported in the annual financial reports as the Manager may make necessary adjustments in the annual financial reports to comply with HKFRS. Any such adjustments will be disclosed in the annual financial reports, including a reconciliation note to reconcile values as shown in the annual financial reports prepared in accordance with HKFRS to those derived by applying the relevant Trust's valuation rules.

Risk of early termination. Under the terms of the Trust Deed and as summarised under the section headed "**12.5 Termination of the Trust or a Sub-Fund**" of this Prospectus, the Manager or the Trustee may terminate the Trust or a Sub-Fund under certain circumstances.

In the event of the early termination of a Sub-Fund, the relevant Sub-Fund would have to distribute to the Unitholders their pro rata interest in the assets of the Sub-Fund in accordance with the Trust Deed. It is possible that at the time of such sale or distribution, certain investments held by that 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.

Emerging Market Risk. Some overseas markets in which a Sub-Fund may invest are considered emerging market countries. The economies of many emerging markets are still in the early stages of modern development and subject to abrupt and unexpected change. In many cases, governments retain a high degree of direct control over the economy and may take actions that have a sudden and widespread effect. Also, many less developed market and emerging market economies have a high degree of dependence on a small group of markets or even a single market that can render such economies more susceptible to the adverse impact of internal and external shocks.

Emerging market regions are also subject to special risks including, but not limited to: generally less liquid and less efficient securities and futures markets; generally greater price volatility; exchange rate fluctuations and exchange control; higher volatility of the value of debt (particularly as impacted by interest rates); imposition of restrictions on the expatriation of funds or other assets; less publicly available information about issuers; the imposition of taxes; higher transaction and custody costs; settlement delays and risk of loss; difficulties in enforcing

contracts; less liquidity and smaller market capitalisations; less well regulated markets resulting in more volatile stock prices; different accounting and disclosure standards; governmental interference; higher inflation; social, economic and political uncertainties; custodial and/or settlement systems may not be fully developed which may expose a Sub-Fund to sub-custodial risk in circumstances whereby the Trustee will have no liability as provided under the provisions of the Trust Deed; the risk of expropriation of assets and the risk of war.

Risk of War or Terrorist Attacks. 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 Sub-Fund.

Cross class liability risk. The Trust Deed allows the Trustee and the Manager to issue Units in separate classes. The Trust Deed provides for the manner in which liabilities are to be attributed across the various classes within a Sub-Fund under the Trust (liabilities are to be attributed to the specific class of a Sub-Fund in respect of which the liability was incurred). A person to whom such a liability is owed has no direct recourse against the assets of the relevant class (in the absence of the Trustee granting that person a security interest). However, the Trustee will have a right of reimbursement and indemnity out of the assets of the Trust which may result in unitholders of one class of Units of a Sub-Fund being compelled to bear the liabilities incurred in respect of another class of the Sub-Fund which Units such unitholders do not themselves own if there are insufficient assets attributable to that other class to satisfy the amount due to the Trustee. Accordingly, there is a risk that liabilities of one class of a Sub-Fund may not be limited to that particular class and may be required to be paid out of one or more other classes of that Sub-Fund.

Cross Sub-Fund liability risk. The assets and liabilities of each Sub-Fund under the Trust will be tracked, for bookkeeping purposes, separately from the assets and liabilities of any other Sub-Funds, and the Trust Deed provides that the assets of each Sub-Fund should be segregated from each other. There is no guarantee that the courts of any jurisdiction will respect the limitations on liability and that the assets of any particular Sub-Fund will not be used to satisfy the liabilities of any other Sub-Fund.

Dividends may not be paid. Whether a Sub-Fund will pay distributions on Units is subject to the Manager's distribution policy and also depends on dividends declared and paid in respect of the Securities comprising the Sub-Fund. Instead of distributing dividends to Unitholders, the Manager may in its discretion use dividends received from the Securities comprising the Sub-Fund to pay a Sub-Fund's expenses. Dividend payment rates in respect of such Securities comprising 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 policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions.

Distributions paid out of capital risk. In respect of a Sub-Fund, the Manager may, at its discretion, pay dividend out of capital. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of a Sub-Fund are charged to/paid out of the capital of the relevant Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the relevant Sub-Fund. The relevant Sub-Fund may therefore effectively pay dividend out of capital. Please refer to the relevant Appendix of a Sub-Fund for the dividend policy, including whether or not such Sub-Fund may pay dividend out of capital or effectively out of capital. Investors should note that the payment of distributions out of 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. Any such distributions may result in an immediate reduction in the Net Asset Value per Unit of the relevant Sub-Fund.

No Right to Control a Sub-Fund's Operation. Investors of a Sub-Fund will have no right to control the daily operations, including investment and redemption decisions, of such Sub-Fund.

Difficulties in valuation of investments. Securities and/or FDIs 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 Securities and/or FDIs comprising a Sub-Fund is available (for example, when the secondary markets on which the Securities and/or FDIs are traded have become illiquid) the Manager may apply valuation methods to ascertain the fair value of such Securities and/or FDIs, pursuant to the Trust Deed.

Securities volatility risk. Prices of securities may be volatile. 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 value will be affected by such price movements and could be volatile, especially in the short-term.

Effect of redemptions. If significant redemptions of Units are requested by the Participating Dealers or Unitholders of Unlisted Class of Units, it may not be possible to liquidate the Sub-Fund's investments at the time such redemptions are requested or the Manager may be able to do so only at prices which the Manager believes does not reflect the true value of such investments, resulting in an adverse effect on the return to investors. Where significant redemptions of Units are requested by the Participating Dealers or Unitholders of Unlisted Class of Units, the right to require redemptions in excess of 10% of the total number of Units of 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 Sub-Fund for the whole or any part of any period. Please see section "**8.2 Suspension Of Determination Of Net Asset Value**" for further details.

4.3 **Market Trading Risks (applicable to the Listed Class of Units only)**

Trading Risk. While the creation/redemption feature of the Trust is designed to make it more likely that Listed Class of 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 the Listed Class of Units trading at a significant premium / discount to its Net Asset Value. Also, there can be no assurance that an active trading market will exist or maintain for the Listed Class of Units of a Sub-Fund on any securities exchange on which such Listed Class of Units may trade.

The Net Asset Value of the Listed Class of Units of a Sub-Fund will also fluctuate with changes in the market value of a Sub-Fund's holdings of Securities and/or FDIs and changes in the exchange rate between the Base Currency and the subject foreign currency. The market prices of the Listed Class of Units will fluctuate in accordance with changes in Net Asset Value and supply and demand on any exchange on which the Listed Class of Units are listed. The Manager cannot predict whether the Listed Class of Units will trade below, at or above their Net Asset Value. Price differences may be due, in large part, to the fact that supply and demand forces in the secondary trading market for the Listed Class of Units will be closely related, but not identical, to the same forces influencing the prices of the Securities and/or FDIs trading individually or in the aggregate at any point in time. Given, however, that the Listed Class of Units must be created and redeemed in Application Unit aggregations (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 the Listed Class of Units should not be sustained. In the event that the Manager suspends creations and/or redemptions of the Listed Class of Units of a Sub-Fund, the Manager expects larger discounts or premiums between the secondary market price of the Listed Class of Units and the Net Asset Value.

There is no certain basis for predicting the sizes in which the Listed Class of Units in the Sub-Fund may trade. There can be no assurance that the Listed Class of Units in the Sub-Fund will experience trading or pricing patterns similar to those of other exchange traded funds which are issued by investment companies in other jurisdictions or are traded on the SEHK.

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

Reliance on Market Maker(s). Although it is the Manager's intention that there will always be at least one market maker in respect of the Listed Class of Units, Investors should note that liquidity in the market for the Listed Class of Units may be adversely affected if there is no market maker for a Sub-Fund. It is possible that where there is only one SEHK market maker to the Listed Class of Units of each Sub-Fund and therefore it may not be practical for a Sub-Fund to remove the only market maker to the Sub-Fund even if the market maker fails to discharge its duties as the sole market maker.

Reliance on Participating Dealer(s). The issuance and redemption of Listed Class 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 Listed Class of 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 Tracking Sub-Fund) the Underlying Index(ices) is/are not compiled or published. In addition, Participating Dealer(s) will not be able to issue or redeem Listed Class of Units if some other event occurs which impedes the calculation of the Net Asset Value of a Sub-Fund or disposal of the Securities and/or FDIs comprising the Sub-Fund cannot be effected. Where a Participating Dealer appoints a PD Agent to perform certain CCASS-related functions, if the appointment is terminated and the Participating Dealer fails to appoint an alternative PD Agent, or if the PD Agent ceases to be a CCASS participant, the creation or redemption of Listed Class 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 Listed Class of Units freely.

Absence of active market / liquidity risk. The Listed Class of Units of a Sub-Fund may not initially be widely held upon their listing on the SEHK. Accordingly, any investor buying Listed Class of 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.

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

In addition, the price at which Securities and/or FDIs may be purchased or sold by a Sub-Fund upon any rebalancing activities or otherwise and the value of the Listed Class of Units may be adversely affected if trading markets for the Securities and/or FDIs comprising the Sub-Fund are limited, inefficient or absent or if bid-offer spreads are wide.

Restrictions on creation and redemption of Units. Investors should note that an investment in the Listed Class of Units of a Sub-Fund is not like a typical retail investment fund offered to the public in Hong Kong (for which units can generally be purchased and redeemed directly from the manager). The Listed Class of Units of a Sub-Fund 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 Listed Class of 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 Listed Class of Units under certain circumstances. Alternatively, investors may realize the value of their Listed Class of Units by selling their Listed Class of Units through an intermediary such as a stockbroker on the SEHK, although there is a risk that dealings on the SEHK may be suspended. Please refer the sections “**Rejection of Creation Applications**” and “**Rejection of Redemption Applications**” in Schedule 2 for details in relation to the circumstances under which creation and redemption applications can be rejected.

Units may trade at prices other than NAV. The Net Asset Value of a Sub-Fund represents the fair price for buying or selling Units. As with any listed fund, the market price of Listed Class of Units may sometimes trade above or below its NAV. There is a risk, therefore, that Unitholders may not be able to buy or sell Listed Class of Units at a price close to this NAV. The deviation from NAV is dependent on a number of factors, but will be accentuated when there is a large imbalance between market supply and demand for Securities and/or FDIs comprising the Sub-Fund. The “bid/ask” spread (being the difference between the prices being bid by potential purchasers and the prices being asked by potential sellers) is another source of deviation from NAV. The bid/ask spread can widen during periods of market volatility or market uncertainty, thereby increasing the deviation from NAV. Please also note that the fact that an investor purchases the Listed Class of Units from the secondary market with premium does not mean that such investor is guaranteed of the return of the premium an investor pays. In the event that an investor is unable to get back the premium he pays, and he will suffer loss when selling the Listed Class of Units.

Costs of trading Units risk. Trading of Listed Class of Units on the SEHK may involve various types of costs that apply to all securities transactions. When trading Listed Class of Units through a broker investors will incur a brokerage commission or other charges imposed by the broker. 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 Listed Class of Units (bid price) and the price at which they are willing to sell Listed Class of Units (ask price). Frequent trading may detract significantly from investment results and an investment in Listed Class of Units may not be advisable particularly for investors who anticipate regularly making small investments.

Secondary market trading risk. Listed Class of Units may trade on the SEHK when the Sub-Fund does not accept orders to subscribe or redeem Units. On such days, Listed Class of Units may trade in the secondary market with more significant premiums or discounts than might be experienced on days when the Sub-Fund accepts subscription and redemption orders.

4.4 **Differences in dealing, fee and cost arrangements between Listed Class and Unlisted Class of Units**

Each Sub-Fund may offer both Listed Class of Units and Unlisted Class of Units. Dealing arrangements in respect of Listed Class of Units and Unlisted Class of Units are different, and depending on market conditions, investors of the Listed Class of Units may be at an advantage compared to investors of the Unlisted Class of Units, or vice versa.

Unlike investors of Listed Class of Units who may buy and sell Units in the secondary market during SEHK trading hours, investors of Unlisted Class of Units are only able to subscribe and redeem at the relevant Subscription Price and Redemption Price (as the case may be) based

on the latest available Net Asset Value as at the end of each Dealing Day. As such, holders of Listed Class of Units would have intra-day trading opportunities which will not be available to holders of Unlisted Class of Units. In a stressed market scenario, holders of Listed Class of Units can sell their units on the secondary market during SEHK trading hours if the market continues to deteriorate, while holders of Unlisted Class of Units will not be able to do.

Conversely, Secondary Market Investors generally do not have access to the redemption facilities which are available to investors of Unlisted Class of Units. During stressed market conditions, Participating Dealers may, on their own account or on behalf of Primary Market Investors, redeem Listed Class of Units on the primary market at the Net Asset Value of the relevant Sub-Fund, but the secondary market trading prices may have diverged from the corresponding Net Asset Value. In such circumstances, holders of the Listed Class of Units in the secondary market will be at an apparent disadvantage to holders of the Unlisted Class of Units as the latter will be able to redeem from the relevant Sub-Fund at Net Asset Value whilst the former will not.

The Net Asset Value per Unit of each of the Listed Class of Units and Unlisted Class of Units may also be different due to the different fees and costs applicable to each class of Units.

Please also refer to “Market Trading Risks (applicable to the Listed Class of Units only)” above for additional risks relating to Listed Class of Units.

4.5 **Regulatory risks**

Legal and Regulatory Risk. A Sub-Fund must comply with regulatory constraints or changes in the laws affecting it or its investment restrictions which might require a change in a 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 underlying Securities and/or FDIs comprising a Sub-Fund and as a result the performance of a Sub-Fund. It is impossible to predict whether such an impact caused by any change of law will be positive or negative for a Sub-Fund. In the worst case scenario, a Unitholder may lose a material part of its investment in a Sub-Fund.

Risk of withdrawal of authorization by the Commission. Each Index Tracking Sub-Fund seeks to provide investment results that closely correspond with the performance of the relevant Underlying Index. One or more Sub-Funds have been authorized as a collective investment scheme under the Code by the Commission pursuant to section 104 of the Securities and Futures Ordinance. However, the Commission reserves the right to withdraw the authorization of a Sub-Fund, for example, if (in respect of an Index Tracking Sub-Fund) the Commission considers the relevant Underlying Index is no longer acceptable to the Commission. 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. This does not mean the Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

Risk relating to de-listing (applicable to Listed Class of Units only). The SEHK imposes certain requirements for the continued listing of Securities, including the Listed Class of Units, on the SEHK. Investors cannot be assured that the Sub-Funds will continue to meet the requirements necessary to maintain the listing of Listed Class of Units on the SEHK or that the SEHK will not change the listing requirements. If the Listed Class of Units are delisted from the SEHK, the Manager may, in consultation with the Trustee, seek the Commission’s prior approval to operate only Unlisted Class of Units in respect of such Sub-Fund (subject to any necessary amendments to the rules of the Sub-Fund) or terminate the Sub-Fund and will notify investors accordingly.

Risk of suspension of trading on the SEHK. If trading of the Listed Class of 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 Listed Class of Units. The SEHK may suspend the trading of Listed Class 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 Listed Class of Units may also be suspended if the trading of Listed Class of Units is suspended.

Taxation. Investing in the 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.

4.6 **Risks associated with Foreign Account Tax Compliance Act**

Sections 1471 – 1474 (referred to as “**FATCA**”) of the US Internal Revenue Code of 1986, as amended (“**IRS Code**”) will impose new 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 withholding at a 30% rate, unless the recipient of the payment satisfies certain requirements intended to enable the US Internal Revenue Service (“**IRS**”) to identify United States persons (within the meaning of the IRS Code) with interests in such payments. To avoid such withholding on payments made to it, a foreign financial institution (an “**FFI**”), such as the Trust and the Sub-Funds (and, generally, other investment funds organized outside the US), generally will be required to enter into an agreement (an “**FFI Agreement**”) with the US IRS under which it will agree to identify its direct or indirect owners who are United States persons and report certain information concerning such United States person owners to the US IRS.

In general, an FFI which does not sign an FFI Agreement or is not otherwise exempt will face a punitive 30% withholding tax on all “withholdable payments” derived from US sources, including dividends, interest and certain derivative payments made on or after 1 July 2014. In addition, starting from 1 January 2017, gross proceeds such as sales proceeds and returns of principal derived from stocks and debt obligations generating US source dividends or interest will be treated as “withholdable payments.” It is expected that certain non-U.S. source payments attributable to amounts that would be subject to FATCA withholding (referred to as “**passthru payments**”) will also be subject to FATCA withholding, though the definition of “passthru payment” in U.S. Treasury Regulations is currently pending.

Hong Kong entered into an intergovernmental agreement with the US on 13 November 2014 (“**IGA**”) for the implementation of FATCA, adopting “Model 2” IGA arrangements. Under this “Model 2” IGA arrangements, FFIs in Hong Kong (such as the Trust and the Sub-Funds) would be required to enter into the FFI Agreement with the US IRS, 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 to them.

As an IGA has been signed between Hong Kong and the US, FFIs in Hong Kong (such as the Trust and the Sub-Funds) complying with the FFI Agreement (i) will generally not be subject to the above described 30% withholding tax; and (ii) will not be required to withhold tax on payments to recalcitrant accounts (i.e. accounts of which the holders do not consent to FATCA reporting and disclosure to the US IRS) or close those recalcitrant accounts (provided that information regarding such recalcitrant account holders is reported to the US IRS), but may be required to withhold tax on payments made to non-compliant FFIs.

The Trust and each Sub-Fund will endeavour to satisfy the requirements imposed under FATCA and the FFI Agreement to avoid any withholding tax. In the event that the Trust or any Sub-Fund is not able to comply with the requirements imposed by FATCA or the FFI Agreement and the Trust or such Sub-Fund does suffer US withholding tax on its investments as a result of non-compliance, the Net Asset Value of the Trust or that Sub-Fund may be adversely affected and the Trust or such Sub-Fund may suffer significant loss as a result.

In the event a Unitholder does not provide the requested information and/or documentation, whether or not that actually leads to compliance failures by the Trust or the relevant Sub-Fund,

or a risk of the Trust or the relevant Sub-Fund being subject to withholding tax under FATCA, the Manager on behalf of the Trust and each of such relevant Sub-Fund reserves the right to take any action and/or pursue all remedies at its disposal including, without limitation, to the extent permitted by applicable laws and regulations, (i) reporting the relevant information of such Unitholder to the US IRS; and/or (ii) withholding, deducting from such Unitholder's account, or otherwise collecting any such tax liability from such Unitholder. The Manager in taking any such action or pursuing any such remedy shall act in good faith and on reasonable grounds and in compliance with all applicable laws and regulations. As at the date of this Prospectus, all Units in the Sub-Funds are registered in the name of HKSCC Nominees Limited. It is the Manager's understanding that Hong Kong Securities Clearing Company Limited has completed registration with the IRS as a "Reporting Financial Institution under a Model 2 IGA".

The Sub-Funds have been registered with the IRS as at the date of this Prospectus. The Manager has taken competent tax advice and confirms that the Trust itself is not required to be registered with the IRS for FATCA-compliance purpose.

Each Unitholder and prospective investor should consult with his own tax advisor as to the potential impact of FATCA in its own tax situation.

4.7 Risks associated with Index Tracking Sub-Funds

Passive Investments. Index Tracking Sub-Funds are not actively managed. Each Index Tracking Sub-Fund invests in the Securities or FDIs (as the case may be) included in or reflecting its Underlying Index regardless of their investment merit. The Manager does not attempt to select Securities or FDIs (as the case may be) individually or to take defensive positions in declining markets. Accordingly, the lack of discretion to adapt to market changes due to the inherent investment nature of each Index Tracking Sub-Fund means that falls in the related Underlying Index are expected to result in a corresponding fall in the value of the relevant Index Tracking Sub-Fund.

Tracking Error Risk. An Index Tracking Sub-Fund's returns may deviate from the Underlying Index due to a number of factors. For example, the fees and expenses of an Index Tracking Sub-Fund, costs of using FDIs, liquidity of the market, imperfect correlation of returns between an Index Tracking Sub-Fund's assets and the Securities or FDIs (as the case may be) constituting its Underlying Index, the rounding of share prices, foreign exchange costs, changes to the Underlying Indices and regulatory policies may affect the Manager's ability to achieve close correlation with the Underlying Index of each Index Tracking Sub-Fund and to rebalance the Index Tracking Sub-Fund's holdings of Securities or FDIs (as the case may be) in response to changes in the constituents of the Underlying Index. Further, an Index Tracking Sub-Fund may receive income (such as interests and dividends) from its assets while the Underlying Index does not have such sources of income. There is no guarantee or assurance of exact or identical replication at any time of the performance of the relevant Underlying Index.

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

4.8 Risks associated with the Underlying Index

The following risk factors relate to Index Tracking Sub-Funds only.

The Underlying Index is subject to fluctuations. The performance of the Units of an Index Tracking Sub-Fund should, before fees and expenses, correspond closely with the performance of the Underlying Index. If the Underlying Index experiences volatility or declines, the price of the Units will vary or decline accordingly.

Licence to use the Underlying Index may be terminated. The Manager has been granted a licence by each of the Index Providers to use the relevant Underlying Index in order to create

an Index Tracking Sub-Fund based on the relevant Underlying Index and to use certain trade marks and any copyright in the relevant Underlying Index. An Index Tracking Sub-Fund may not be able to fulfil its objective and may be terminated if the licence agreement between the Manager and the relevant Index Provider is terminated. The initial term of the licence agreement of an Index Tracking Sub-Fund and the manner in which such licence agreement may be renewed are set out in Part 2 of this Prospectus. Generally, a licence agreement may be terminated by the Manager and the relevant Index Provider by mutual agreement, and there is no guarantee that the licence agreement will be perpetually renewed. Further details on the grounds on which the licence agreement of an Index Tracking Sub-Fund may be terminated are set out in Part 2 of this Prospectus. An Index Tracking Sub-Fund may also be terminated if the relevant Underlying Index ceases to be compiled or published and there is no replacement Underlying Index using the same or substantially similar formula for the method of calculation as used in calculating the relevant Underlying Index.

Compilation of Underlying Index. Each Index Tracking Sub-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 Tracking Sub-Fund or other persons regarding the advisability of investing in Index Securities or FDIs (as the case may be) generally or in the relevant Index Tracking Sub-Fund particularly. Each Index Provider has no obligation to take the needs of the Manager or investors in the relevant Index Tracking Sub-Fund into consideration in determining, composing or calculating the relevant Underlying Index. There is no assurance that the Index Provider will compile the relevant Underlying Index accurately, or that the relevant Underlying Index will be determined, composed or calculated accurately, and consequently there can be no guarantees that its actions will not prejudice the interests of the relevant Index Tracking Sub-Fund, the Manager or investors.

Composition of the Underlying Index may change. The composition of the Index Securities or FDIs (as the case may be) constituting the relevant Underlying Index will change as the Index Securities or FDIs (as the case may be) may be delisted, or as new Securities or Futures Contracts (as the case may be) are included in the relevant Underlying Index. When this happens, the weightings or composition of the Index Securities or FDIs (as the case may be) owned by an Index Tracking Sub-Fund would be changed as considered appropriate by the Manager in order to achieve the investment objective. Thus, an investment in Units of an Index Tracking Sub-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 such Units. However, there can be no guarantee that a particular Index Tracking Sub-Fund will, at any given time accurately reflect the composition of the relevant Underlying Index. Please refer to “**Tracking Error Risk**” under section “**4.2 Investment Risks**” above.

Risk of change in methodology of the Underlying Index. The construction methodology of the relevant Underlying Index may change when the Index Provider deems it necessary to adapt to significant changes in the market condition. When this happens, the weightings or composition of the Index Securities or FDIs (as the case may be) owned by an Index Tracking Sub-Fund would be changed as considered appropriate by the Manager in order to continue to achieve the investment objective under the revised Underlying Index. Thus, an investment in Units of an Index Tracking Sub-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 such Units.

Investors should refer to Part 2 of this Prospectus for details of any additional risks specific to a Sub-Fund.

5 **INVESTMENT AND BORROWING RESTRICTIONS**

Investors should refer to Schedule 1 for a list of investment and borrowing restrictions applicable to the Sub-Funds of the Trust.

Investors should refer to Part 2 of this Prospectus for details of any additional investment restrictions specific to a Sub-Fund.

6 **INVESTING IN A SUB-FUND**

Investors should refer to Schedule 2 for information relating to the methods of investing in Listed Class of Units of a Sub-Fund, and Schedule 3 for information relating to the methods of investing in Unlisted Class of Units of a Sub-Fund.

7 **CERTIFICATES**

All holdings of Units will be in registered form and certificates will not be issued in respect of the Units of the Trust. Evidence of title of Units will be the entry on the register of Unitholders in respect of each Sub-Fund. Unitholders should therefore be aware of the importance of ensuring that the Registrar is informed of any change to the registered details.

All Listed Class of Units of the Trust will be registered in the name of the HKSCC Nominees Limited by the Registrar on the Register of Unitholders of the relevant Sub-Fund, which is the evidence of ownership of such Listed Class of Units. Neither HKSCC Nominees Limited nor HKSCC has any proprietary interest in the Listed Class of Units. Beneficial interest of retail investors in the Listed Class of Units of the Trust will be established through an account with a participant in CCASS.

8 **VALUATION AND SUSPENSION**

8.1 **Determination of the Net Asset Value**

The Net Asset Value of the relevant Sub-Fund and the Net Asset Value per Unit of each class of the relevant Sub-Fund shall be determined as at the Valuation Point on the relevant Valuation Day in respect of each Dealing Day for Units of the Sub-Fund (or at such other time as the Manager, in consultation with the Trustee, may determine) by valuing the assets of the Sub-Fund or class (as the case may be) and deducting the liabilities attributable to the Sub-Fund or class (as the case may be) in accordance with the terms of the Trust Deed.

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:

- (a) the value of any investment quoted, listed or normally dealt in on a market (other than an interest in a collective investment scheme or a Futures Contract) shall at the discretion of the Manager be calculated by reference to the price appearing to the Manager to be the last traded price or last bid price or midway between the latest available market dealing offered price or the latest available market dealing bid price or the official closing price on the market on which the investment is quoted, listed or normally dealt in for such amount of such investment as the Manager may consider in the circumstances to provide a fair criterion, PROVIDED THAT:
- (i) if an investment is quoted, listed or normally dealt in on more than one market, the Manager shall adopt the price or, as the case may be, last traded price or the official closing price on the market which, in their opinion, provides the principal market for such investment;
 - (ii) in the case of any investment which is quoted, listed or normally dealt in on a market but in respect of which, for any reason, prices on that 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, or, if the Trustee and/or the Administrator so requires, by the Manager after consultation with the Trustee;

- (iii) 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;

and for the purpose of the foregoing provisions the Manager, the Trustee and/or the Administrator shall be entitled to use and to rely upon electronic transmitted information from such source or sources as they may from time to time think fit with regard to the pricing of the investments on any market and the prices derived therefrom shall be deemed to be the last traded prices or the official closing price;

- (b) the value of any investment which is not quoted, listed or normally dealt in on a market (other than an interest in a collective investment scheme or a Futures Contract) shall be the initial value thereof ascertained as hereinafter provided or the value thereof as assessed on the latest revaluation thereof made in accordance with the provisions hereinafter provided. For this purpose:

- (i) the initial value of an unquoted investment shall be 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 expenses incurred in the acquisition thereof and the vesting thereof in the Trustee for the purposes of the Trust Deed);
- (ii) the Manager shall at such times or at such intervals as the Trustee may request, cause a revaluation to be made of any unquoted investment by a professional person approved by the Trustee as qualified to value such unquoted investment;

Notwithstanding the above, the Manager may determine to value on a straight line basis investments in debt instruments acquired as a discount to their face value.

- (c) cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager, any adjustment should be made to reflect the value thereof;
- (d) the value of Futures Contracts shall be calculated by the Trustee and/or the Administrator and verified by the Manager on the following basis:

- (i) the value of a Futures Contract under which the Trust is the seller of the relevant subject matter of such Futures Contract, shall be the positive or negative amount given by the formula:

$$A - (B + C),$$

or

- (ii) the value of a Futures Contract under which the Trust is the buyer of the relevant subject-matter of such Futures Contract, shall be the positive or negative amount produced by applying the following formula:

$$B - (A + C),$$

where:

A = the Contract Value of the relevant Futures Contract (the "**Open Contract**")

B = the amount determined by the Manager to be the Contract Value of the Futures Contract which the Manager would need to enter into on behalf of the Sub-Fund

in order to close the Open Contract, such determination to be made by reference to the latest available price or such other prices as may be determined by the relevant calculation agent of the Futures Contract in a commercially reasonable manner; and

C = the amount expended out of the Trust Fund in entering into the Open Contract, including the amount of all stamp duties, commissions and other expenses but excluding any deposit or margin provided in connection therewith,

provided that, in respect of any Futures Contract that are listed or quoted on, or normally dealt in, a market, 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 market in which the Futures Contract was entered into on behalf of the Trust, or if no such prices are available, a price as quoted by the broker or calculation agent of the relevant Futures Contract to the Trustee or its delegates or the Manager;

- (e) the value of each unit, share or other interest in any collective investment scheme shall be the last available net asset value per unit, share or other interest in such collective investment scheme or, shall be determined from time to time in such manner as the Manager shall determine;
- (f) notwithstanding the foregoing, the Manager may, in 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 the Manager deems relevant, the Manager considers that such adjustment or use of such other method is required to reflect the fair value thereof. The Manager or the Trustee may also carry out regular independent valuation of the investments as it deems appropriate; and
- (g) the value of any investment (whether of a Security or cash) otherwise than in the Base Currency shall be converted into the Base Currency at the 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.

The value of the swap invested by a Sub-Fund, which is not listed or quoted on a recognised market, will be determined on each Dealing Day either by reference to electronic pricing systems (e.g. Bloomberg), or by the swap counterparty, which, in doing so, will be acting as the calculating agent. The value of the swap will be calculated based on the mark-to-market value of such swap (excluding any fees, commissions and other expenses in connection with the entry or negotiation of the swap, and initial margin or deposits). Where the value is determined by the swap counterparty, the Manager will carry out an independent validation of this valuation on a daily basis. In addition, the Administrator will carry out an independent verification of the value of the swap, where available, in accordance with its internal policy and the terms of the swaps.

The Trustee, the Manager and/or the Administrator may:

- (a) rely without verification on price data and/or other information provided through electronic price feeds, mechanised and/or electronic systems of price/valuation dissemination for the purposes of valuing any assets of the Sub-Fund and the prices provided by any such system shall be deemed to be the last traded prices or the official closing price;
- (b) accept as sufficient and conclusive evidence of the value of any asset of a Sub-Fund or the cost price or sale price thereof, any market quotation or certification by a calculation agent, administrator, broker, any professional person, firm or association qualified (in

the opinion of the Manager to provide such a quotation provided that nothing hereunder shall impose an obligation on the Manager to obtain such a quotation or certification. If and to the extent that the Manager is responsible for or otherwise involved in the pricing of any of a Sub-Fund's assets, the Trustee may accept, use and rely on such prices without verification;

- (c) rely upon, and will not be responsible for the accuracy of, financial data furnished to it by third parties including the relevant calculation agent, automatic pricing services, brokers, market makers or intermediaries, (in the case where the Trustee is relying on this provision) the Manager or (in the case where the Manager is relying on this provision) the Trustee, and any administrator or valuations agent of other collective investments into which a Sub-Fund may invest; and
- (d) rely upon the established practice and rulings of any market and any committees and officials thereof on which any dealing in any assets of a Sub-Fund or other property is from time to time effected in determining what shall constitute a good delivery and any similar matters and such practice and rulings shall be conclusive and binding upon all persons;

and the Trustee, the Manager and/or the Administrator shall not be liable for any loss suffered by a Sub-Fund, any Unitholders or any other person in connection therewith except the Trustee, the Manager and/or the Administrator shall be respectively liable for losses which are due to fraud, wilful default or negligence on their part.

8.2 **Suspension Of Determination Of Net Asset Value**

The Manager may, after consultation with the Trustee, having regard to the best interests of 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 of or restriction or disruption or suspension of trading on any market on which a substantial part of the investments of the Sub-Fund is normally traded; or
- (b) there is a breakdown in any of the means normally employed by the Manager or the Trustee (as the case may be) in ascertaining the prices of investments or determining the Net Asset Value of the Sub-Fund or the Net Asset Value per Unit of the relevant class; or
- (c) for any other reason, the prices of a substantial part of the investments held or contracted for by the Manager for the account of the Sub-Fund cannot, in the reasonable opinion of the Manager, reasonably, promptly or fairly be ascertained; or
- (d) circumstances exist as a result of which, in the reasonable opinion of the Manager, it is not reasonably practicable to realise any investments held or contracted for the account of the Sub-Fund or it is not possible to do so without seriously prejudicing the interests of Unitholders of the relevant class; or
- (e) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, any investments of that Sub-Fund or the subscription or redemption of Units of the relevant class is prohibited, restricted, delayed or cannot, in the reasonable opinion of the Manager, be carried out promptly at normal exchange rates; or
- (f) (in the case of an Index Tracking Sub-Fund) the relevant Underlying Index is not compiled or published; or
- (g) a breakdown occurs in any of the systems and/or means of communication normally employed in ascertaining the Net Asset Value of the relevant Sub-Fund or the Net Asset Value per Unit, Subscription Price or Issue Price (as the case may be) or Redemption Price

of the relevant class, or when for any other reason the Net Asset Value of the relevant class cannot be ascertained in a prompt or accurate manner; or

- (h) the existence of any state of affairs as a result of which (i) delivery of Securities and/or FDIs comprised in a Basket, (ii) the purchase of Securities and/or FDIs; or (iii) the 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; or
- (i) the dealing of Units is suspended pursuant to any order or direction issued by the Commission; or
- (j) in the reasonable opinion of the Manager, such suspension is required by law or applicable legal process; or
- (k) the business operations of the Manager, the Trustee the Registrar and/or their respective delegates in relation to the operation of the Trust are substantially interrupted or closed as a result of arising from pestilence, acts of war, terrorism, insurrection, revolution civil unrest, riots, strikes or acts of God; or
- (l) in the case of a Sub-Fund authorised by the Commission as a feeder fund, the determination of the net asset value of the master fund (as defined in sub-paragraph (l) of the section "**Investment Restrictions**" in Schedule 1) is suspended; or
- (m) the existence of any state of affairs prohibiting the normal disposal of any notional investment to which a swap entered into on behalf of the Sub-Fund is linked.

Upon declaration of the suspension by the Manager, the suspension shall take effect. During the suspension,

- (a) there shall be no determination of the Net Asset Value of the relevant Sub-Fund or the Subscription Price or Issue Price (as the case may be) or the Redemption Price of Units in the relevant class;
- (b) (in respect of the Listed Class of Units) 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;
- (c) (in respect of the Unlisted Class of Units) no subscription application shall be made by any investors and in the event any subscription application is received in respect of any Dealing Day falling within such period of suspension (that has not been otherwise withdrawn), such subscription application shall be deemed as having been received immediately following the termination of the suspension;
- (d) the Manager shall be under no obligation to rebalance the Deposited Property of the Sub-Fund; and
- (e) no Units shall be created and issued or redeemed for the account of the Sub-Fund.

The suspension shall terminate (i) when the Manager, after consultation with the Trustee, having regard to the best interests of the Unitholders, 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 exists.

The Manager shall notify the Commission if dealing in Units is suspended and publish a notice of suspension immediately following such suspension and, at least once a month during the period of suspension, on its website at www.csopasset.com/etf or in such publications as the Manager decides.

In respect of Listed Class of Units, 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 accordingly. If the Manager has not received any such notification of withdrawal of such Application before termination of such suspension, the Trustee shall, subject to and in accordance with the provisions of the Trust Deed, create and issue Listed Class of Units or redeem Listed Class of Units in respect of such Application and such Application shall be deemed to be received immediately following the termination of such suspension.

In respect of Unlisted Class of Units, any subscription, switch or redemption application submitted prior to a suspension may be withdrawn at any time after such suspension has been declared and before termination of such suspension by notice in writing to the Manager and the Manager shall promptly notify the Trustee accordingly. If the Manager has not received any such notification of withdrawal of such subscription, switch or redemption application before termination of the suspension, the Trustee shall, subject to and in accordance with the provisions of the Trust Deed, issue, switch or redeem such Unlisted Class of Units in respect of such application and such application shall be deemed to be received immediately following the termination of such suspension.

8.3 **Suspension of Dealing in Listed Class of Units On The SEHK (Secondary Market)**

Dealing in Listed Class of Units 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.

9 **DISTRIBUTION POLICY**

Please refer to Part 2 of this Prospectus for further details of the distribution policy in respect of each Sub-Fund.

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 will pay such amounts to Unitholders.

10 **FEES AND CHARGES**

The fees and charges currently applicable to the Trust and each Sub-Fund (are set out below and in Part 2 of this Prospectus.

10.1 **Management Fees and Servicing Fee**

Under the terms of the Trust Deed, the Manager may, on giving not less than one month's written notice to the relevant Unitholders, increase each of the rate of the management fee or servicing fee payable in respect of a Sub-Fund up to or towards its maximum rate of 2% per annum of the Net Asset Value of the Sub-Fund accrued daily and calculated as at each Dealing Day and payable monthly or such higher percentage as may be approved by the relevant Unitholders in accordance with the terms of the Trust Deed.

Please refer to Part 2 of this Prospectus for further details on the management fee or servicing fee payable in respect of each Sub-Fund.

10.2 **Trustee's and Registrar's Fee**

Under the terms of the Trust Deed, the Trustee may, on giving not less than one month's written notice to the relevant Unitholders, increase the rate of the Trustee's fee payable in respect of a Sub-Fund up to or towards the maximum rate of 1% per annum of the Net Asset Value of the Sub-Fund accrued daily and calculated as at each Dealing Day and payable monthly or such higher percentage as may be approved by the relevant Unitholders in accordance with the terms of the Trust Deed.

The Trustee is also entitled to a fee in its capacity as the Registrar.

Please refer to Part 2 of this Prospectus for further details on the Trustee's and Registrar's fee payable in respect of each Sub-Fund.

The Trustee shall pay the fees of any custodian or sub-custodian to which it has appointed. The Trustee's fee is inclusive of fees payable to the Custodian (and its delegates).

In addition, the Trustee will be reimbursed for all of its out-of-pocket expenses incurred in connection with performing its services as Trustee and Registrar.

10.3 **Service Agent's or Conversion Agent's Fee (applicable in respect of Listed Class of Units only)**

The Service Agent or the Conversion Agent (as applicable) will charge such fees and expenses as set out in Part 2 of this Prospectus.

10.4 **Subscription Fee, Redemption Fee and Switching Fee (applicable in respect of the Unlisted Class of Units only)**

Subscription Fee

Under the Trust Deed, the Manager is entitled to impose a subscription fee on the issue of Unlisted Class of Units of any Sub-Fund of up to a maximum of 5 per cent. of the subscription monies.

The subscription fee is payable in addition to the Subscription Price per Unit. The Manager may, in its absolute discretion, waive or reduce the payment of all or any portion of the subscription fee (either generally or in any particular case) of a Sub-Fund.

Redemption Fee

Under the Trust Deed, the Manager is entitled to impose a redemption fee on the redemption of Unlisted Class of Units of any Sub-Fund of up to a maximum of 3 per cent. of the redemption proceeds payable in respect of such Units.

The redemption fee is deducted from the redemption proceeds payable to a Unitholder in respect of each Unlisted Class of Unit redeemed. The Manager may, in its absolute discretion, waive or reduce the payment of all or any portion of the redemption fee (either generally or in any particular case) of a Sub-Fund.

Switching Fee

Under the Trust Deed, the Manager is entitled to impose a switching fee on the switching of Unlisted Class of Units of up to 1 per cent. of the redemption proceeds payable in respect of the Unlisted Class of Units being switched.

The switching fee is deducted from the amount realised from the redemption of the relevant Unlisted Class of Units and reinvested in the new Unlisted Class of Units of the same or another Sub-Fund. The Manager may, in its absolute discretion, waive or reduce the payment of all or any portion of the switching fee (either generally or in any particular case) of a Sub-Fund.

10.5 **Other Charges and Expenses**

Each Sub-Fund will bear the costs set out in the Trust Deed, which are directly attributable to it. Where such costs are not directly attributable to a Sub-Fund, the Manager, in consultation with the Trustee, shall determine how such costs are to be allocated. Such costs may include but are not limited to the cost of (a) all stamp and other duties, taxes, governmental charges, brokerages, commissions, exchange costs and commissions, bank charges, transfer fees and expenses, registration fees and expenses, transaction fees of the Trustee as may be agreed by the Manager in relation to transactions involving the whole or any part of the relevant Sub-Fund, custodian or sub-custodian and proxy fees and expenses, collection fees and expenses, insurance and security costs, and any other costs, charges or expenses payable in respect of the acquisition, holding and realisation of any investment or other property or any cash, deposit or loan (including the claiming or collection of income or other rights in respect thereof and including any fees or expenses charged or incurred by the Trustee or the Manager or any of their Connected Person in the event of the Trustee or the Manager or such Connected Person rendering services or effecting transactions giving rise to such fees or expenses), (b) the fees and expenses of the Auditors, the Registrar and Service Agent (or the Conversion Agent, as the case may be and if applicable), (c) fees charged by the Trustee or the Administrator in connection with valuing the assets of the Trust or any part thereof, calculating the issue and redemption prices of Units, (d) expenses in connection with the management and trusteeship of the Trust, (e) all legal charges incurred by the Manager and/or the Trustee in connection with the Trust, (f) out-of-pocket expenses incurred by the Trustee and/or the Manager wholly and exclusively in the performance of its duties (including, where appropriate, obtaining collateral, credit support or implementing other measures or arrangements in mitigating the counterparty risk or other exposure of the relevant Sub-Fund), (g) the costs and expenses incurred by the Manager and/or the Trustee in establishing the Trust and/or the relevant Sub-Fund and costs and expenses in connection with the initial issue of Units of each class (which expenses may be amortised by being written off against the Sub-Funds in proportion to their respective Net Asset Values in equal amounts (or such other proportions or method as the Manager and the Trustee may determine from time to time) over the first five financial years or such other period as the Manager after consultation with the Auditors shall determine, (h) the fees and expense of the Trustee which are agreed by the Manager in connection with time and resources incurred by the Trustee reviewing and producing documentation in connection with the operation of the relevant Sub-Fund (including filing of annual returns and other documents with any regulatory authority having jurisdiction over the Trust), (i) the expenses of or incidental to the preparation of deeds supplemental to the Trust Deed, (j) the expenses of holding meetings of Unitholders and of giving notices to Unitholders, (k) the costs and expenses of obtaining and maintaining a listing for the Listed Class of Units on any stock exchange or exchanges selected by the Manager and/or in obtaining and maintaining any approval or authorisation of the Trust or a Sub-Fund or in complying with any undertaking given, or agreement entered into in connection with, or any rules governing such listing approval or authorisation, (l) costs and expenses charged by the Trustee in terminating the Trust or the relevant Sub-Fund and for providing any additional services as agreed by the Manager, (m) unless the Manager determines, bank charges incurred in making payments to Unitholders pursuant to the Trust Deed, (n) the fees of any guarantor agreed by the Manager (including the fee of the Trustee or any Connected Person of the Trustee acting as guarantor in relation to any Sub-Fund), (o) any licence fees and expenses payable to the owner of an Underlying Index for the use of such Underlying Index, (p) the fees and expenses of establishing, maintaining and operating any company wholly owned by the Trustee on behalf of any one or more Sub-Funds, (q) without prejudice to the generality of the foregoing, all costs incurred in publishing the Net Asset Value, the subscription, issue and redemption prices of Units, all costs of preparing, printing and distributing all statements, accounts and reports pursuant to the provisions of the Trust Deed (including the Auditors' fees), the expenses of preparing and printing any Prospectus, and any other expenses, deemed by the Manager after consulting the Trustee, to have been incurred in compliance with or in

connection with any change in or introduction of any law or regulation or directive (whether or not having the force of law) of any governmental or other regulatory authority or with the provisions of any code relating to unit trusts, (r) all other reasonable costs, charges and expenses which in the opinion of the Trustee and/or the Manager are properly incurred in the administration of the Trust pursuant to the performance of their respective duties, (s) all fees and expenses incurred in connection with the retirement or removal of the Manager, the Trustee, the Auditors or any entity providing services to the Trust, or the appointment of a new manager, a new trustee, new auditors or other new service providers providing services to the Trust, and (t) all such charges, costs, expenses and disbursements as under the general law the Trustee is entitled to charge to the Trust.

10.6 **Swap Fees and Indirect Costs**

Please refer to the relevant Appendix for further information on swap fees and indirect costs (if applicable).

10.7 **Establishment Costs**

The costs and expenses incurred by the Manager and the Trustee in establishing the Trust and the initial sub-fund of the Trust, CSOP FTSE China A50 ETF, were borne by the CSOP FTSE China A50 ETF and were fully amortised.

The costs of establishment of each subsequent Sub-Fund will be borne by the relevant Sub-Fund and the costs of establishment of any additional class of Units will be borne by the relevant class. Such establishment costs will be amortised over such period as the Manager may determine and specified in Part 2 of this Prospectus.

11 **TAXATION**

11.1 **Hong Kong**

11.1.1 **A Sub-Fund**

Profits tax

A 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 Securities and Futures Ordinance.

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 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 to a Participating Dealer upon redemption of Units will also be remitted or refunded (i.e. in the primary market).

11.1.2 **Unitholders**

Profits tax

Unitholders who do not carry on a trade or business in Hong Kong or the Units were acquired and held by the Unitholders as “capital assets” for Hong Kong profits tax purposes, gains arising from the sale or disposal or redemption of the Units should not be taxable.

Profits arising on the disposal / redemption of any Units will only be subject to profits tax for Unitholders carrying on a trade or business in Hong Kong where the profits arise in or are derived from such trade or business in Hong Kong and are of revenue nature. Unitholders should seek advice from their own professional advisers as to their particular tax position.

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

Stamp Duty

Hong Kong stamp duty is payable on the transfer of Hong Kong stock. "Hong Kong stock" is defined as "stock" the transfer of which is required to be registered in Hong Kong. The Units fall within the definition of "Hong Kong stock".

Hong Kong stamp duty in respect of Listed Class of Units

Hong Kong stamp duty 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 not payable. Accordingly, transfers of the Listed Class of Units do not attract stamp duty and no stamp duty is payable by Unitholders on any transfer.

Hong Kong stamp duty in respect of Unlisted Class of Units

No Hong Kong stamp duty should be payable where the sale or transfer of such Units is effected by selling the relevant Units back to the Manager, who then either extinguish the Units or re-sells the Units to another person within two months thereof. Other types of sales or purchases or transfers of Unlisted Class of Units by the Unitholders in a Sub-Fund should be liable to Hong Kong stamp duty of 0.2 per cent (equally borne by the buyer and the seller) on the higher of the consideration amount or market value.

11.1.3 Hong Kong requirements regarding tax reporting

The Inland Revenue (Amendment) (No.3) Ordinance (the "Ordinance") came into force 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 requires financial institutions ("FIs") in Hong Kong to collect certain required information relating to non-Hong Kong tax residents holding financial accounts with the FIs, and report such information to the Hong Kong Inland Revenue Department ("IRD") for the purpose of AEOI exchange. Generally, the information will be automatically exchanged in respect of account holders that are tax residents in an AEOI partner jurisdiction(s) with which Hong Kong has a Competent Authority Agreement ("CAA") in force; however, the Trust and/or its agents may further collect information relating to residents of other jurisdictions.

The Trust is a collective investment scheme within the definition set out in the SFO that is resident in Hong Kong, and is accordingly an investment entity with obligations to report as a financial institution in accordance with the Ordinance. This means that the Trust and/or its agents shall collect and provide to the IRD the required tax information relating to Unitholders and prospective investors.

The Ordinance as implemented by Hong Kong 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 such accounts are considered "Reportable Accounts" under the Ordinance; and (iii) report to the IRD the required information on 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 resident in a reportable jurisdiction; and (ii) certain entities

controlled by individuals who are tax resident in such jurisdictions. Under the Ordinance, details of Unitholders, including but not limited to their name, date and place of birth, address, tax residence, tax identification number (if any), account number, account balance/value, and income or sale or redemption proceeds, may be reported to the IRD and subsequently exchanged with government authorities in the relevant jurisdictions.

By investing in the Sub-Funds and/or continuing to invest in the Sub-Funds, 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 failure of a Unitholder to provide any requested information may result in the Trust, the Manager and/or other agents of the Trust taking any action and/or pursue remedies at their disposal including, without limitation, mandatory redemption or withdrawal of the Unitholder concerned.

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 Sub-Fund(s).

11.2 **The PRC mainland**

A Sub-Fund that invests in the PRC mainland may be subject to withholding and other taxes imposed in the PRC mainland. For further details relating to PRC mainland taxes and the associated risks, please refer to the risk factor headed "**PRC mainland tax considerations**" under section "**4.1 Risk Factors relating to Mainland China**" in Part 1 of this Prospectus.

11.3 **Other jurisdiction(s)**

Please refer to Part 2 of this Prospectus on taxation requirements in other jurisdiction(s) that may be applicable to a Sub-Fund.

11.4 **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.

12 **OTHER IMPORTANT INFORMATION**

12.1 **Reports and Accounts**

The Trust's financial year end is 31 December in each year.

Unitholders will be notified of where they can obtain the printed and electronic copies of the latest annual financial reports or the interim financial reports once they are available (both published in English only). Such notices will be sent to Unitholders as soon as practicable and in any event within four months of the end of each financial year (starting the first financial year) in the case of audited financial reports and within two months after 30 June in each year in the case of unaudited interim financial reports. Once issued, such reports will be available in electronic copies from the website www.csopasset.com/etf¹.

Hard copies of such reports will be available upon request of Unitholders free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the office of the Manager.

12.2 **Removal and Retirement of the Manager**

The Manager shall be subject to removal by not less than one (1) month's notice in writing given by the Trustee in any of the following events:-

- (a) if the Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or if a receiver is appointed over any of its assets;
- (b) if for good and sufficient reason the Trustee acting in good faith is of the reasonable opinion and so states in writing to the Manager that a change of Manager is desirable in the interests of the Unitholders;
- (c) if the Unitholders of not less than 50% in value of the Units for the time being outstanding (for which purpose Units held or deemed to be held by the Manager shall not be regarded as being outstanding) deliver to the Trustee in writing a request that the Manager should retire; or
- (d) if the Commission withdraws its approval of the Manager as manager of the Trust.

The Manager shall have power to retire in favour of some other qualified manager in accordance with the provisions of the Trust Deed. In particular, the Manager shall give all Unitholders in the relevant Sub-Fund written notice of at least 60 days (or 30 days in the event of liquidation of the Trustee, or a material breach by the Trustee of its obligations under the Trust Deed), (or such other period as permitted by the Commission) in accordance with the provisions of the Trust Deed.

12.3 **Removal and Retirement of the Trustee**

The Trustee shall be subject to removal by not less than one (1) month's notice in writing given by the Manager (or such shorter period of notice as the parties may agree). Notwithstanding the foregoing, the Manager may by notice remove the Trustee in any of the following events:

- (a) if the Trustee goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Manager) or if a receiver is appointed over any of its assets or if a judicial manager is appointed in respect of the Trustee (or any such analogous process occurs or any analogous person is appointed in respect of the Trustee);
- (b) if the Trustee ceases to carry on business;
- (c) if the Unitholders of not less than 50% in value of the Units for the time being outstanding (for which purpose Units held or deemed to be held by the Trustee shall not be regarded as being outstanding) shall deliver in writing a request that the Trustee should retire;
- (d) if the Commission withdraws its approval of the Trustee as trustee of the Trust; or
- (e) following a material breach of the Trustee's obligations under the Trust Deed which, if the breach is capable of remedy, the Trustee fails to remedy within 60 days of being specifically required in writing so to do by the Manager, and for good and sufficient reason the Manager acting in good faith is of the reasonable opinion and so states in writing to the Trustee that a change of Trustee is desirable and in the best interests of Unitholders as a whole.

Notwithstanding such notice, the Trustee shall not be removed or cease to act as such unless and until the Manager shall, subject to the prior approval of the Commission if the Sub-Fund is authorised pursuant to section 104 of the Securities and Futures Ordinance, have appointed a qualified corporation under any applicable law to be the trustee in place of the removed Trustee.

The Trustee shall be entitled to retire voluntarily. Subject to the prior written approval of the Commission, the Trustee may retire from office by giving not less than 60 days' written notice (or 30 days' written notice in the event of liquidation of the Manager, or a material breach by the Manager of its obligations under the Trust Deed), or such shorter period of notice as the Commission may approve, to the Manager. In the event of the Trustee desiring to retire the Manager shall find within 60 days (or, as the case may be, 30 days) from the date the Trustee notifies the Manager of such desire a new trustee who is a qualified corporation under any applicable law to act as trustee and the Manager shall appoint such new trustee to be the Trustee in the place of the retiring Trustee in accordance with the provisions of the Trust Deed and subject to the prior approval of the Commission if the Sub-Fund is authorised pursuant to section 104 of the Securities and Futures Ordinance. For the avoidance of doubt, the Trustee shall only retire upon the appointment of a new Trustee and subject to the prior approval of the Commission.

12.4 **Potential Conflicts of Interest, Transactions with Connected Persons, Cash Rebates and Soft Commissions**

The Manager, the Investment Adviser and the Trustee or their Connected Persons may, from time to time, act as manager, investment adviser, trustee or as custodian or in such other capacity in connection with or be otherwise involved in or with any other collective investment schemes separate and distinct from the Trust and the Sub-Funds, including those that have similar investment objectives to those of the Sub-Funds, 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.

In addition:

- (a) The Manager, the Investment Adviser or any of its Connected Person may purchase and sell investments for the account of a Sub-Fund as agent for such Sub-Fund.
- (b) The Trustee, the Manager or the Investment Adviser or any of their Connected Persons may contract or enter into any financial, banking or other transaction with one another or with any Unitholder.
- (c) The Trustee or the Manager or the Investment Adviser or any of their Connected Person may become the owner of Units and hold, dispose or otherwise deal with them with the same rights which it would have had if it had not been the Trustee or the Manager or the Connected Person.
- (d) The Trustee, the Manager, the Investment Adviser and any of their Connected Persons may buy, hold and deal in Securities and/or FDIs for their own account or for the account of their other customers (including Participating Dealers acting for themselves or for their clients) notwithstanding that Securities and/or FDIs may be held as part of the Sub-Fund.
- (e) Any arrangements for the borrowing or deposit of any monies for the account of the Sub-Fund may be made with any of the Trustee, the Manager, any investment adviser or any Connected Person of any of them being a banker or other financial institution provided that such person shall charge or pay (as the case may be) interest or fees at a rate or amount no higher (in the case of a borrowing) or lower (in the case of a deposit) than the prevailing rates or amounts for transactions of a similar size and duration, in the same currency and with institutions of similar standing.

Each of the Manager, the Investment Adviser, the Trustee and their respective Connected Persons shall be entitled to retain for its own use and benefit all fees and other monies payable in respect of any of the arrangements described above and 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 thing which comes to the notice of itself in the course of its rendering services to others 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. Each of the Manager, the Investment Adviser, the Trustee and their respective Connected Persons shall not 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). It is, therefore, possible that any of the Manager, the Trustee or their Connected Persons may, in the course of business, have potential conflicts of interest with the Sub-Funds.

Each of the Manager, the Investment Adviser and the Trustee or their Connected Persons will, at all times, have regard in such event to its obligations to the Sub-Funds and the investors and will endeavour to ensure that such conflicts are resolved fairly.

The Manager, the Investment Adviser, the Trustee or their Connected Persons shall act in a reasonable and prudent manner when handling any potential conflict of interest situation and take into account the interest of Unitholders and clients.

The services of the Manager, the Investment Adviser and the Trustee provided to the Sub-Funds are not deemed to be exclusive and the Manager, the Investment Adviser and the Trustee shall be free to render similar services to others so long as their services hereunder are not impaired thereby and to retain for their own use and benefit all fees and other moneys payable thereby and the Manager, the Investment Adviser and the Trustee shall not be deemed to be affected with notice of or to be under any duty to disclose to the Trust or the Sub-Funds any fact or thing which comes to the notice of the Manager, the Investment Adviser or the Trustee in the course of the Manager, the Investment Adviser or the Trustee rendering similar services to others or in the course of their business in any other capacity or in any manner whatsoever otherwise than in the course of carrying out their duties under the Trust Deed.

All transactions carried out by or on behalf of the Sub-Funds will be executed at arm's length and in the best interests of Unitholders in compliance with applicable laws and regulations. Any transactions between the Sub-Funds and the Manager or any of its Connected Persons as principal may only be made with the prior written consent of the Trustee. All such transactions shall be disclosed in the Sub-Fund's annual financial reports.

The brokerage and other agency transactions for the account of the Sub-Funds may be executed through brokers or dealers connected to the Manager or Connected Persons of the Manager. However, for so long as a Sub-Fund is authorized by the Commission, the Manager shall ensure that it complies with the following requirements when transacting with brokers or dealers connected to the Manager or Connected Persons of the Manager, save to the extent permitted under the Code or any waiver obtained from the Commission:

- (a) such transactions are on arm's length terms;
- (b) the Manager has used due care in the selection of brokers or dealers and ensure that they are suitably qualified in the circumstances;
- (c) the transaction execution is consistent with the best execution standards;
- (d) the fee or commission paid to any such broker or dealer in respect of a transaction shall not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature;

- (e) the Manager shall 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 will be disclosed in the relevant Sub-Fund's annual financial reports.

Neither the Manager nor any of its Connected Persons may retain cash or other rebates from a broker or dealer in consideration of directing transactions to them (save for goods and services as permitted under the Trust Deed and summarised under this section).

The Manager and any of its Connected Persons may effect transactions by or through the agency of another person with whom the Manager or any of its Connected Persons have an arrangement under which that party will from time to time provide to or procure for the Manager or any of its Connected Persons, goods, services or other benefits, such as 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 publication.

The Manager shall procure that no such contractual arrangements are entered into unless:

- (a) the nature of which is such that their provision are of demonstrable benefit to the Sub-Funds;
- (b) the transaction execution is consistent with best execution standards;
- (c) brokerage rates are not in excess of customary institutional full-service brokerage rates.
- (d) adequate prior disclosure is made in the Prospectus the terms of which the Unitholders has consented to,
- (e) periodic disclosure is made in the Trust's and/or a Sub-Fund's annual financial reports in the form of a statement describing the soft dollar policies and practices of the Manager or its investment delegate, including a description of goods and services received by them; and
- (f) the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer.

No direct payment may be made to the Manager or any of its Connected Persons who undertake to place business with that party.

For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments. Details of soft commission arrangements will be disclosed in the relevant Sub-Funds' annual financial reports.

12.5 **Termination of the Trust or a Sub-Fund**

A Sub-Fund shall terminate upon the termination of the Trust. The Trust shall continue until it is terminated in one of the following ways set out below.

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), become bankrupt or if a receiver is appointed over any of their assets and not discharged within ninety (90) days;
- (b) if in the reasonable opinion of the Trustee acting in good faith, the Manager shall be incapable of performing or shall in fact fail to perform its duties 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 the Trust shall cease to be authorized pursuant to the Securities and Futures Ordinance or if any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue the Trust;
- (d) if the Manager shall have ceased to be the Manager for whatever reason and, within a period of sixty (60) days or thirty (30) days (in the event of liquidation of the Trustee, or a material breach by the Trustee of its obligations under the Trust Deed) thereafter, no other qualified corporation shall have been appointed by the Trustee as a successor Manager;
- (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 sixty (60) days or thirty (30) days (in the event of liquidation of the Manager, or a material breach by the Manager of its obligations under the Trust Deed) (as the case may be) therefrom.

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

- (a) if on any date, in relation to the Trust, the aggregate Net Asset Value of all Units shall be less than RMB 100 million or in relation to a Sub-Fund or any class of Units of such Sub-Fund, the aggregate Net Asset Value of the Units outstanding hereunder in respect of such Sub-Fund or any class of Units of such Sub-Fund shall be less than RMB 100 million or such other amount as may be specified in the Appendix of the relevant Sub-Fund;
- (b) if any law shall be passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable to continue the Trust and/or the relevant Sub-Fund and/or the relevant class of Units;
- (c) if the Trust and/or the relevant Sub-Fund shall cease to be authorized or otherwise officially approved pursuant to the Securities and Futures Ordinance or (in respect of a Sub-Fund with only Listed Class of Units in issue) listed on the SEHK or other recognised stock exchanges;
- (d) for an Index Tracking Sub-Fund, if the Underlying Index of the relevant Sub-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;
- (e) (in respect of a Sub-Fund with only Listed Class of Units in issue) if the relevant Sub-Fund ceases to have any Participating Dealer; or
- (f) the exercise period (if any) of the Securities and/or FDIs comprising the Sub-Fund is not extended and the Securities and/or FDIs have to be exercised and settled.

In such circumstances, for an Index Tracking Sub-Fund, unless the Manager determines (in consultation with the Trustee) that another method of holding or replicating the holding of the Securities or Futures Contracts (as the case may be) constituting the Underlying Index is possible, feasible, practicable and in the best interests of the Unitholders, the Units then in issue shall be compulsorily redeemed at the Net Asset Value and the relevant Sub-Fund or class of Units shall be terminated in accordance with the provisions of the Trust Deed.

In cases of termination under the above circumstances, no less than one month's notice will be given to Unitholders.

Upon the Trustee or the Manager giving notice to terminate the Trust or a Sub-Fund pursuant to the Trust Deed, or upon the passing of an Extraordinary Resolution to terminate a Sub-Fund pursuant to the Trust Deed, where the assets of the relevant Sub-Fund include Securities and/or FDIs that cannot be traded on exchange or otherwise be disposed of, the Manager may, upon consultation with the Trustee, compulsorily redeem at Net Asset Value of all the Units then in issue of the relevant Sub-Fund, following which the relevant Sub-Fund may be terminated in accordance with the provisions of the Trust Deed. Upon such redemption and payment of redemption proceeds, former Unitholders shall have no interest in the relevant Sub-Fund and all rights of such former Unitholders shall be extinguished. The Manager shall notify the Commission in advance the circumstance where it proposes to compulsorily redeem Unitholders of a Sub-Fund in such circumstances and shall agree with the Commission appropriate methods of notification of Unitholders in the relevant Sub-Fund prior to such compulsory redemption and termination.

Investors should note that, due to the nature of the listing of the Listed Class of Units on the SEHK, the termination procedures applicable to Listed Class of Units and Unlisted Class of Units of the same Sub-Fund may differ. In the event of termination of the Trust, a Sub-Fund or a particular Class of Units, Unitholders will be notified of the relevant termination procedures applicable to its holding of the relevant Class of Units.

Any unclaimed proceeds or other cash held by the Trustee under the provisions of the Trust Deed 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.

12.6 **Trust Deed**

The Trust was established under Hong Kong law by a trust deed dated 25 July 2012, as amended and restated on 15 June 2021 (and as may be further amended, modified or supplemented from time to time). All holders of Units are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Trust Deed.

12.7 **Indemnification and Limitation of Liability**

The Trust Deed contains provisions for the indemnification of the Trustee and the Manager and their relief from liability in certain circumstances.

The Trustee and the Manager benefit from various indemnities in the Trust Deed. Except as provided under the Trust Deed, the Trustee and the Manager shall be entitled to be indemnified out of, and have recourse to, the relevant Sub-Fund or the Trust generally, in respect of any liabilities, costs, claims or demands arising directly or indirectly from the proper performance of their duties with respect to the Trust. Nothing in any of the provisions of the Trust Deed shall in any case exempt the Trustee and the Manager from or indemnify them against any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence for which they may be liable in relation to their duties and neither the Trustee nor the Manager may 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.

12.8 **Modification of Trust Deed**

Subject to the prior approval of the Commission if any Sub-Fund is authorised pursuant to section 104 of the Securities and Futures Ordinance, the Trustee and the Manager may agree to modify the Trust Deed by supplemental deed provided that in the opinion of the Trustee and the Manager such modification (i) is not materially prejudicial to the interests of Unitholders, does not operate to release to any material extent the Trustee, the Manager or any other person from any responsibility to the Unitholders and will not result in any increase in the amount of costs and charges payable out of the assets of the Trust or (ii) is necessary in order to comply with any fiscal, statutory, regulatory or official requirement (whether or not having the force of law) or (iii) is made to correct a manifest error.

In all other cases modifications involving material changes require the sanction of an extraordinary resolution of the Unitholders affected and prior approval of the Commission.

12.9 **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 the relevant Class or the relevant Sub-Fund then in issue, on not less than 21 days' notice. Notice of meetings will be posted to Unitholders and (in respect of notices relating to Listed Class of Units) posted on HKEX's website at 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 in the relevant Class or the relevant Sub-Fund 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 in the relevant Class or the relevant Sub-Fund 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, including increasing the maximum fees payable to the service providers, removing the Manager or terminating the Sub-Fund at any time. 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 majority of 50% 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 and different classes where only the interests of holders in a particular Sub-Fund or class are affected.

12.10 **Voting Rights**

The Trust Deed provides that at any meeting of Unitholders, every Unitholder who is present as aforesaid or by proxy shall have one vote for every Unit of which he is the holder.

Where a Unitholder is a recognised clearing house (within the meaning of the Securities and Futures Ordinance) (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, notarized 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.

12.11 **Documents Available for Inspection**

Copies of the constitutive documents are available for inspection free of charge at the offices of the Manager and copies thereof may be obtained from the Manager upon the payment of a reasonable fee.

12.12 **Part XV of the Securities and Futures Ordinance**

Part XV of the Securities and Futures Ordinance 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 a Sub-Fund.

12.13 **Anti-Money Laundering Regulations**

As part of the Trustee'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, a Sub-Fund, 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 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 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 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 Manager, the relevant Participating Dealer also reserves to refuse to make any redemption payment to a Unitholder or investor if the Trustee 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 relevant Sub-Fund(s) or the Trustee 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 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.

12.14 **Liquidity Risk Management**

The Manager has established a liquidity management policy, which enables it to identify, monitor and manage the liquidity risks of the Sub-Funds 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 the Sub-Funds. 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, 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 the Sub-Funds under normal and exceptional market conditions.

As a liquidity risk management tool, the Manager may limit the number of Units of a Sub-Fund redeemed on any Dealing Day to Units representing 10% of the total number of Units of the such Sub-Fund in issue (or such higher percentage as the Manager may determine in respect of the Sub-Fund) subject to the conditions under the section headed "***Deferral of Redemption Applications***" in Schedule 2 and "***Restrictions on Redemption***" in Schedule 3.

12.15 **Publication of Information Relating to the Sub-Funds**

The Manager will publish important news and information in respect of the Sub-Funds (including, for Index Tracking Sub-Funds, in respect of the Underlying Index), both in English and in Chinese languages, on its website www.csopasset.com/etf¹ and (where applicable in respect of the Listed Class of Units) on HKEX's website at www.hkex.com.hk including (Unless otherwise specified in the appendix of the relevant Sub-Fund):

- this Prospectus (as amended and supplemented from time to time);
- the latest Product Key Facts Statements of the Sub-Funds. Investors should note that where a Sub-Fund offers both Listed Class of Units and Unlisted Class of Units, a separate set of product key facts statement will be available for each of the Listed Class of Units and Unlisted Class of Units of the same Sub-Fund;
- the latest annual and interim financial reports of the Sub-Funds in English;
- any public announcements made by a Sub-Fund, including information in relation to the relevant Sub-Fund and (where applicable) the Underlying Index, notices of the suspension of the calculation of Net Asset Value, changes in fees and charges and the suspension and resumption of the issue, creations and redemptions of Units and notices relating to material changes to a Sub-Fund that may have an impact on its investors, including notices for material alterations or additions to this Prospectus or the Sub-Fund's Product Key Facts Statement or constitutive documents;
- (in respect of the Listed Class of Units) the near real-time indicative Net Asset Value per Unit of a Sub-Fund updated every 15 seconds during normal trading hours on the SEHK;
- the last Net Asset Value of each Sub-Fund and last Net Asset Value per Unit of each class of each Sub-Fund;

- the past performance information of each Sub-Fund;
- the tracking difference and tracking error of each class of each Index Tracking Sub-Fund;
- the full portfolio information of each Sub-Fund updated on a daily basis;
- (in respect of the Listed Class of Units) the latest list of Participating Dealers and market makers; and
- (where applicable) the compositions of the dividends (i.e. the relative amounts paid out of net distributable income and capital) for the last 12 months (also available by the Manager on request).

Please refer to Part 2 of this Prospectus for further details on the publication of the near real time indicative Net Asset Value per Unit and the last Net Asset Value and Net Asset Value per Unit of a Sub-Fund.

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.

The Manager's website provides a hyperlink to HKEX's website www.hkex.com.hk, where information on the bid/ask price, queuing display, the previous day's closing Net Asset Value will be available.

Where applicable, real-time updates about the relevant Underlying Index can be obtained through other financial data vendors. It is the investors' own responsibility to obtain additional and 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 disclosed in the relevant Appendix for each Index Tracking Sub-Fund under Part 2 of the Prospectus.

Please refer to the section "**12.16 Website Information**" below for the warning and the disclaimer regarding information contained in such website.

12.16 **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. None of the Manager or the Trustee 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 and the Trustee 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, www.csopasset.com/etf¹. Investors should exercise an appropriate degree of caution when assessing the value of such information.

12.17 **Notices**

All notices and communications to the Manager and Trustee should be made in writing and sent to their respective addresses set out in the section headed "**Parties**" above.

12.18 **Complaints and Enquiries**

Investors may contact the complaint officer of the Manager if they have any complaints or enquiries in respect of the Trust or a Sub-Fund:

Address: 2801-2803, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

Manager's Customer Service Hotline: +852 3406 5688

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.

12.19 **Certification for Compliance with FATCA or Other Applicable Laws**

Each Unitholder (i) will be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Trust or a Sub-Fund (A) to prevent 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 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 (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction, including reporting obligations that may be imposed by future legislation.

12.20 **Power to Disclose Information to Tax Authorities**

Subject to applicable laws and regulations in Hong Kong, the Trust, the relevant Sub-Fund, the Trustee or the Manager or any of their authorised person(s) (as permissible under applicable law or regulation) may be required to 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), certain information in relation to a Unitholder, including but not limited to the Unitholder's name, address, tax identification number (if any), social security number (if any) and certain information relating to the Unitholder's holdings, to enable the Trust or the relevant Sub-Fund to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law, regulation or agreement under FATCA).

12.21 **Material Changes to an Underlying Index**

The Commission should be consulted on any events that may affect the acceptability of an Underlying Index. Significant events relating to an Index will be notified to the Unitholders of the relevant Sub-Fund as soon as practicable. These may include a change in the methodology/rules for compiling or calculating the Underlying Index, or a change in the objective or characteristics of the Underlying Index.

12.22 **Replacement of an Underlying Index**

Following the authorisation of a Sub-Fund, a replacement of the Underlying Index may only be made in accordance with this Prospectus and the Trust Deed and with the prior approval of the Commission.

12.23 **Business Contingency Plan**

The Manager has put in place business contingency plans which will be activated whenever there is a credit event (as described below) of the swap counterparty of the relevant swap, or whenever the Manager shall assess that the risk of the occurrence of a credit event is materially high. Should a bankruptcy event that affects the swap counterparty of the relevant swap occur, a Sub-Fund employing synthetic replication involving the use of swaps may lose an amount equal to the marked-to-market value of the relevant swap.

If the Business Contingency Plan is triggered, the Manager will issue an announcement as soon as practicable.

In addition to such Business Contingency Plan arrangements and announcements, the Manager will also notify the Commission immediately where it becomes aware of any of the events which may trigger this Business Contingency Plan.

The following is an overview of such contingency plans. Investors should note that the Manager's contingency plans are subject to changes by the Manager from time to time as the circumstances may justify. In any case, the Manager will ensure that the interests of the Unitholders will not be adversely affected. The Manager will issue an announcement in respect of any material change(s) to the business contingency plans as soon as practicable, which may, in some cases, be after the relevant change(s) has/have been implemented.

The Manager will trigger the business contingency plan under the following events:

- (a) event of default affecting the swap counterparty(ies) of the relevant swap(s);
- (b) downgrading of the long term debt credit rating(s) of the relevant swap counterparty(ies) or its guarantor(s) or, the relevant group company(ies) of the relevant swap counterparty to a rating below BBB by Standard & Poor's (or an equivalent rating given by Moody's or by Fitch);
- (c) the spread of 5 years credit default swap (if applicable) in respect of the relevant swap counterparty or its guarantor(s) is traded or quoted on the relevant market at 5 per cent. or above;
- (d) any other event (including, without limitation, licence suspension, significant litigation linked to the activities of the swap counterparty in the FDI business, reputation, forced early termination of swap by swap counterparty, limited or no access to exposure which fulfil the fund investment objective as a counterparty etc.) which would materially affect the swap counterparty's fitness and properness to act as the counterparty of the relevant Sub-Fund under the relevant swap, or any material risk of occurrence of such event; or
- (e) if, in the actual knowledge of the Manager, (i) the relevant swap counterparty or its guarantor(s) ceases to be a substantial financial institution (as defined under the Code) or (ii) such entity is not acceptable to the Commission under the Code.

Upon the occurrence of any of the above situations, to the extent permitted under applicable law and regulation and/ or the terms of the applicable swap transaction, the Manager would then opt for one or more of the following remedial actions, depending on the nature of the above situation, and other factors including the size of the exposure to the relevant swap counterparty(ies) and surrounding circumstances such as timing and market factors:

- (a) The Manager may unwind the affected swap(s) as soon as possible in accordance with the terms of the relevant swap transactions or in a measured manner, having regard to the best interest of the relevant Unitholders. The Manager will readjust the relevant Sub-Fund's exposure with other swap counterparty(ies).
- (b) The Manager may decide to replace the swap counterparty(ies) as soon as possible in accordance with the terms of the relevant swap transactions and select, as soon as possible and on a best effort basis (or replace the investment exposure by using instruments complied with fund investment restriction e.g. Futures Contracts, collective investment schemes), a new counterparty(ies) in accordance with the investment strategy of the relevant Sub-Fund, and will enter into a new swap(s) with similar terms as the relevant swap(s) with such newly selected counterparty. The new

counterparty(ies) would be selected using criteria including, but not limited to, execution prices, total direct and indirect transaction costs, probability and promptness of execution and delivery (if applicable). In such cases, the relevant Sub-Fund will enter into the new swap(s) as soon as possible with the new swap counterparty(ies). The Manager would then inform the Commission of the selection of the new swap counterparty(ies) and the entering into of the new swap(s) with the new swap counterparty(ies). Alternatively, the Manager may also propose a restructuring of the relevant Sub-Fund by using other instruments similar to the relevant swap(s), in the case where no suitable new swap counterparty(ies) is/are available. Such restructuring would then be subject to review and approval by the relevant authorities, including the Commission. This Prospectus would then be amended accordingly for the purpose providing the updated information to the relevant Unitholders.

- (c) The Manager may also consider asking the swap counterparty(ies) to settle any unrealised gain or loss (if any) on a swap(s) in cash payment, where the market value of the swap(s) will be nil immediately after such payment. If an amount is payable by the swap counterparty(ies) to a Sub-Fund and the swap counterparty(ies) is insolvent or otherwise unable to pay the amount in full, the relevant Sub-Fund will account for any loss. To mitigate such a loss, the Manager intends to adopt a multiple counterparty arrangement where a Sub-Fund (via the Trustee) will enter into swap agreements with more than one swap counterparty.
- (d) The Manager may suspend creation and redemption of the relevant Sub-Fund.
- (e) Eventually, if there is no new counterparty acceptable to the Manager and/or as a result of one or more swap counterparty(ies) becoming subject to resolution pursuant to an applicable recovery and resolution regime preventing or limiting the exercise of the other remedial actions provided above and if, as a result, the Manager is of the view that the relevant Sub-Fund is not able to achieve its investment objective, which is to track the movements in the relevant Underlying Index, the Manager may decide to terminate the relevant Sub-Fund.

SCHEDULE 1 – INVESTMENT AND BORROWING RESTRICTIONS

Investment Restrictions

The Trust Deed sets out restrictions and prohibitions on the acquisition of certain investments by the Manager. Each of the Sub-Fund(s) is subject to the following principal investment restrictions:-

- (a) the aggregate value of a Sub-Fund's investments in, or exposure to, any single entity through the following may not exceed 10% of the total Net Asset Value of such Sub-Fund, save as permitted by Chapter 8.6(h) and as varied by Chapter 8.6(h)(a) of the Code in respect of an Index Tracking Sub-Fund:
 - (1) investments in securities issued by such entity;
 - (2) exposure to such entity through underlying assets of FDIs; and
 - (3) net counterparty exposure to such entity arising from transactions of over-the-counter FDIs;

- (b) subject to (a) above and Chapter 7.28(c) of the Code and unless otherwise approved by the Commission, the aggregate value of a Sub-Fund's investments in, or exposure to, entities within the same group through the following may not exceed 20% of the total Net Asset Value of the Sub-Fund:
 - (1) investments in securities issued by such entities;
 - (2) exposure to such entities through underlying assets of FDIs; and
 - (3) net counterparty exposure to such entities arising from transactions of over-the-counter FDIs;

- (c) unless otherwise approved by the Commission, the value of a Sub-Fund's cash deposits made with the same entity or entities within the same group may not exceed 20% of the total Net Asset Value of the Sub-Fund, unless:
 - (1) the cash is held before the launch of the Sub-Fund and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested; or
 - (2) the cash is proceeds from liquidation of investments prior to the merger or termination of a Sub-Fund, whereby the placing of cash deposits with various financial institutions may not be in the best interest of investors; or
 - (3) the cash is proceeds received from subscriptions pending investments and held for the settlement of redemption and other payment obligations, whereby the placing of cash deposits with various financial institutions is unduly burdensome and the cash deposits arrangement would not compromise investors' interests;

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

- (d) ordinary shares issued by any single entity held for the account of a Sub-Fund, when aggregated with other ordinary shares of the same entity held for the account of all other Sub-Funds under the Trust collectively may not exceed 10% of the nominal amount of the ordinary shares issued by a single entity;

- (e) not more than 15% of the total Net Asset Value of a Sub-Fund may be invested in securities and other financial products or instruments that are neither listed, quoted nor dealt in on a

stock exchange, over-the-counter market or other organised securities market which is open to the international public and on which such securities are regularly traded;

(f) notwithstanding (a), (b), (d) and (e), 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:

- (1) 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;
- (2) 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
- (3) 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) notwithstanding (a), (b) and (d), not more than 30% of the total Net Asset Value of a Sub-Fund may be invested in Government and other Public Securities of the same issue;

(h) subject to (g), a Sub-Fund may fully invest in Government and other Public Securities in at least six different issues. Subject to the approval of the Commission, an Index Tracking Sub-Fund which has been authorised by the Commission as an index fund may exceed the 30% limit in (g) and may invest all of its assets in Government and other Public Securities in any number of different issues;

(i) unless otherwise approved by the Commission, a Sub-Fund may not invest in physical commodities;

(j) for the avoidance of doubt, exchange traded funds that are:

- (1) authorised by the Commission under Chapter 8.6 or 8.10 of the Code; or
- (2) listed and regularly traded on internationally recognised stock exchanges open to the public (nominal listing not accepted) and (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 Chapter 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 Chapter 8.10 of the Code,

may either be considered and treated as (x) listed securities for the purposes of and subject to the requirements in paragraphs (a), (b) and (d) above; or (y) collective investment schemes for the purposes of and subject to the requirements in paragraph (k) below. However, the investments in exchange traded funds shall be subject to paragraph (e) above and the relevant investment limits in exchange traded funds by a Sub-Fund should be consistently applied and clearly disclosed in this Prospectus;

(k) where a Sub-Fund invests in shares or units of other collective investment schemes (“underlying schemes”),

- (1) the value of such Sub-Fund’s investment in units or shares in underlying schemes which are non-eligible schemes (as determined by the Commission) and not authorised by the Commission may not in aggregate exceed 10% of the total Net Asset Value of the Sub-Fund; and

- (2) such Sub-Fund may invest in one or more underlying schemes which are either schemes authorised by the Commission or eligible schemes (as determined by the Commission), but the value of the Sub-Fund's investment in units or shares in each such underlying scheme may not exceed 30% of the total Net Asset Value of the Sub-Fund, unless the underlying scheme is authorised by the Commission and its name and key investment information are disclosed in the Prospectus of the Sub-Fund,

provided that in respect of (1) and (2) above:

- (i) the objective of each underlying scheme may not be to invest primarily in any investment prohibited by Chapter 7 of the Code, and where that 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 prescribed by Chapter 7 of the Code. For the avoidance of doubt, a Sub-Fund may invest in scheme(s) authorised by the Commission under Chapter 8 of the Code (except for hedge funds under Chapter 8.7 of the Code), eligible scheme(s) (as determined by the Commission) of which the net derivative exposure (as defined in the Code) does not exceed 100% of its total Net Asset Value, and exchange traded funds satisfying the requirements in paragraph (i) above in compliance with paragraph (k)(1) and (k)(2);
 - (ii) where the underlying schemes are managed by the Manager, or by other companies within the same group that the Manager belongs to, then paragraphs (a), (b), (d) and (e) above are also applicable to the investments of the underlying scheme;
 - (iii) the objective of the underlying schemes may not be to invest primarily in other collective investment scheme(s);
 - (3) where an investment is made in any underlying scheme(s) managed by the Manager or any of its Connected Persons, all initial charges and redemption charges on the underlying scheme(s) must be waived; and
 - (4) 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 a underlying scheme or the manager of an underlying scheme, or quantifiable monetary benefits in connection with investments in any underlying scheme;
- (l) a Sub-Fund may invest 90% or more of its total Net Asset Value in a single collective investment scheme and may be authorised as a feeder fund by the Commission. In this case:
- (1) the underlying scheme ("master fund") must be authorised by the Commission;
 - (2) the relevant Appendix 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 (i.e. feeder fund) and its master fund will be deemed a single entity;
 - (iii) the Sub-Fund (i.e. feeder fund)'s annual financial 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 (i.e. feeder fund) and its master fund must be clearly disclosed;
 - (3) unless otherwise approved by the Commission, no increase in the overall total of initial charges, redemption charges, Manager's annual fee, or any other costs and charges payable to the Manager or any of its Connected Persons borne by the Holders or by the Sub-Fund (i.e. feeder fund) may result, if the master fund in which the Sub-Fund

(i.e. feeder fund) invests is managed by the Manager or by its Connected Person; and

- (4) notwithstanding paragraph (k)(iii) above, the master fund may invest in other collective investment scheme(s) subject to the investment restrictions as set out in paragraph (k); and
- (m) if the name of a Sub-Fund indicates a particular objective, investment strategy, geographic region or market, the Sub-Fund should, under normal market circumstances, invest at least 70% of its total 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.

The Manager shall not on behalf of any Sub-Fund(s):-

- (i) invest in a security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5% of the total nominal amount of all the issued securities of that class or the directors and officers of the Manager collectively own more than 5% of those securities;
- (ii) invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in real estate investment trusts (REITs));
- (iii) make short sales if as a result such Sub-Fund would be required to deliver securities exceeding 10% of the total Net Asset Value of such Sub-Fund (and for this purpose securities sold short must be actively traded on a market where short selling is permitted). For the avoidance of doubt, a Sub-Fund is prohibited to carry out any naked or uncovered short sale of securities and short selling should be carried out in accordance with all applicable laws and regulations;
- (iv) lend or make a loan out of the assets of such Sub-Fund, except to the extent that the acquisition of bonds or the making of a deposit (within the applicable investment restrictions) might constitute a loan;
- (v) subject to Chapter 7.3 of the Code, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person, save and except for reverse repurchase transactions in compliance with the Code;
- (vi) enter into any obligation in respect of such Sub-Fund or acquire any asset or engage in any transaction for the account of such Sub-Fund which involves the assumption of any liability which is unlimited. For the avoidance of doubt, the liability of Unitholders is limited to their investment in the relevant Sub-Fund; or
- (vii) apply any part of such Sub-Fund in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call is due to be made for any sum unpaid on such investments unless such call could be met in full out of cash or near cash forming part of such Sub-Fund whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transactions in FDIs).

Note: The investment restrictions set out above apply to each Sub-Fund, subject to the following: A collective investment scheme authorised by the Commission under the Code is usually restricted under Chapter 7.1 of the Code from making investments which would result in the value of that collective investment scheme's holdings of the securities of any single entity exceeding 10% of the collective investment scheme's net asset value. For an Index Tracking Sub-Fund authorised under Chapter 8.6 of the Code as an index tracking ETF, given the investment objective of the Sub-Fund and nature of the Underlying Index, the relevant Sub-Fund is allowed under Chapter 8.6(h) of the Code to, notwithstanding Chapter 7.1 of the Code, hold investments in constituent securities of any single entity exceeding 10% of the relevant Sub-Fund's Net Asset Value if such constituent securities account for more than 10% of the weighting of the Index and the relevant Sub-Fund's holding of any such constituent securities does not exceed their respective weightings in the Underlying Index,

except where the 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.

However, the restrictions in 8.6(h)(i) and (ii) (as described above) do not apply if:

- an Index Tracking Sub-Fund adopts a representative sampling strategy which does not involve full replication of the constituent securities of the Underlying Index in the exact weightings of such Underlying Index;
- the strategy is clearly disclosed in the Prospectus;
- the excess of the weightings of the constituent securities held by the Index Tracking Sub-Fund over the weightings in the Underlying Index is caused by the implementation of the representative sampling strategy;
- any excess weightings of the Index Tracking Sub-Fund's holdings over the weightings in the Underlying Index must be subject to a maximum limit reasonably determined by the Index Tracking Sub-Fund after consultation with the Commission. In determining this limit, the Index Tracking Sub-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;
- limits laid down by the Index Tracking Sub-Fund pursuant to the point above must be disclosed in the Prospectus;
- disclosure must be made in the Index Tracking Sub-Fund's interim and annual reports as to whether the limits imposed by the Index Tracking Sub-Fund itself pursuant to the above point have been complied with in full. If there is non-compliance with the said limits during the relevant reporting period, this must be reported to the Commission on a timely basis and an account for such non-compliance should be stated in the report relating to the period in which the non-compliance occurs or otherwise notified to investors.

Other Investment Restrictions

For each Sub-Fund which is authorised by the Commission as a money market fund under Chapter 8.2 of the Code, the relevant Sub-Fund shall comply with the following investment restrictions:

- (1) subject to the provisions below, the Sub-Fund may only invest in short-term deposits and high quality money market instruments, and up to 10% in money market funds 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;
- (2) the Sub-Fund must maintain a portfolio with weighted average maturity of 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:

- a. "weighted average maturity" is a measure of the average length of time to maturity of all the securities in the Sub-Fund weighted to reflect the relative holdings in each instrument; and is used to measure the sensitivity of the Sub-Fund to changing money market interest rates; and
- b. "weighted average life" is the weighted average of the remaining life of each security held in Sub-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;

- (3) notwithstanding the above, the aggregate value of the Sub-Fund's holding of instruments and deposits issued by a single entity may not exceed 10% of the Net Asset Value of the Sub-Fund except:
 - a. 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%; or
 - b. in the case of Government and other Public Securities, up to 30% may be invested in the same issue; or
 - c. in respect of any deposit of less than USD1,000,000 or its equivalent in the base currency of the Sub-Fund, where the Sub-Fund cannot otherwise diversify as a result of its size.
- (4) notwithstanding paragraphs (b) and (c) under the section "Investment Restrictions" above, the aggregate value of the Sub-Fund's investments in entities within the same group through instruments and deposits may not exceed 20% of its total Net Asset Value except:
 - a. in respect of any cash deposit of less than USD1,000,000 or its equivalent in the base currency of the Sub-Fund, where the Sub-Fund cannot otherwise diversify as a result of its size; and
 - b. 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%;
- (5) notwithstanding the borrowing limit as set out below, the Sub-Fund may borrow up to 10% of its total Net Asset Value but only on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses;
- (6) the value of the Sub-Fund's holding of investments in the form of asset-backed securities may not exceed 15% of its total Net Asset Value;
- (7) subject to Chapter 7.32 to 7.38 of the Code, the Sub-Fund may engage in sale and repurchase and reverse repurchase transactions in compliance with the following requirements:
 - a. the amount of cash received by the Investment Fund under sale and repurchase transactions may not in aggregate exceed 10% of its total Net Asset Value;
 - b. the aggregate amount of cash provided to the same counterparty in reverse repurchase agreements may not exceed 15% of the Net Asset Value of the Sub-Fund;
 - c. 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
 - d. the holding of collateral, together with other investments of the Sub-Fund, must not contravene the investment limitations and requirements set out under this section "Money Market Funds";

- (8) the Sub-Fund may use FDIs for hedging purposes only;
- (9) the currency risk of the Sub-Fund shall be appropriately managed and any material currency risk that arises from investments that are not denominated in the Base Currency shall be appropriately hedged;
- (10) the Sub-Fund must hold at least 7.5% of its total Net Asset Value in daily liquid assets and at least 15% of its total Net Asset Value in weekly liquid assets.

For the purposes herein:

- a. 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
 - b. 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; and
- (11) a Sub-Fund that offers a stable or constant net asset value or which adopts an amortized cost accounting for valuation of its assets may only be considered by the Commission on a case-by-case basis.

For each Sub-Fund which is authorised by the Commission as a structured fund under Chapter 8.8 of the Code, that is a fund which is passively managed and usually tracks the performance of an index and its net derivative exposure exceeds 50% of its Net Asset Value, the relevant Sub-Fund shall comply with the requirements of Chapter 7 of the Code (subject to the modifications, exemptions or additional requirements as set out in Chapter 8.8 of the Code), including the following investment limitation or criteria (unless otherwise approved by the Commission):

- (1) the Manager and the issuer of FDIs shall be independent of each other;
- (2) the valuation of the FDIs is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager or the Trustee or their nominee(s), agent(s) or delegate(s) independent of the issuer of the FDIs through measures such as the establishment of a valuation committee or engagement of third party services. The FDIs can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the initiative of the relevant Sub-Fund. Further, the calculation agent/fund administrator should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the FDIs on a regular basis;
- (3) notwithstanding requirement to the contrary under “Financial Derivative Instruments” in this section that the net counterparty exposure to a single entity arising from transactions of the over-the-counter FDIs may not exceed 10% of the Net Asset Value of the Sub-Fund, a Sub-Fund which is a structured fund should maintain full collateralisation and there should be no net exposure to any single counterparty of the over-the-counter FDIs;
- (4) the collateral shall meet the requirements set out in “Collateral” under this section; and
- (5) the Manager shall put in place a detailed contingency plan regarding credit events such as significant downgrading of credit rating and the collapse of the issuer of FDIs.

For each Sub-Fund which is authorised by the Commission as a fund that invests extensively in FDIs under Chapter 8.9 of the Code, that is a fund which is actively managed and which seeks to acquire FDIs extensively for investment purposes, the relevant Sub-Fund shall comply with the requirements of Chapter 7 of the Code (subject to the modifications, exemptions or additional requirements as set out in

Chapter 8.9 of the Code), including the following investment limitation or criteria (unless otherwise approved by the Commission):

- (1) notwithstanding the requirement under Chapter 7.26 of the Code, the Sub-Fund may acquire FDIs for investment purposes subject to the limit that the net derivative exposure of the Sub-Fund does not exceed 100% of its Net Asset Value. For the avoidance of doubt, FDIs acquired for hedging purposes will not be counted towards this 100% limit;
- (2) the Sub-Fund shall be subject to the requirements and limitations set out in Chapter 7.28 of the Code; and
- (3) the collateral shall meet the requirements set out under “Collateral” below.

For each Sub-Fund which is authorised by the Commission as a listed open-ended fund (also known as an active ETF) under Chapter 8.10 of the Code, that is a fund which is listed and traded on the SEHK other than passive ETFs and closed-ended funds under Chapters 8.6 and 8.11 of the Code respectively, the relevant Sub-Fund shall comply with the requirements and limitations set out in Chapter 7 of the Code (as summarised in this Schedule 1 and unless otherwise approved by the Commission).

If any of the restrictions or limitations set out above is breached in respect of a Sub-Fund, the Manager will make it a priority objective to take all necessary steps within a reasonable period of time to remedy such breach, taking into account the interests of the Unitholders of that Sub-Fund.

The Trustee will take reasonable care to ensure that the investment and borrowing limitations set out in the constitutive documents and the conditions under which a Sub-Fund was authorised are complied with.

Borrowing Restrictions

Subject to the limits set out in Part 2 of this Prospectus, the Manager may engage in borrowing in order to acquire investments, to redeem Units or to pay expenses relating to a Sub-Fund. The maximum borrowing of a Sub-Fund may not exceed 10% of its total Net Asset Value. For this purpose, back-to-back loans do not count as borrowing. Securities lending transactions and sale and repurchase transactions in compliance with the requirements as set under the section entitled “Securities Financing Transactions” below are also not borrowings for the purpose of, and are not subject to the borrowing restrictions under this section. The assets of the Sub-Fund may be charged, pledged or otherwise encumbered in any manner as security for any such borrowings.

If the investment and borrowing restrictions set out above are breached, the Manager shall as a priority objective take all steps necessary within a reasonable period of time to remedy the situation, having due regard to the interests of Unitholders. 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.

Securities Financing Transactions

Where indicated in the relevant Appendix, a Sub-Fund may enter into securities lending transactions, sale and repurchase transactions and reverse repurchase transactions (“securities financing transactions”), provided that they are in the best interests of the Unitholders, the associated risks have been properly mitigated and addressed, and the counterparties to the securities financing transactions are financial institutions which are subject to ongoing prudential regulation and supervision.

A Sub-Fund which engages in securities financing transactions is subject to the following requirements:

- it shall have at least 100% collateralisation in respect of the securities financing transactions into which it enters to ensure there is no uncollateralised counterparty risk exposure arising from these transactions;
- 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 to the extent permitted by applicable legal and regulatory requirements, shall be returned to the Sub-Fund;
- it shall ensure that it is able to at any time to recall the securities or the full amount of cash / collateral (as the case may be) subject to the securities financing transactions or terminate the securities financing transactions into which it has entered.

Further, details of the arrangements are as follows:

- each counterparty for such transactions will be independent counterparties approved by the Manager with credit rating of BBB- or above (by Moody's or S&P, or any other equivalent ratings by recognised credit rating agencies) or which are corporations licensed by the Commission or are registered institutions with the Hong Kong Monetary Authority;
- the Trustee or the Custodian, upon the instruction of the Manager, will take collateral, which can be cash or non-cash assets fulfilling the requirements under "Collateral" below;
- for sale and repurchase transactions, it is the intention of the Manager to sell the securities for cash equal to the market value of the securities provided to the counterparty, subject to appropriate haircut. Cash obtained in sale and repurchase transactions will be used for meeting redemption requests or defraying operating expenses, but will not be re-invested;
- the maximum and expected level of a Sub-Fund's assets available for these transactions will be as set out in the relevant Appendix; and
- where any securities lending transaction has been arranged through the Trustee or a Connected Person of the Trustee 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.

Financial Derivative Instruments

Subject always to the provisions of the Trust Deed and the Code, the Manager may on behalf of a Sub-Fund enter into any transactions in relation to swaps or other FDI.

Where indicated in the relevant Appendix, a Sub-Fund may acquire FDIs for hedging purpose. The FDIs shall meet all of the following criteria to be considered as being acquired for hedging purposes:

- they are not aimed at generating any investment return;
- they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss or risks arising from the investments being hedged;
- 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
- they exhibit price movements with high negative correlation with the investments being hedged under normal market conditions.

Unless otherwise stated in the relevant Appendix, each Sub-Fund may acquire FDIs for non-hedging

purposes (“investment purposes”), subject to the limit that the Sub-Fund’s net exposure relating to these FDIs (“net derivative exposure”) does not exceed 50% of its total Net Asset Value (unless otherwise approved by the Commission for a Sub-Fund pursuant to Chapter 8 of the Code). For the avoidance of doubt:

- (a) for the purpose of calculating net derivative exposure, the positions of FDIs acquired by a Sub-Fund for investment purposes are converted into the equivalent position in the underlying assets of the FDIs, taking into account the prevailing market value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the position;
- (b) the net derivative exposure should be calculated in accordance with the requirements and guidance issued by the Commission which may be updated from time to time; and
- (c) FDIs acquired for hedging purposes will not be counted towards the 50% limit referred to in this paragraph so long as there is no residual derivative exposure arising from such hedging arrangement.

Subject to the above, a Sub-Fund may invest in FDIs provided that the exposure to the underlying assets of the FDI, 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 the relevant provisions of Chapter 7 of the Code.

The FDIs invested by a Sub-Fund shall be either listed or 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 or 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 over-the-counter FDI transactions or their guarantors are substantial financial institutions or such other entity acceptable to the Commission on a case-by-case basis;
- (c) subject to paragraphs (a) and (b) under the section entitled “Investment Restrictions” above, the net counterparty exposure to a single entity arising from transactions of the over-the-counter FDIs may not exceed 10% of the Net Asset Value of the Sub-Fund. The exposure of the Sub-Fund to a counterparty of over-the-counter FDIs 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 FDIs is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager or the Trustee or their nominee(s), agent(s) or delegate(s) independent of the issuer of the FDIs through measures such as the establishment of a valuation committee or engagement of third party services. The FDIs can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the initiative of the Sub-Fund. Further, the calculation agent/fund administrator should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the FDIs on a regular basis.

A Sub-Fund shall at all times be capable of meeting all its payment and delivery obligations incurred under transactions in FDIs (whether for hedging or for investment purposes). The Manager shall, as part of its risk management process, monitor to ensure that the transactions in FDIs are adequately covered on an ongoing basis. For the purposes herein, assets that are used to cover the Sub-Fund’s payment and delivery obligations incurred under transactions in FDIs should 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. A transaction in FDIs which gives rise to a future commitment or contingent commitment of a Sub-Fund should also be covered as follows:

- in the case of FDI transactions which will, or may at the Sub-Fund's discretion, be cash settled, the Sub-Fund should at all times hold sufficient assets that can be liquidated within a short timeframe to meet the payment obligation; and
- in the case of FDI transactions which will, or may at the counterparty's discretion, require physical delivery of the underlying assets, the Sub-Fund should 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. In case of holding alternative assets as cover, the Sub-Fund should apply safeguard measures such as to apply haircut where appropriate to ensure that such alternative assets held are sufficient to meet its future obligations.

The above policies relating to FDIs apply to financial instruments which embed a financial derivative as well.

Further information relating to the risk management and control policy, procedures and methods employed by the Manager in relation to the Sub-Funds' investment in FDIs are available for inspection free of charge at the offices of the Manager and copies thereof may be obtained from the Manager upon the payment of a reasonable fee.

Collateral

Collateral received from counterparties shall comply with the following requirements:

- Liquidity – collateral must be 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;
- Valuation – collateral should be marked-to-market daily by using independent pricing source;
- Credit quality – asset used as collateral must be of high credit quality and should be replaced immediately as soon as 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;
- Haircut - collateral should be subject to prudent haircut policy which should 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. For the avoidance of doubt the price volatility of the asset used as collateral should be taken into account when devising the haircut policy;
- Diversification – collateral must be appropriately diversified to avoid concentrated exposure to any single entity and/or entities within the same group and a Sub-Fund's exposure to issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in Chapter 7 of the Code;
- Correlation – the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty or the issuer of the FDIs in such a way that it would undermine the effectiveness of the collateral. As such, securities issued by the counterparty or the issuer of the FDIs or any of their related entities should not be used as collateral;
- Management of operational and legal risks – the Manager must have appropriate systems,

operational capabilities and legal expertise for proper collateral management;

- Independent custody – collateral must be held by the Trustee;
- Enforceability – collateral must be readily accessible/enforceable by the Trustee without further recourse to the issuer of the FDIs or the counterparty of the securities financing transactions;
- Cash collateral – any re-investment of collateral received for the account of the Sub-Fund shall be subject to the following requirements:
 - cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds 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, 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. Non-cash collateral received may not be sold, re-invested or pledged;
 - the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in sub-paragraphs (2) and (10) of the section entitled "Other Investment Restrictions" above;
 - cash collateral received is not allowed to be further engaged in any securities financing transactions; and
 - 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;
- Encumbrances - collateral should be free of prior encumbrances; and
- Collateral generally should not include (i) structured products whose payouts rely on embedded FDIs or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitised products; or (iv) unlisted collective investment schemes.

Subject to the requirements above, below is a summary of the collateral policy and criteria adopted by the Manager:

- eligible collateral include cash, cash equivalents, government bonds, supranational bonds, corporate bonds, debt securities, stocks, funds and money market instruments;
- the issuer of collateral must be of high quality including governments, supranationals, government agencies, substantial financial institution, policy banks or government guaranteed entities with an investment grade credit rating. The rating by a recognised credit rating agency shall be taken into account in the credit assessment process. Securities rated with a non-investment grade credit rating is not eligible for collateral purpose. There is no criteria for country of origin of the counterparty;
- no maturity constraints will apply to the collateral received;
- regular stress tests are carried out under normal and exceptional liquidity conditions to enable an adequate assessment of the liquidity risks attached to the collateral;
- the haircut policy takes account of market volatility, the foreign exchange volatility between

collateral asset and underlying agreement, liquidity and credit risk of the collateral assets, and the counterparty's credit risk (for each eligible security type). Haircuts shall be set to cover the maximum expected decline in the market price of the collateral asset (over a conservative liquidation horizon) before a transaction can be closed out. Cash collateral will not be subject to haircut;

- the collateral would be sufficiently diversified in terms of country, markets and issuers with a maximum exposure to a given issuer;
- the collateral received would be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty;
- collateral must be readily enforceable by the Trustee and may be subject to netting or set-off;
- cash collateral will generally not be used for reinvestment purposes unless otherwise determined by the Manager and notified to investors.

Definitions

For the purpose of this Schedule 1 only:

- (a) "short sale" means a sale of securities actively traded on a market where short selling activity is permitted which the vendor neither owns nor has the right to acquire at the time when the sale is agreed upon;
- (b) "option" means a right to buy or sell a security at a future date for a specified price;
- (c) "warrant" means a right to subscribe for securities during a specified period at a specified price;
- (d) "securities" has the meaning given to such term in Part 1, Schedule 1 of the Securities and Futures Ordinance; and
- (e) "embedded financial derivative" means a FDI that is embedded in another security.

SCHEDULE 2 – PROVISIONS RELATING TO THE OFFER, CREATION, REDEMPTION, LISTING AND TRADING OF THE LISTED CLASS OF UNITS

This Schedule 2 contains disclosure relating to the Listed Class of Units only. Unless the context otherwise requires, references to “Units” and “Unitholders” in this Schedule shall be construed to refer to a Listed Class of Units of a Sub-Fund or a Unitholder of such Units. Save for terms defined below, all other terms used in this Schedule shall have the same meanings as assigned to them under the main part of the Prospectus.

1 INVESTING IN THE LISTED CLASS OF UNITS OF A SUB-FUND

There are currently two methods to invest in Listed Class of Units of the Sub-Funds:

1.1 In the Primary Market

- 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.
- Because of the size of the capital investment (i.e. Application Unit size) required either to create or redeem Listed Class of Units through the Participating Dealer in the primary market, this method of investment is more suitable for institutional investors and market professionals.
- Participating Dealers may submit a Creation Application or a Redemption Application to create or redeem Listed Class of Units directly in the relevant Sub-Fund.

Please refer to section “**2. Creation and Redemption of Application Units (Primary Market)**” below for the operational procedures in respect of Creation Applications. Creation and redemption of Listed Class of Units by Participating Dealers will be conducted in accordance with the Trust Deed, the Operating Guidelines and the relevant Participation Agreement.

1.2 In the Secondary Market (SEHK)

- Secondary Market Investors may purchase and sell Listed Class of 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 Listed Class of Units of a Sub-Fund may trade on the SEHK at a premium or discount to the Net Asset Value of the Units of such Sub-Fund.

Please refer to section “**3. Trading of Listed Class of Units on the SEHK (Secondary Market)**” below for further information in respect of buying and selling Units on the SEHK.

2 CREATION AND REDEMPTION OF APPLICATION UNITS (PRIMARY MARKET)

2.1 General

This section provides general information regarding the creation and redemption of Listed Class 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 Listed Class of Units which it creates deposited in any of the counters, all cash creation and redemption for all Listed Class

of Units must be in the Base Currency of such Sub-Fund or any other currency as set out in the relevant Appendix only.

2.2 **Applications by Primary Market Investors**

Primary Market Investors are investors who make a request to a Participating Dealer or a stockbroker (who has opened an account with a Participating Dealer) to effect an Application on their behalf.

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, neither the Trustee nor the Manager 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 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:

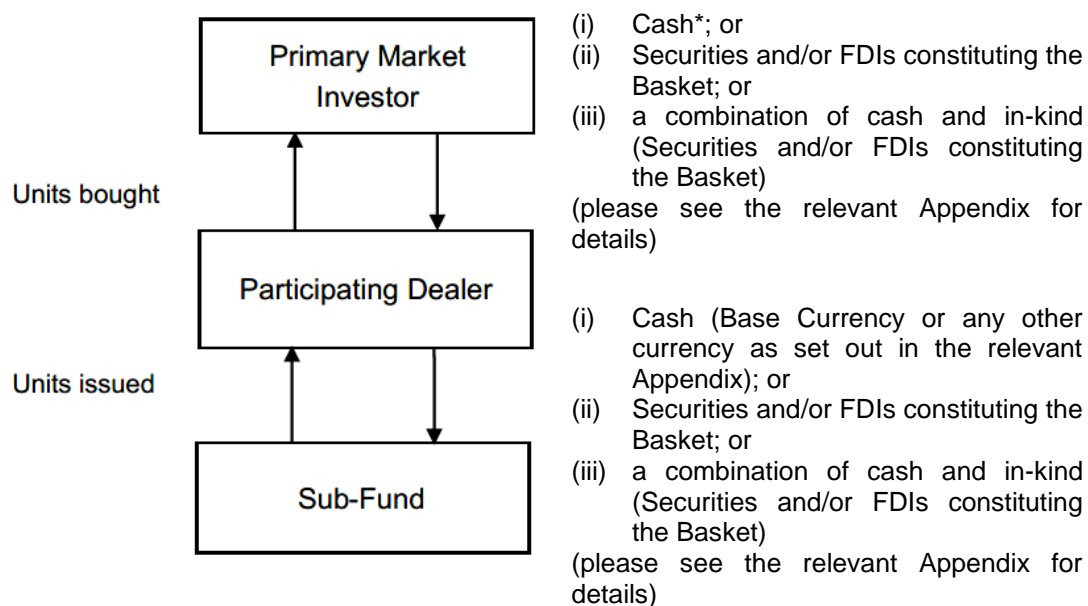
- (a) any period during which (i) the creation or issue of Listed Class of Units of a Sub-Fund, (ii) the redemption of Listed Class of Units of a Sub-Fund, and/or (iii) the determination of Net Asset Value of a Sub-Fund is suspended pursuant to the provisions in the Trust Deed;
- (b) where there is in 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 (i) for an Index Tracking Sub-Fund, any of the Index Securities or FDIs (as the case may be) in the relevant Underlying Index or (ii) for a Non-Index Tracking Sub-Fund, a substantial part of the Securities and/or FDIs comprising the Sub-Fund;
- (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.

Investors should note that the Participating Dealers and the stockbrokers through whom an Application is made for creation or redemption of Listed Class 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 Sub-Funds in this Prospectus. For example, the dealing deadline set by the Participating Dealers or the stockbrokers may be earlier than that set out for a 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

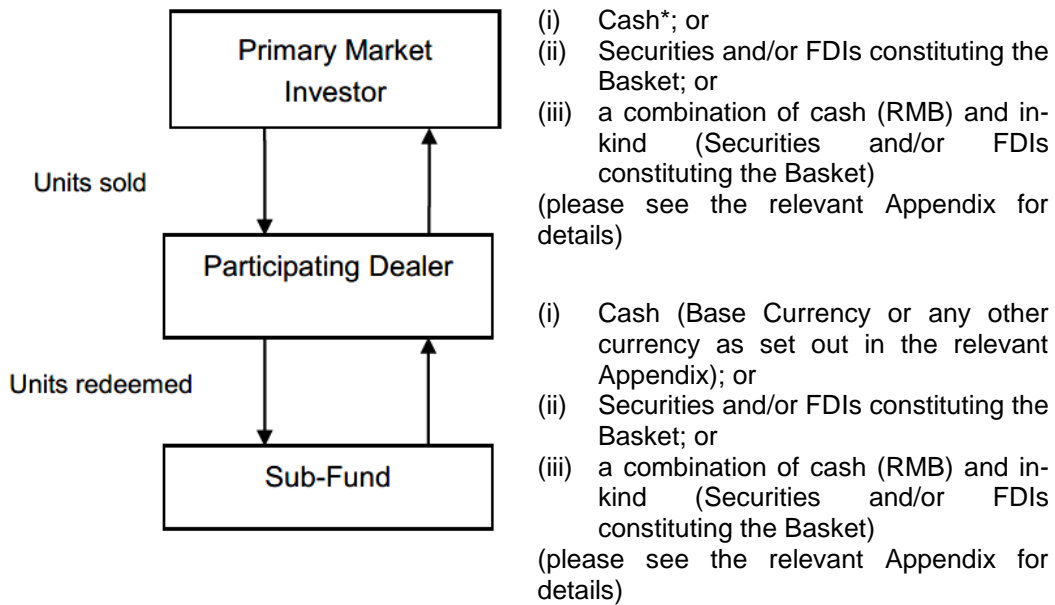
payable in the Base Currency of the relevant Sub-Fund or such other currency as may be determined by the Participating Dealers and stockbrokers. Participating Dealers and stockbrokers may also impose additional terms and restrictions on the holdings of Primary Market Investors and/or may accept or reject 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, neither the Trustee nor the Manager 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 or the Trustee, 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.

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



**Primary Market Investor may agree with the Participating Dealers the currency for settlement.*

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



**Primary Market Investor may agree with the Participating Dealers the currency for settlement.*

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

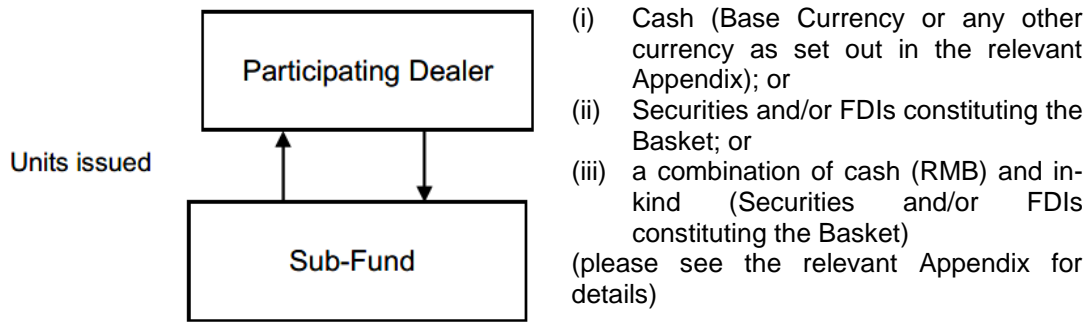
2.3 **Creation Applications by Participating Dealers**

Unless otherwise determined by the Manager, in consultation with the Trustee, a Creation Application shall only be made by a Participating Dealer or PD Agent (as the case may be) in respect of a Dealing Day in accordance with the terms of the Trust Deed and the relevant Participation Agreement either during the Initial Offer Period or on a Dealing Day in respect of Listed Class of Units constituting an Application Unit size or whole multiples thereof. The Application Unit size for a Sub-Fund is set out in Part 2 of this Prospectus.

Additional details on the Initial Offer Period, the Dealing Deadline and other relevant information in respect of Creation Applications for Listed Class of Units in a Sub-Fund are set out in Part 2 of this Prospectus. Any Creation Application received after the Dealing Deadline will be considered as received on the next Dealing Day.

There are currently three methods for creation of Listed Class of Units in respect of a Creation Application made by a Participating Dealer: (i) cash Creation Application ("**Cash Creation**") only; or (ii) in-kind Creation Application by delivering Securities and/or FDIs constituting the Basket ("**In-Kind Creation**") only; or (iii) a combination of Cash Creation and In-Kind Creation ("**Hybrid Creation**"). The method(s) for creation of Listed Class of Units adopted by the current Sub-Funds are set out in the Appendix of the relevant Sub-Fund.

The following illustrates the process of the creation and issue of Listed Class of Units in the case of Participating Dealers.



2.3.1 **Procedures for Creation of Listed Class of Units**

General

A Creation Application once given cannot be revoked or withdrawn without the consent of the Manager.

To be effective, a Creation Application must comply with the requirements in respect of creation of Listed Class of Units set out in the Trust Deed, the Operating Guidelines and the relevant Participation Agreement and be accompanied by such certifications and legal opinions as the Trustee and/or the Manager may in their absolute discretion require.

Methods of creation of Listed Class of Units

Pursuant to a valid Creation Application being accepted by the Manager, the Manager and/or any person duly appointed by the Manager for such purpose shall have the exclusive right to instruct the Trustee to create for the account of the Trust, Listed Class of Units in a class 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, of:

- (a) where Cash Creation only is adopted, a cash payment equivalent to the relevant Application Basket Value (which shall be accounted for as Deposited Property), which the Manager shall use (i) to purchase the Securities and/or FDIs constituting the Basket(s), (ii) to hold for the Sub-Fund in connection with, or apply towards, any adjustment in the Sub-Fund's entitlement and liability under a swap or otherwise (iii) to apply such cash for entry into such contractual agreements (being FDIs or otherwise being in the nature of investments by the Sub-Fund) as the Manager considers appropriate, and the Manager shall be entitled in its absolute discretion to charge (for the account of the relevant Sub-Fund) to each Participating Dealer an additional sum which represents the appropriate provision for 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 purchase (or estimated to be applicable to the future purchase) of the relevant Securities and/or FDIs; or
- (b) where In-Kind Creation only is adopted, Securities and/or FDIs constituting the Basket(s) for the Listed Class of Units of the relevant Sub-Fund to be issued and a cash amount equivalent to any Duties and Charges payable; or
- (c) where Hybrid Creation is adopted, a cash payment equivalent to the value of relevant Securities and/or FDIs constituting the Basket(s), together with the remaining Securities and/or FDIs constituting the Basket(s) for the Listed Class of Units of the relevant Sub-Fund to be issued, and a cash amount equivalent to any Duties and Charges payable.

plus,

- (d) if the Cash Component is a positive value, a cash payment equivalent to the amount of the relevant Cash Component; if the Cash Component is a negative value, the Trustee shall be

required to make a cash payment equivalent to the amount of the Cash Component (expressed as a positive figure) to the relevant Participating Dealer. If the relevant Sub-Fund has insufficient cash required to pay any Cash Component payable by the relevant Sub-Fund, the Manager may instruct the Trustee to sell the Deposited Property of the relevant Sub-Fund, or to borrow moneys to provide the cash required.

Payment Terms in respect of Cash Creation only

Where Cash Creation 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 a Cash Creation 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 a Cash Creation, the Manager reserves the right to require the Participating Dealer to pay an additional sum representing the Duties and Charges for the purpose of compensating or reimbursing the Trust for the difference between:

- (a) the prices used when valuing the relevant Securities and/or FDIs (as the case may be) of the Trust in respect of the relevant Sub-Fund for the purpose of such issue of Listed Class of Units; and
- (b) the prices which would be used when acquiring the same Securities and/or FDIs (as the case may be) if they were acquired by the Trust in respect of the relevant Sub-Fund with the amount of cash received by the Trust in respect of the relevant Sub-Fund upon such issue of Listed Class of Units.

The Participating Dealer may pass on to the relevant investor such additional sum.

Base Currency and Issuance of Listed Class of Units

Units are denominated in the Base Currency of the relevant Sub-Fund (unless otherwise determined by the Manager) and no fractions of a Unit in respect of the Listed Class of Units shall be created or issued by the Trustee. Once Listed Class of Units are created, the Manager shall instruct the Trustee to issue, for the account of the relevant Sub-Fund, the Listed Class of Units to the relevant Participating Dealer. The Base Currency of each Sub-Fund is specified in Part 2 of this Prospectus.

2.3.2 Issue Price

The Issue Price of Listed Class of Units of a Sub-Fund is set out in Part 2 of this Prospectus. 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 Listed Class of Units shall not be added to the Issue Price of such Listed Class of Units and shall not be paid by the Trust.

2.3.3 Creation and Issue of Listed Class of Units

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 Listed Class of Units pursuant to that Creation Application shall be effected on that Dealing Day, but:

- (a) for valuation purposes only, Listed Class of Units shall be deemed to be created and issued after the Valuation Point on the relevant Valuation Day relating to that Dealing Day; and
- (b) the Register shall be updated after the Valuation Point for the Valuation Day relating to the Dealing Day on which the Creation Application is deemed to be accepted provided that the Trustee shall be entitled to refuse to enter (or allow to be entered) Listed Class of Units in the Register if at any time the Trustee is of the opinion that the issue of Listed Class of Units does not comply with the provisions of the Trust Deed.

2.3.4 Fees relating to Creation Applications

In respect of each Creation Application, the Manager shall be entitled to charge certain fees and charges and the Trustee and/or the Service Agent or the Conversion Agent (as the case may be) shall be entitled to charge a Transaction Fee, details of which are set out in Part 2 of this Prospectus, which shall be paid by or on behalf of the relevant Participating Dealer and may be set off and deducted against any Cash Component due to the relevant Participating Dealer in respect of such Creation Application.

Where In-Kind Creation or Hybrid Creation is adopted, a corporate action fee is also payable to HKSCC in respect of a Creation Application where a Conversion Agent is appointed for such Sub-Fund.

2.3.5 Rejection of Creation Applications

The Manager, acting reasonably and in good faith, has the absolute right to reject a Creation Application, including but not limited to when:

- (a) any period during which (i) the creation or issue of Listed Class of Units of the relevant Sub-Fund, (ii) the redemption of Listed Class of Units of the relevant Sub-Fund, and/or (iii) determination of the Net Asset Value of the relevant Sub-Fund has been suspended pursuant to the provisions in the Trust Deed;
- (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) 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 Tracking Sub-Fund, any of the Index Securities or FDIs (as the case may be) in the relevant Underlying Index or (ii) for a Non-Index Tracking Sub-Fund, a substantial part of the Securities and/or FDIs of the Sub-Fund;
- (d) acceptance of the Creation Application would render the Manager in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Manager and/or any of its Connected Persons;
- (e) 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);
- (f) the Creation Application is not submitted in the form and manner set out in the provisions of the Trust Deed;
- (g) an Insolvency Event occurs in respect of the relevant Participating Dealer; or

- (h) there are insufficient Securities and/or FDIs available to the Manager and/or the Trust to constitute the Basket(s) in respect of a Creation Application,

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 Part 2 of this Prospectus.

In the event of such rejection, the Manager shall notify the relevant Participating Dealer, the Conversion Agent (where applicable) and the Trustee of its decision to reject such Creation Application in accordance with 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.

2.3.6 ***Cancellation of Creation Applications***

The Trustee may, on the instruction of the Manager, cancel any Creation Application and any Listed Class of Units deemed created and issued in respect of such Creation Application under the following circumstances:

- (a) where a Cash Creation is adopted, any cash payment for exchange of Listed Class of Units, the Cash Component (if applicable) and/or any Duties and Charges and other fees and charges payable in respect of a Creation Application must be received in cleared funds by such times and in such manner as prescribed in the relevant Participation Agreements and if the cleared funds have not been received by or on behalf of the Trustee as aforementioned the Trustee may, on the instruction of the Manager, cancel the Creation Application, and any Listed Class of Units deemed created and issued in respect of such Creation Application. In addition to the preceding circumstances, the Trustee may also, on the instruction of the Manager, cancel any Creation Application and any Listed Class of Units deemed created and issued in respect of such Creation Application if it determines by such time specified in the Operating Guidelines that it is unable to invest the cash proceeds of any Creation Application.
- (b) where an In-Kind Creation is adopted -
 - (i) if the title to any of the Securities and/or FDIs constituting the Basket deposited for exchange of Listed Class of Units has not been fully vested upon trust in the Trustee or to the Trustee's satisfaction, or evidence of title and instruments of transfer satisfactory to the Trustee have not been produced to or to the order of the Trustee by such times and in such manner as prescribed in the relevant Participation Agreements (or such later time and/or date determined by the Manager); or
 - (ii) the full amount of any Duties and Charges payable in respect of the Creation Application have not been received in cleared funds by or on behalf of the Trustee by such times and in such manner as prescribed in the relevant Participation Agreements (or such later time and/or date determined by the Manager).
- (c) where a Hybrid Creation is adopted, the Creation Application will be cancelled under the circumstances stated in (a) and/or (b).

Upon the cancellation of any Creation Application and any Listed Class of 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 Listed Class of 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 and/or the Service Agent or the Conversion Agent (as the case may be) in respect of such cancellation provided that:

- (a) any Securities and/or FDIs constituting the Basket(s) deposited for exchange fully vested in the Trustee and/or any cash received by or on behalf of the Trustee in respect of such cancelled Listed Class of Units shall be redelivered to the Participating Dealer without interest;
- (b) the Manager shall be entitled to charge the Participating Dealer for the account and benefit of the Trustee an Application Cancellation Fee and any other fees and charges as set out in the Operating Guidelines;
- (c) 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 Listed Class of Units 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 Listed Class of Units are cancelled, made a Redemption Application;
- (d) the Trustee shall be entitled to charge the Participating Dealer the Transaction Fee payable in respect of the Creation Application for the account and benefit of the Trustee;
- (e) 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
- (f) no previous valuations of the assets in respect of a Sub-Fund shall be reopened or invalidated as a result of the cancellation of such Listed Class of Units.

2.4 **Redemption Applications by Participating Dealers**

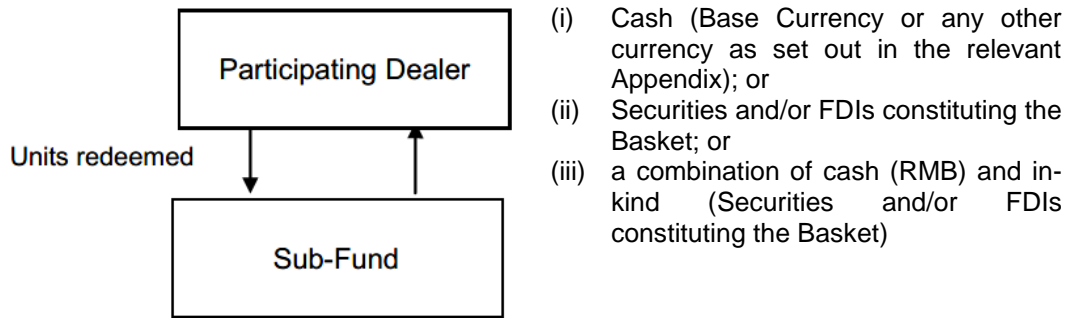
Unless otherwise determined by the Manager, in consultation with the Trustee, a Redemption Application shall only be made by a Participating Dealer or PD Agent (as the case may be) in respect of a Dealing Day in accordance with the terms of the Trust Deed and the relevant Participation Agreement on a Dealing Day in respect of Listed Class of Units constituting an Application Unit size or whole multiples thereof.

Additional details on the Dealing Deadline and other relevant information in respect of Redemption Applications for Listed Class of Units in a Sub-Fund are set out in Part 2 of this Prospectus.

Any Redemption Application received after the Dealing Deadline will be considered as received on the next Dealing Day.

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 Listed Class of Units by instructing the Trustee to transfer to the Participating Dealer, (i) cash (“**Cash Redemption**”) only; or (ii) Securities and/or FDIs constituting the Basket (“**In-Kind Redemption**”) only; or a combination of cash and in-kind (Securities and/or FDIs constituting the Basket) (“**Hybrid Redemption**”) each in accordance with the Trust Deed and the relevant Participation Agreements and Operating Guidelines. The redemption method(s) adopted by the current Sub-Funds are as set out in the Appendix of the relevant Sub-Fund.

The following illustrates the process of redemption of Listed Class of Units in the case of Participating Dealers.



2.4.1 ***Procedures for Redemption of Listed Class of Units***

General

A Redemption Application once given cannot be revoked or withdrawn without the consent of the Manager.

To be effective, a Redemption Application must comply with the requirements in respect of redemption of Listed Class of Units set out in the Trust Deed, the Operating Guidelines and the relevant Participation Agreement and be accompanied by such certifications and legal opinions as the Trustee and/or the Manager may require.

Methods of payment of redemption proceeds

Pursuant to a valid Redemption Application accepted by the Manager, the Manager shall instruct the Trustee to cancel the relevant Listed Class of Units on the Settlement Day in accordance with the Trust Deed and the relevant Participation Agreements and Operating Guidelines and to transfer to the Participating Dealer:

- (a) where Cash Redemption only is adopted, the redemption proceeds in cash provided that the Manager shall be entitled in its absolute discretion to charge (for the account of the Sub-Fund) to each Participating Dealer an additional sum which represents the appropriate provision for 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 Securities and/or FDIs),
- (b) where In-Kind Redemption only is adopted, the relevant Securities and/or FDIs constituting the Basket(s) (as the Manager considers appropriate) in respect of such Listed Class of Units;
- (c) where Hybrid Redemption is adopted, the redemption proceeds in cash provided that the Manager shall be entitled in its absolute discretion to charge (for the account of the Sub-Fund) to each Participating Dealer an additional sum which represents the appropriate provision for 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 Securities and/or FDIs) and the relevant Securities and/or FDIs constituting the Basket(s) (as the Manager considers appropriate) in respect of such Listed Class of Units,

plus,

- (d) where the Cash Component is a positive value, a cash payment equivalent to the amount of the Cash Component. If the relevant Sub-Fund has insufficient cash to pay any Cash Component payable by the Sub-Fund, the Manager may instruct the Trustee to sell the Deposited Property of the relevant Sub-Fund, or to borrow moneys, to provide the cash required. If the Cash Component is a negative value, the Participating Dealer shall be required to make a cash payment equivalent to the amount of the Cash Component (expressed as a positive figure) to or to the order of the Trustee.

Payment Terms in respect of Cash Redemption only

Where Cash Redemption only 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) or any other currency as set out in the relevant Appendix. Notwithstanding the Dual Counter or Multi-Counter, any cash proceeds received by Participating Dealers in a Cash Redemption shall be paid only in the Base Currency of the relevant Sub-Fund or any other currency as set out in the relevant Appendix. All Listed Class of 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 Listed Class of Units regardless of their trading currency.

In relation to a Cash Redemption, the Manager reserves the right to require the Participating Dealer to pay an additional sum representing Duties and Charges for the purpose of compensating or reimbursing the Trust for the difference between:

- (a) the prices used when valuing the relevant Securities and/or FDIs of the Trust in respect of the relevant Sub-Fund for the purpose of such redemption of Listed Class of Units; and
- (b) the prices which would be used when selling the same Securities and/or FDIs if they were sold by the Trust in respect of the relevant Sub-Fund in order to realise the amount of cash required to be paid out of the Trust in respect of the relevant Sub-Fund upon such redemption of Listed Class of Units.

The Participating Dealer may pass on to the relevant investor such additional sum.

Payment Terms in respect of In-Kind Redemption or Hybrid Redemption

Where a Sub-Fund adopts In-Kind Redemption or Hybrid Redemption, the Manager has the right to instruct the Trustee to deliver cash equivalent of any Securities and/or FDIs constituting the Basket in connection with the Redemption Application to the Participating Dealer if the Manager determines in its absolute discretion that (a) such Securities and/or FDIs is likely to be unavailable for delivery or available in insufficient quantity for delivery in connection with the Redemption Application; or (b) if it is in the interests of the relevant Sub-Fund to do so; or (c) any other circumstances or reasons exist which, in the view of the Manager, makes it appropriate to pay out cash either generally or in any particular case, provided that the Manager shall be entitled in its absolute discretion to charge (for the account of the relevant Sub-Fund) to the Participating Dealer realising any Units for which cash is paid in lieu of delivering the relevant Securities and/or FDIs an additional sum which represents the appropriate provision for Duties and Charges of the relevant Securities and/or FDIs. Notwithstanding the Dual Counter or Multi-Counter, any cash proceeds received by Participating Dealers in the in-cash component in a Hybrid Redemption shall be paid only in RMB. All Listed Class of Units regardless of their trading currency may be redeemed by way of a Redemption Application (through a Participating Dealer). The process of redemption of Listed Class of Units is the same for all counters.

2.4.2 **Redemption Price**

The Redemption Price of Listed Class of Units of a Sub-Fund is set out in Part 2 of this Prospectus. For the avoidance of doubt, the Redemption Price does not take into account Duties and Charges or fees payable by the Participating Dealers.

2.4.3 **Payment of Redemption Proceeds**

The maximum interval between (i) the receipt of a properly documented Redemption Application and (ii) payment of redemption proceeds (in cash in the Base Currency of the relevant Sub-Fund or any other currency as set out in the relevant Appendix and/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 relevant Sub-Fund is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of the redemption proceeds 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, payment of redemption proceeds in cash will normally be made within 3 Business Days of the relevant Dealing Day.

2.4.4 **Rejection of Redemption Applications**

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 Listed Class of Units of the relevant Sub-Fund, (ii) the redemption of Listed Class of Units of the relevant Sub-Fund, and/or (iii) the determination of Net Asset Value of the relevant Sub-Fund has been suspended pursuant to the provisions of the Trust Deed;
- (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) 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 Tracking Sub-Fund, any of the Index Securities or FDIs (as the case may be) in the relevant Underlying Index or (ii) for a Non-Index Tracking Sub-Fund, a substantial part of the Securities and/or FDIs of the Sub-Fund;
- (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 and/or any of its Connected Persons;
- (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); or
- (f) the Redemption Application is not submitted in the form and manner set out in the provisions of the Trust Deed,

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 Redemption Applications in such other circumstances as set out in Part 2 of this Prospectus.

In the event of such rejection, the Manager shall notify the relevant Participating Dealer and the Trustee of its decision to reject such Redemption Application in accordance with 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.

2.4.5 *Deferral of Redemption Applications*

In addition, the Manager is entitled to 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 then in issue (rounded down to the extent required to ensure that Units may only be redeemed in multiples of Application Units). In this event, the limitation will apply pro rata (and not on a first in-first out basis) so that Unitholders of the relevant Sub-Fund who have validly requested to redeem such Units of the same Sub-Fund on that Dealing Day will redeem the same proportion of such Units of that Sub-Fund. Any such Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, and will have priority on the next succeeding 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.

2.4.6 *Fees relating to Redemption of Listed Class of Units*

In respect of each Redemption Application, the Manager shall be entitled to charge certain fees and charges and the Trustee and/or the Service Agent or the Conversion Agent (as the case may be) shall be entitled to charge a Transaction Fee, details of which are set out in Part 2 of this Prospectus, which shall be paid by or on behalf of the relevant Participating Dealer and may be set off and deducted against any Cash Component or cash redemption proceeds due to the relevant Participating Dealer in respect of such Redemption Application.

Where In-Kind Redemption or Hybrid 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 Manager shall also be entitled to deduct from and set off against any cash redemption proceeds or Cash Component payable to a Participating Dealer on the redemption of Listed Class of Units a sum (if any) which represents the appropriate provision for Duties and Charges, the Transaction Fee (for the account and benefit of the Trustee) and any other fees, charges and payments payable by the Participating Dealer.

The Conversion Agent may charge a Unit Cancellation Fee in connection with each Redemption Application.

2.4.7 *Cancellation of Listed Class of Units pursuant to Redemption Application*

Upon redemption of Listed Class of Units pursuant to a valid Redemption Application,

- (a) the funds of the relevant Sub-Fund shall be deemed to be reduced by the cancellation of such Listed Class of Units and, for valuation purposes, such Listed Class of Units shall be deemed to have been redeemed and cancelled after the Valuation Point for the Valuation

Day relating to the Dealing Day on which the Redemption Application is or is deemed to be received; and

- (b) the name of the Unitholder of such Listed Class of Units shall be removed from the Register after the Valuation Point for the Valuation Day relating to the Dealing Day on which the Redemption Application is deemed to be accepted.

2.4.8 ***Cancellation of Redemption Applications***

In respect of a Redemption Application, unless the requisite documents in respect of the relevant Listed Class of 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 Trustee) 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 Trustee 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 in respect of a Listed Class of Units, being the amount (if any) by which the Redemption Price of each such Unit is less than the Issue Price which would have applied in relation to each such Unit if a Participating Dealer had, on the final day permitted for delivery of the requisite documents in respect of the relevant 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).

2.5 ***Switching***

Investors should note that switching between Unlisted Class of Units and Listed Class of Units on the secondary market is not available. Participating Dealers who wish to switch between Listed Class of Units and Unlisted Class of Units should do so in accordance with the procedures as agreed with the Manager and the Trustee.

2.6 ***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 of Listed Class of Units of a Sub-Fund, suspend the redemption of Listed Class of Units of a Sub-Fund and/or delay the payment of any monies in respect of any Redemption Application in the following circumstances:

- (a) during any period when trading on the SEHK is restricted or suspended;
- (b) during any period when a market on which (i) for an Index Tracking Sub-Fund, an Index Security or FDIs (as the case may be) has its primary listing, or (ii) for a Non-Index Tracking Sub-Fund, a substantial part of the Securities and/or FDIs of such Sub-Fund, has its primary listing, or the official clearing and settlement depository (if any) of such market, is closed;

- (c) during any period when dealing on a market on which (i) for an Index Tracking Sub-Fund, an Index Security or FDIs (as the case may be) has its primary listing, or (ii) for a Non-Index Tracking Sub-Fund, a substantial part of the Securities and/or FDIs of such Sub-Fund has its primary listing, is restricted or suspended;
- (d) during any period when, in the opinion of the Manager, settlement or clearing of (i) (for an Index Tracking Sub-Fund) Index Securities or FDIs (as the case may be) or (ii) (for a Non-Index Tracking Sub-Fund) Securities and/or FDIs comprising the Sub-Fund in the official clearing and settlement depository (if any) of such market is disrupted;
- (e) during any period when the determination of the Net Asset Value of the relevant Sub-Fund is suspended or if any circumstance specified in section “**8.2 Suspension of Determination of Net Asset Value**” arises;
- (f) in the case of a Sub-Fund authorised by the Commission as a feeder fund and investing into a master fund –
 - (i) during any period when a market on which the master fund has its primary listing, or the official clearing and settlement depository (if any) of such market, is closed;
 - (ii) during any period when dealing on a market on which the master fund has its primary listing is restricted or suspended;
 - (iii) during any period when trading of the master fund on the relevant market is restricted or suspended; or
 - (iv) during any period when the determination of the net asset value of the master fund is suspended; or
- (g) during any period when the swap (if any) entered into on behalf of the relevant Sub-Fund cannot be adjusted or reset for any reason.

Upon declaration of the suspension by the Manager, the suspension shall take effect. During the suspension,

- (a) 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;
- (b) no Listed Class of Units shall be created and issued or redeemed for the account of the relevant Sub-Fund.

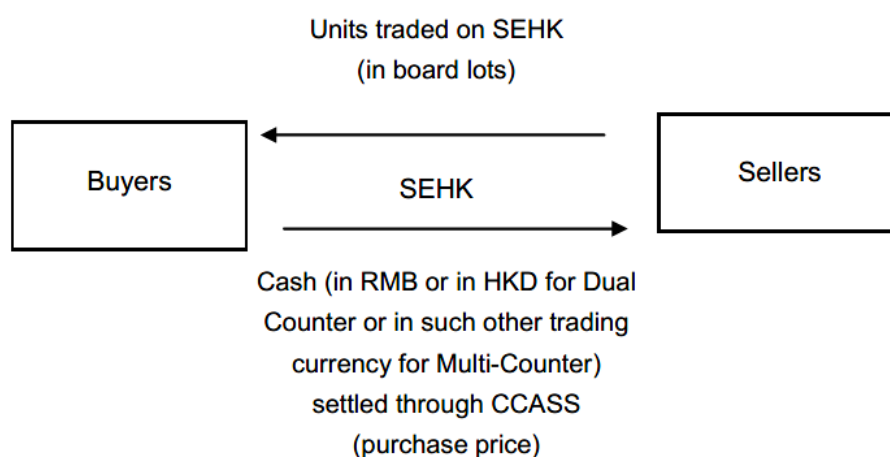
The Manager shall notify the Commission if dealing in Listed Class of Units is suspended and publish a notice of suspension immediately following such suspension and, at least once a month during the period of suspension, on its website at www.csopasset.com/etf¹ or in such publications as the Manager decides.

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 accordingly. If the Manager has not received any such notification of withdrawal of such Application before termination of such suspension, the Trustee shall, subject to and in accordance with the provisions of the Trust Deed, create and issue Listed Class of Units or redeem Listed Class of Units in respect of such Application and such Application shall be deemed to be received immediately following the termination of such suspension.

The suspension shall terminate (i) when the Manager, after consultation with the Trustee, having regard to the best interests of the Unitholders, 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 exists.

3 **TRADING OF LISTED CLASS OF UNITS ON THE SEHK (SECONDARY MARKET)**

A Secondary Market Investor can buy or sell the Listed Class of Units of a Sub-Fund through his stockbroker on the SEHK on or after the Listing Date of that Sub-Fund. The diagram below illustrates the trading of Listed Class of Units on the SEHK:



No money should be paid to any intermediary in Hong Kong which is not licensed for Type 1 regulated activity under Part V of the Securities and Futures Ordinance.

Secondary Market Investors may place an order with a broker to sell their Listed Class of Units on the SEHK at any time during the trading day. To sell Listed Class of Units – or to buy new ones – such 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.

The trading price of Listed Class of Units of a Sub-Fund on the SEHK may differ from the Net Asset Value per Listed Class of Units of that Sub-Fund and there can be no assurance that a liquid secondary market will exist for the Units.

Brokerage, stamp duty and other fees may be payable when selling (and purchasing) Listed Class of Units. Please refer to Part 2 of this Prospectus for details of the applicable brokerage, stamp duty and other fees.

There can be no guarantee that once the Listed Class of Units of a Sub-Fund are listed on the SEHK they will remain listed.

SCHEDULE 3 – PROVISIONS RELATING TO THE OFFER, SUBSCRIPTION, CONVERSION AND REDEMPTION OF THE UNLISTED CLASS OF UNITS

This Schedule 3 contains disclosure relating to the Unlisted Class of Units only. Unless the context otherwise requires, references to “Units” and “Unitholders” in this Schedule shall be construed to refer to an Unlisted Class of Units of a Sub-Fund or an Unitholder of such Units. Save for terms defined below, all other terms used in this Schedule shall have the same meanings as assigned to them under the main part of the Prospectus.

1 SUBSCRIPTION OF UNLISTED CLASS OF UNITS

1.1. Initial Issue of Unlisted Class of Units

During an Initial Offer Period, Unlisted Class of Units in a Sub-Fund will be offered to investors at an initial Subscription Price of a fixed price per Unit as specified in Part 2 of this Prospectus.

Where specified in the relevant Appendix in Part 2 of this Prospectus, in the event that the total amount received by the Trustee from the subscription of the Unlisted Class of Units reaches a maximum amount for aggregate subscriptions (as specified in the relevant Appendix) at any time during an Initial Offer Period, the Manager is entitled (but not obliged) to close the relevant Unlisted Class of Units to further subscriptions before the end of the relevant Initial Offer Period.

Where specified in the relevant Appendix in Part 2 of this Prospectus, the Manager may decide not to issue the relevant Unlisted Class of Units in the event that less than a minimum amount for aggregate subscriptions (as specified in the relevant Appendix) is raised during the relevant Initial Offer Period or if the Manager is of the opinion that it is not commercially viable to proceed. In such event subscription monies paid by an applicant will be returned by cheque by post or by telegraphic transfer or such other means as the Manager and the Trustee consider appropriate at the applicant's risk (without interest and net of expenses) promptly after the expiry of the Initial Offer Period.

Unlisted Class of Units will be issued immediately following the close of the Initial Offer Period or such other Business Day as the Manager may determine. Dealing in Units of the Unlisted Class of Units will commence on the Dealing Day immediately following the closure of the relevant Initial Offer Period.

1.2. Subsequent Issue of Unlisted Class of Units

Following the close of the relevant Initial Offer Period, Unlisted Class of Units will be available for issue on each Dealing Day at the relevant Subscription Price.

The Subscription Price on any Dealing Day will be the price per Unlisted Class of Units ascertained by dividing the Net Asset Value of the relevant class of the Sub-Fund as at the Valuation Point in respect of the relevant Dealing Day by the number of Units of such class of that Sub-Fund then in issue and rounded to 4 decimal places (0.00005 or above being rounded up, and less than 0.00005 being rounded down) or in such manner and to such other number of decimal places as may from time to time be determined by the Manager. Any rounding adjustment will be retained by the relevant class. The Subscription Price will be calculated and quoted in the relevant class currency of the relevant Unlisted Class of Units.

The Manager is entitled to impose a Subscription Fee on the subscription monies for the application for the issue of Unlisted Class of Units. Different levels of Subscription Fee may be imposed, in relation to the issue of such Unlisted Class of Units of different Sub-Funds and also in relation to different classes of Unlisted Class of Units of a Sub-Fund. The Manager may retain the benefit of such Subscription Fee or may pay all or part of the Subscription Fee (and any other fees received) to recognised intermediaries or such other persons as the Manager may at its

absolute discretion determine. Details of the Subscription Fee are set out in the section “**10. Fees and Charges**”.

In determining the Subscription Price, the Manager is entitled to add an amount it considers represents an appropriate allowance for (a) estimated bid/offer spread of the investments of the relevant Sub-Fund, (b) fiscal and purchase charges, including stamp duty, other taxes, brokerage, bank charges, transfer fees and registration fees, or (c) charges which are customarily incurred in investing a sum equal to the application monies and issuing the relevant Unlisted Class of Units or the remittance of money to the Trustee.

1.3. **Application Procedure**

To subscribe for Unlisted Class of Units, an applicant should complete a subscription application form (a “Subscription Form”) and return the original Subscription Form, together with the required supporting documents, to the Trustee/Registrar by post to its business address or, if the applicant has provided to the Trustee/Registrar with an original fax indemnity in the Subscription Form, by fax to the Trustee/Registrar. The Manager may, in its absolute discretion, accept any applications for subscription made by other written or electronic forms in addition to post and fax.

Applications for Unlisted Class of Units during the relevant Initial Offer Period must be received by the Trustee/Registrar no later than 5:00 pm (Hong Kong time) on the last day of the relevant Initial Offer Period. After the Initial Offer Period, applications must be received by the Trustee/Registrar by the relevant Dealing Deadline. Application requests submitted after the applicable Dealing Deadline in respect of any Dealing Day will be dealt with on the next Dealing Day.

Each applicant whose application is accepted will be sent a contract note confirming details of the purchase of Unlisted Class of Units but no certificates will be issued.

Applicants may apply for Unlisted Class of Units through a distributor appointed by the Manager. Distributors may have different dealing procedures, including earlier cut-off times for receipt of applications and/or cleared funds. Applicants who intend to apply for Unlisted Class of Units through a distributor should therefore consult the distributor for details of the relevant dealing procedures.

Where an applicant applies for Unlisted Class of Units through a distributor, the Manager and the Trustee will treat the distributor (or its nominee) as the applicant. The distributor (or its nominee) will be registered as Unitholder of the relevant Unlisted Class of Units. The Manager and the Trustee will treat the distributor (or its nominee) as the Unitholder and shall not be responsible for any arrangements between the relevant applicant and the distributor regarding the subscription, holding and redemption of Unlisted Class of Units and any related matters, as well as any costs or losses that may arise therefrom. The Manager will, however, take all reasonable care in the selection and appointment of distributors.

No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry on Type 1 (dealing in securities) regulated activity under Part V of the Securities and Futures Ordinance.

The Manager may, at its discretion, reject in whole or in part any application for Unlisted Class of Units. In the event that an application is rejected, application monies will be returned without interest and net of expenses by cheque through the post or by telegraphic transfer or by such other means as the Trustee considers appropriate at the risk of the applicant.

No applications for Unlisted Class of Units will be dealt with during any periods in which the determination of the Net Asset Value of the relevant Sub-Fund is suspended (Please see section “**8.2 Suspension of Determination of Net Asset Value**” for further details).

1.4. **Payment Procedure**

Subscription monies should be paid in the class currency of the relevant class of Unlisted Class of Units. Subscription monies in cleared funds should be received within 3 Business Days following (i) the relevant Dealing Day on which an application was received by the Dealing Deadline or (ii) in the case of applications for Unlisted Class of Units during the Initial Offer Period, the last day of the relevant Initial Offer Period, or such other period as determined by the Manager. Payment details are set out in the Subscription Form.

Subscription monies paid by any person other than the applicant will not be accepted.

The Manager may exercise its discretion to accept late payment of subscription monies, provisionally allot Unlisted Class of Units by reference to the Net Asset Value of the relevant class of Units in the relevant Sub-Fund and charge interest on such overdue monies until payment is received in full, at such rate as the Manager thinks appropriate. However, if payment of subscription monies in cleared funds are not made within such period as determined by the Manager, the application may, at the discretion of the Manager, be considered void and cancelled. Upon such cancellation, the relevant Unlisted Class of Units shall be deemed never to have been issued and the applicant shall have no right to claim against the Manager, the Trustee or the Registrar and any loss will be borne by the applicant, provided that: (i) no previous valuations of the relevant Sub-Fund shall be re-opened or invalidated as a result of the cancellation of such Units; (ii) the Manager may require the applicant to pay, for the account of the relevant Sub-Fund, in respect of each such Unit cancelled, the amount (if any) by which the Subscription Price on the relevant Dealing Day exceeds the applicable Redemption Price on the date of cancellation; and (iii) the Trustee shall be entitled to charge the applicant a cancellation fee for the administrative costs involved in processing the application and subsequent cancellation.

Payment in other freely convertible currencies may be accepted. Where amounts are received in a currency other than the relevant class currency, they will be converted into the relevant class currency and the proceeds of conversion (after deducting the costs of such conversions) will be applied in the subscription of Unlisted Class of Units in the relevant class of the relevant Sub-Fund. Conversion of currencies may involve delay. Bank charges (if any) incurred in converting the subscription monies shall be borne by the relevant applicant and accordingly will be deducted from the subscription proceeds.

1.5. **General**

All holdings of Unlisted Class of Units will be in registered form and certificates will not be issued. Evidence of title of Unlisted Class of Units will be the entry on the register of Unitholders in respect of each Sub-Fund. Unitholders should therefore be aware of the importance of ensuring that the Registrar is informed of any change to the registered details. Fractions of a Unit may be issued rounded to the nearest 4 decimal places. Subscription monies representing smaller fractions of a Unit will be retained by the relevant Sub-Fund. A maximum of 4 persons may be registered as joint Unitholders.

2 **REDEMPTION OF UNLISTED CLASS OF UNITS**

2.1 **Redemption Procedure**

Unitholders of Unlisted Class of Units who wish to redeem their Units in a Sub-Fund may do so on any Dealing Day by submitting a redemption request to the Trustee/Registrar.

Any redemption request must be received by the Trustee/Registrar before the Dealing Deadline. Investors redeeming Unlisted Class of Units through a distributor (or its nominee) should submit their redemption requests to the distributor (or its nominee) in such manner as directed by the distributor (or its nominee). Distributors (or their nominees) may have different dealing procedures, including earlier cut-off times for receipt of redemption requests. Where an investor holds its investment in Unlisted Class of Units through a distributor (or its nominee), the investor wishing to redeem such Units must ensure that the distributor (or its nominee), as the registered Unitholder, submits the relevant redemption request by the Dealing Deadline. Redemption requests submitted after the applicable Dealing Deadline in respect of any Dealing Day will be dealt with on the next Dealing Day.

A redemption request should be given to the Trustee/Registrar in writing and sent by post to the Trustee/Registrar's business address or, if the relevant Unitholder has provided to the Trustee/Registrar with an original fax indemnity, by fax to the Trustee/Registrar (with its original following promptly). The Trustee/Registrar may, in its absolute discretion, accept any redemption requests made by other written or electronic forms in addition to post and fax. The redemption request must specify: (i) the name of the Sub-Fund, (ii) the relevant class and the value or number of Unlisted Class of Units to be redeemed, (iii) the name(s) of the registered Unitholder(s) and (iv) payment instructions for the redemption proceeds.

Partial redemption of a holding of Unlisted Class of Units in a Sub-Fund by a Unitholder may be effected, provided that such redemption will not result in the Unitholder holding Unlisted Class of Units in a class less than the Minimum Holding for that class specified in the relevant Appendix. In the event that, for whatever reason, a Unitholder's holding of Unlisted Class of Units in a class is less than such Minimum Holding for that class, the Manager may give notice requiring such Unitholder to submit a redemption request in respect of all the Unlisted Class of Units of that class held by that Unitholder. A request for a partial redemption of Unlisted Class of Units with an aggregate value of less than the minimum amount for each class of Units specified in the relevant Appendix (if any) will not be accepted.

All redemption requests must be signed by the Unitholder or, in the case of joint Unitholders, such one or more joint Unitholders who have been authorised to sign such requests on behalf of the other joint Unitholders (where such authorisation has been notified in writing to the Registrar) or, in the absence of such notification, by all joint Unitholders.

2.2 Payment of Redemption Proceeds

The Redemption Price on any Dealing Day will be the price per Unlisted Class of Units ascertained by dividing the Net Asset Value of the relevant class of the relevant Sub-Fund as at the Valuation Point in respect of the relevant Dealing Day by the number of Units of such class then in issue and rounded to 4 decimal places (0.00005 or above being rounded up, and less than 0.00005 being rounded down) or in such manner and to such other number of decimal places as may from time to time be determined by the Manager. Any rounding adjustment will be retained by the relevant Class. The Redemption Price will be calculated and quoted in the relevant class currency of the relevant Sub-Fund.

In determining the Redemption Price, the Manager is entitled to deduct an amount which it considers represents an appropriate allowance for (a) estimated bid/offer spread of the investments of the relevant Sub-Fund, (b) fiscal and sale charges, including stamp duty, other taxes, brokerage, bank charges, transfer fees and registration fees, or (c) charges which are customarily incurred by the relevant Sub-Fund in realising assets to provide funds to meet any redemption request.

The Manager may at its option impose a redemption fee in respect of the Unlisted Class of Units to be redeemed as described in the section "**10. Fees and Charges**". The Manager may on any day in its sole and absolute discretion differentiate between Unitholders as to the amount of the redemption fee to be imposed (within the permitted limit provided in the Trust Deed) on each Unitholder.

The amount due to a Unitholder on the redemption of a Unit of an Unlisted Class will be the Redemption Price, less any Redemption Fee. The Redemption Fee will be retained by the Manager.

Unitholders should note that redemption proceeds will not be paid to any Unitholder until (a) the duly signed original written redemption request (if such original is required by the Trustee/Registrar) and all other supporting documents, if any are required, have been received by the Trustee/Registrar; (b) the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Trustee/Registrar; and (c) any such other procedures as the Trustee/Registrar may reasonably require have been completed.

Subject as mentioned above, and save as otherwise agreed by the Manager, and so long as relevant account details have been provided, redemption proceeds will normally be paid at the risk and expense of the redeeming Unitholder in the Class Currency of the relevant Sub-Fund by telegraphic transfer to the Unitholder's pre-designated bank account as specified in the redemption request, within 7 Business Days after the relevant Dealing Day and in any event within one calendar month of the relevant Dealing Day or (if later) receipt of a properly documented redemption request, unless the markets in which a substantial portion of the relevant Sub-Fund's investments is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of redemption proceeds within the aforesaid time period not practicable, but in such a case the details of such legal or regulatory requirements will be set out in the relevant Appendix and the extended time frame for payment should reflect the additional time needed in light of the specific circumstances in the relevant markets. Any bank and other administrative charges associated with the payment of such redemption proceeds as well as the costs incurred in currency conversion, if any, will be borne by the redeeming Unitholder and deducted from the redemption proceeds.

With the prior consent of the Manager, arrangements can be made for redemption proceeds to be paid in any major currency other than the class currency of the relevant class of Unlisted Class of Units of the relevant Sub-Fund being redeemed. Payment will only be made to a bank account in the name of the Unitholder. No third party payments will be made.

The Trust Deed provides that redemptions may be, in whole or in part, made in specie at the discretion of the Manager. However, the Manager does not intend to exercise this discretion in respect of any Sub-Fund unless otherwise specified in the relevant Appendix. In any event, redemptions may only be made in specie, in whole or in part, with the consent of the Unitholder requesting the redemption.

2.3 **Restrictions on Redemption**

The Manager is entitled to 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 then in issue. In this event, the limitation will apply pro rata (and not on a first in-first out basis) so that Unitholders of the relevant Sub-Fund who have validly requested to redeem such Units of the same Sub-Fund on that Dealing Day will redeem the same proportion of such Units of that Sub-Fund. Any such Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, and will have priority on the next succeeding 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.

The Manager may suspend the redemption of Unlisted Class of Units of any Sub-Fund, or delay the payment of redemption proceeds in respect of any redemption request received, during any period in which the determination of the Net Asset Value of the relevant Sub-Fund is suspended (for details please see section "**8.2 Suspension of Determination of Net Asset Value**").

The Manager shall also have the right to reject, acting in good faith, any redemption application under exceptional circumstances, including without limitation the following circumstances:

- (a) any period during which (i) the subscription or issue of Unlisted Class of Units of the relevant Sub-Fund, (ii) the redemption of Unlisted Class of Units of the relevant Sub-Fund, and/or (iii) the determination of Net Asset Value of the relevant Sub-Fund is suspended;
- (b) where in the opinion of the Manager, acceptance of the redemption application would have an adverse effect on 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 Tracking Sub-Fund, any of the Index Securities or FDIs (as the case may be) in the relevant Underlying Index or (ii) for a Non-Index Tracking Sub-Fund, a substantial part of the Securities and/or FDIs of the Sub-Fund;

- (d) where 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 and/or any of its Connected Persons;
- (e) processing of the redemption application is not possible due to circumstances outside the control of the Manager; or
- (f) the redemption application is not submitted in the form and manner set out in the provisions of the Trust Deed.

In the event of such rejection, the Manager shall notify the Trustee of its decision to reject such redemption application.

2.4 **Restrictions on Unitholders**

The Manager has power to impose such restrictions as it may think necessary for the purpose of ensuring that no Units are acquired or held by an Unqualified Person.

Upon notice that any Units are so held, the Manager may require such Unitholders to redeem or transfer such Units in accordance with the provisions of the Trust Deed. A person who becomes aware that he is holding or owning Units in breach of any of the above restrictions is required either to redeem his Units in accordance with the Trust Deed or to transfer his Units to a person whose holding would be permissible under this Prospectus and the Trust Deed in a manner that would result in such Unitholder no longer being in breach of the restrictions above.

2.5 **Transfer of Unlisted Class of Units**

The Trust Deed provides that a Unitholder may transfer Units with the consent of the Manager subject to the provisions of the Trust Deed. An investor is entitled to transfer such Units held by him by an instrument in writing in such form as the Trustee may from time to time approve. A 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.

3 **SWITCHING OF UNLISTED CLASS OF UNITS**

Subject to the prior consent of the Manager either generally or in any particular case, Unitholders may switch some or all of their Unlisted Class of Units of any Sub-Fund (the “Existing Sub-Fund”) into unlisted shares, units or interests in other collective investment schemes administered by the Trustee and managed by the Manager or its Connected Persons and which has been authorised by the Commission (the “New Fund”). Switching to such other collective investment schemes will be by way of redeeming the Unlisted Class of Units held by the relevant Unitholders in accordance with the redemption procedures set out in the section “**2. Redemption of Unlisted Class of Units**” above and by re-investing the redemption proceeds thereof in such other collective investment schemes in accordance with the provisions of the relevant offering documents for such other collective investment schemes. A request for the switching of part of a holding of Unlisted Class of Units will not be effected if, as a result, the Unitholder would hold less than the Minimum Holding specified for the New Fund (if any) and/or the Existing Sub-Fund.

Under the Trust Deed, the Manager is entitled to impose a switching fee on the switching of Units of up to 1 per cent. of the redemption proceeds payable in respect of the Unlisted Class of Units of the Existing Sub-Fund being switched. The switching fee will be deducted from the amount reinvested in the New Fund and will be paid to the Manager.

Where a request for switching is received by the Trustee prior to the Dealing Deadline in respect of a Dealing Day, switching will be effected as follows:

- (a) redemption of the Unlisted Class of Units of the Existing Sub-Fund will be dealt with by reference to the Redemption Price on that Dealing Day (the “Switching Redemption Day”);
- (b) where the Existing Sub-Fund and the New Fund have different currencies of denomination, the redemption proceeds of Unlisted Class of Units of the Existing Sub-Fund, after deduction of any switching fee, shall be converted into the currency of denomination of the New Fund; and
- (c) the resulting amount will be used to subscribe for units of the New Fund at the relevant subscription price on the relevant dealing day in respect of the New Fund (the “Switching Subscription Day”). The Switching Subscription Day shall be the same day as the Switching Redemption Day or (in the event that the Switching Redemption Day is not a dealing day in respect of the New Fund) the dealing day of the New Fund which immediately follows the relevant Switching Redemption Day, provided that the Trustee shall receive cleared funds in the relevant currency of the New Fund within such period as determined by the Manager. In the event that cleared funds are not received within the applicable period, the Switching Subscription Day shall be the day on which the Trustee receives cleared funds in the relevant currency by the dealing deadline of the New Fund, unless otherwise determined by the Manager.

The Manager may suspend the switching of Unlisted Class of Units during any period in which the determination of the Net Asset Value of any relevant Sub-Fund is suspended (for details please see section “**8.2 Suspension of Determination of Net Asset Value**”).

Investors should note that switching between Unlisted Class of Units and Listed Class of Units on the secondary market is not available. Distributors who wish to switch between Unlisted Class of Units and Listed Class of Units should do so in accordance with the procedures as agreed with the Manager and the Trustee

4 **FAX OR ELECTRONIC INSTRUCTIONS**

If applicants or Unitholders wish to give instructions for subscription, redemption or switching by facsimile or any other electronic means designated by the Trustee/Registrar, applicants or Unitholders must first provide to the Trustee/Registrar an original indemnity relating to fax or transmission via such other electronic means in the application or request.

The Trustee/Registrar will generally act on faxed or any other electronic instructions for subscription, redemption or switching but may require signed original instructions. However, the Trustee/Registrar may refuse to act on faxed or any other electronic instructions until the original written instructions are received. The Trustee/Registrar may, in its absolute discretion, determine whether or not original instructions are also required in respect of subsequent applications or requests for subscription, redemption or switching sent by facsimile or any other electronic means by applicants or Unitholders.

Applicants or Unitholders should be reminded that if they choose to send the applications or requests for subscription, redemption or switching by facsimile or any other electronic means, they bear the risk of non-receipt or delay of such applications or requests. Applicants or Unitholders should note that the Trust, the Manager, the Trustee and the Registrar accept no responsibility for any loss caused as a result of non-receipt or illegibility of any application or request sent by facsimile or any other electronic means or any amendment of such application or request or for any loss caused in respect of any action taken as a consequence of such faxed or any other electronic instruction believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a facsimile or any other electronic transmission report produced by the originator of such transmission discloses that such transmission was sent.

5 **SUSPENSION OF THE ISSUE, SUBSCRIPTION AND REDEMPTION OF UNLISTED CLASS OF UNITS**

The Manager may, after consultation with the Trustee, having regard to the best interests of Unitholders, suspend the issue and/or switching and/or redemption of Units of any Sub-Fund

and/or (subject to all applicable legal or regulatory requirements where payment of redemption proceeds exceeds one calendar month) delay the payment of any monies and transfer of any Securities and/or FDI to persons who have redeemed Units of any Sub-Fund in the following circumstances:

- (a) during any period when trading on the SEHK is restricted or suspended;
- (b) during any period when a market on which (i) for an Index Tracking Sub-Fund, an Index Security or FDIs (as the case may be) has its primary listing, or (ii) for a Non-Index Tracking Sub-Fund, a substantial part of the Securities and/or FDIs of such Sub-Fund has its primary listing, or the official clearing and settlement depository (if any) of such market, is closed;
- (c) during any period when dealing on a market on which (i) for an Index Tracking Sub-Fund, an Index Security or FDIs (as the case may be) has its primary listing, or (ii) for a Non-Index Tracking Sub-Fund, a substantial part of the Securities and/or FDIs of such Sub-Fund has its primary listing, is restricted or suspended;
- (d) during any period when, in the opinion of the Manager, settlement or clearing of (i) (for an Index Tracking Sub-Fund) Index Securities or FDIs (as the case may be) or (ii) (for a Non-Index Tracking Sub-Fund) Securities and/or FDIs comprising such Sub-Fund in the official clearing and settlement depository (if any) of such market is disrupted;
- (e) during any period when the determination of the Net Asset Value of the relevant Sub-Fund is suspended or if any circumstance specified in section “**8.2 Suspension of Determination of Net Asset Value**” arises; or
- (f) in the case of a Sub-Fund authorised by the Commission as a feeder fund and investing into a master fund –
 - (i) during any period when a market on which the master fund has its primary listing, or the official clearing and settlement depository (if any) of such market, is closed;
 - (ii) during any period when dealing on a market on which the master fund has its primary listing is restricted or suspended;
 - (iii) during any period when trading of the master fund on the relevant market is restricted or suspended; or
 - (iv) during any period when the determination of the net asset value of the master fund is suspended; or
- (g) during any period when the swap (if any) entered into on behalf of the relevant Sub-Fund cannot be adjusted or reset for any reason.

The Manager will, after giving notice to the Trustee, suspend the right to subscribe for Units of the relevant Sub-Fund if, or if as a result of the investment of the proceeds of issue of such Units in accordance with its investment objective, the Trust collectively holds or would hold in aggregate more than 10 per cent. of the ordinary shares issued by any single issuer. In addition, where the Sub-Funds under the Trust hold in aggregate more than the limit of 10 per cent. of the ordinary shares issued by any single issuer, the Manager will make it a priority objective to take all other necessary steps within a reasonable period to remedy such breach, taking into account the interests of the Unitholders.

The Manager shall notify the Commission and publish a notice of suspension following the suspension, and at least once a month during the suspension, on its website at www.csopasset.com/etf¹ or in such other publications as it decides.

The Manager shall consider any subscription, switch or redemption application received during the period of suspension (that has not been otherwise withdrawn) as having been received

immediately following the termination of the suspension. The period for settlement of any redemption will be extended by a period equal to the length of the period of suspension.

A suspension shall remain in force until the earlier of (a) the Manager declaring the suspension is at an end; and (b) the first Dealing Day on which (i) the condition giving rise to the suspension shall have ceased to exist; and (ii) no other condition under which suspension is authorised exists.