



**Stride for stride**

keeping pace with the China A-share market

**Bosera SZSE ChiNext Daily (2x) Leveraged Product**

HKD Counter Stock Code: 07234

**PROSPECTUS**

June 2023

**IMPORTANT:** Investments involve risks, including the total loss of your investment. Investors are advised to consider their own investment objectives and circumstances in determining the suitability of an investment in Bosera SZSE ChiNext Daily (2x) Leveraged Product (the "Product").

**Bosera SZSE ChiNext Daily (2x) Leveraged Product tracks the performance a leveraged position on an index on a Daily basis. The Product is only suitable for sophisticated, trading-oriented investors who constantly monitor the performance of their holding on a daily basis, and are in a financial position to assume the risks in derivatives investments. It is a high risk product designed to be used as short term trading tools managed on a Daily basis for market timing or hedging purposes and are not appropriate for long term (longer than one day) investment. The performance of the Product, when held overnight, may deviate from the underlying indices.**

**The Product may not be suitable for all investors. It is possible that the entire value of your investment could be lost.**

Derivatives investments are subject to certain key risks including leverage, counterparty and liquidity risks. Movement in the prices of futures may be highly volatile. Please refer to the "Risk Factors" section in this Prospectus as well as the "Risk factors specific to the Product" section in the Appendix of the Product.

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

## **Bosera Leveraged and Inverse Series**

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

# **PROSPECTUS**

## **Bosera SZSE ChiNext Daily (2x) Leveraged Product**

*Stock Code: 7234*

*Manager*

**Bosera Asset Management (International) Co., Limited**

*Listing Agent*

**Altus Capital Limited**

**June 2023**

The Stock Exchange of Hong Kong Limited, Hong Kong Exchanges and Clearing Limited (the "SEHK"), Hong Kong Securities Clearing Company Limited ("HKSCC") and the Hong Kong Securities and Futures Commission (the "SFC") take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus. The Bosera Leveraged and Inverse Series (the "Trust") and the products of the Trust have each been authorised as collective investment schemes by the SFC. Authorisation by the SFC is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

## IMPORTANT INFORMATION

This Prospectus relates to the offer in Hong Kong of units (the “Units”) in the Bosera Leveraged and Inverse Series (the “Trust”), an umbrella unit trust established under Hong Kong law by a trust deed dated 21 March 2022 between Bosera Asset Management (International) Co., Limited (the “Manager”) and Cititrust Limited (the “Trustee”), as amended and restated from time to time (the “Trust Deed”). Bosera SZSE ChiNext Daily (2x) Leveraged Product is a product of the Trust (the “Product”).

The information contained in this Prospectus has been prepared to assist potential investors in making an informed decision in relation to investing in the Product. It contains important facts about the Product whose Units are offered in accordance with this Prospectus. A product key facts statement which contains the key features and risks of the Product is also issued by the Manager and such product key facts statements shall form part of this Prospectus, and shall be read, in conjunction with, this Prospectus.

The Manager accepts full responsibility for the accuracy of the information contained in this Prospectus and confirms having made all reasonable enquiries that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading. The Manager also confirms that this Prospectus includes particulars given in compliance with The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Code on Unit Trusts and Mutual Funds (the “Code”) and the “Overarching Principles” of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products for the purposes of giving information with regard to the Units of the Product. The Trustee is not responsible for the preparation of this Prospectus and shall not be held liable to any person for any information disclosed in this Prospectus, except for the information regarding the Trustee itself under the paragraph headed “The Trustee” in the section on “Management of the Trust”.

The Product is a collective investment scheme falling within Chapters 8.6 and 8.8 of the Code. Certain Products may also be subject to additional Chapters of the Code. The Trust and the Product are authorised by the SFC in Hong Kong under Section 104 of the Securities and Futures Ordinance. The SFC takes no responsibility for the financial soundness of the Trust, the Product or for the correctness of any statements made or opinions expressed in this Prospectus. SFC authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

You should consult your financial adviser or your 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 you to acquire Units as to whether any taxation effects, foreign exchange restrictions or exchange control requirements are applicable and to determine whether any investment in a Product is appropriate for you.

Dealings in the Units of Bosera SZSE ChiNext Daily (2x) Leveraged Product on The Stock Exchange of Hong Kong Limited (the “SEHK”) have already Commenced. The Units of Bosera SZSE ChiNext Daily (2x) Leveraged Product have been accepted as eligible securities by HKSCC for deposit, clearing and settlement in CCASS. Settlement of transactions between participants on the SEHK is required to take place in CCASS on the second CCASS settlement day after the Trading Day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No action has been taken to permit an offering of Units or the distribution of this Prospectus in any jurisdiction other than Hong Kong and, accordingly, this Prospectus does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The Units have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”) or any other United States Federal or State law and, except in a transaction which does not violate the U.S. Securities Act, may not be directly or indirectly offered to or sold in the United States of America or any of its territories or for the benefit of a US Person (as defined in Regulation S of the U.S. Securities Act). The Trust and the Product have not been and will not be registered as an investment company under the United States Investment Company Act of 1940, as amended. Units may not be acquired or owned by (i) an employee benefit plan, as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), that is subject to Title I of ERISA, (ii) a plan, as defined in Section 4975(e)(1) of the U.S. Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), that is subject to Section 4975 of the Internal Revenue Code, (iii) a plan that is subject to any other law, regulation, rule or restriction that is substantially similar to ERISA or Section 4975 of the Internal Revenue Code (“Similar Law”) or (iv) an entity whose assets are deemed to include the assets of such an employee benefit plan or plan for purposes of ERISA, Section 4975 of the Internal Revenue Code or Similar Law, unless the purchase, holding and disposition of units will not constitute a violation under ERISA, Section 4975 of the Internal Revenue Code and any applicable Similar Law.

Furthermore, distribution of this Prospectus (including the Product Key Facts Statement) shall not be permitted

unless it is accompanied by a copy of the latest annual financial report of the Product (where existing) and, if later, its most recent interim report.

You should note that any amendment or addendum to this Prospectus will only be posted on the Manager's website ([www.bosera.com.hk](http://www.bosera.com.hk)) the contents of which, and of any other websites referred to in this Prospectus, have not been reviewed by the SFC. This Prospectus (including the Product Key Facts Statement) may refer to information and materials included in websites. Such information and materials do not form part of this Prospectus and they have not been reviewed by the SFC or any regulatory body. Investors should note that the information provided in websites may be updated and changed periodically without any notice to any person.

### **Questions and Complaints**

Investors may raise any questions on or make any complaints about the Trust (including the Product) by contacting the Manager at its address as set out in the Directory of this Prospectus, by telephone at its telephone number: (852) 2537 6658 or by facsimile at its facsimile number: (852) 2537 1249.

## DIRECTORY

### *Manager*

Bosera Asset Management (International) Co., Limited  
Suite 4109, Jardine House  
One Connaught Place  
Central  
Hong Kong

### *Trustee*

Cititrust Limited  
50/F., Champion Tower  
Three Garden Road  
Central  
Hong Kong

### *Administrator and Custodian*

Citibank, N.A., Hong Kong Branch  
50/F., Champion Tower  
Three Garden Road  
Central  
Hong Kong

### *Registrar*

Computershare Hong Kong Investor Services Limited  
46/F, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### *Participating Dealers<sup>#</sup>*

Citigroup Global Markets Asia Limited  
50th Floor, Champion Tower  
Three Garden Road  
Central  
Hong Kong

China International Capital Corporation Hong  
Kong Securities Limited  
29/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

Mirae Asset Securities (HK) Limited  
Units 8501, 8507-08, Level 85 International  
Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

Haitong International Securities Company  
Limited  
22/F Li Po Chun Chambers  
189 Des Voeux Road  
Central  
Hong Kong

Goldman Sachs (Asia) Securities Limited  
68/F Cheung Kong Centre  
2 Queen's Road  
Central  
Hong Kong

### *Market Makers<sup>#</sup>*

Flow Traders Hong Kong Limited  
Room 2803, 28/F, Hysan Place  
500 Hennessey Road  
Causeway Bay  
Hong Kong

China Merchants Securities (HK) Co.,  
Limited  
48/F., One Exchange Square  
Central  
Hong Kong

*Service Agent*  
**HK Conversion Agency Services Limited**  
1/F, One & Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

*Auditors*  
**Ernst & Young**  
27/F One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

*Listing Agent*  
**Altus Capital Limited**  
21 Wing Wo Street  
Central  
Hong Kong

# Please refer to the Manager's website for the latest lists of Market Makers and Participating Dealers for each Product.

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## **PART 1 – GENERAL INFORMATION RELATING TO THE TRUST AND PRODUCT**

Part 1 of this Prospectus includes information relevant to the Trust and the Product established under the Trust and listed on the SEHK.

The information presented in this Part 1 should be read in conjunction with the information presented in the relevant Appendix in Part 2 of this Prospectus in respect of a particular Product. Where the information in Part 2 of this Prospectus conflicts with the information presented in this Part 1, the information in the relevant Appendix in Part 2 prevails, however, it is applicable to the specific Product of the relevant Appendix only. Please refer to Part 2 “Specific Information Relating to Each Product” for further information.



## DEFINITIONS

*In this Prospectus (including the relevant Appendix for any Product), unless the context requires otherwise, the following expressions have the meanings set out below. Other capitalised terms used, but not defined, have the meaning given to those terms in the Trust Deed.*

“A-Shares” means shares issued by companies incorporated in the PRC mainland and listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange or Beijing Stock Exchange, traded in RMB and available for investment by domestic investors and QIs.

“Administrator” means Citibank, N.A., Hong Kong Branch or such other person or persons for the time being duly appointed as administrators hereof in succession thereto in accordance with the Trust Deed.

“After Listing” means the period which commences on the Listing Date and continues until the relevant Product is terminated.

“Appendix” means an appendix to this Prospectus that sets out specific information applicable to a Product.

“Application” means an application by a Participating Dealer for the creation or redemption of Units, in accordance with the procedures for creation and redemption of Units set out in the Operating Guidelines, the relevant Participation Agreement and the terms of the Trust Deed.

“Application Unit” means, in relation to each Product, such number of Units or whole multiples thereof (if any) as specified in this Prospectus for the relevant Product or such other number of Units from time to time determined by the Manager, approved by the Trustee and notified to the Participating Dealers.

“Business Day” in respect of a Product, means, unless the Manager and the Trustee otherwise agree, a day on which (a)(i) the SEHK is open for normal trading; and (ii) the relevant market on which Index Securities and/or Futures Contracts, as the case may be, are traded is open for normal trading; or (iii) if there are more than one such market, the market designated by the Manager is open for normal trading, and (b) the 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 an amount payable by a Participating Dealer in respect of a Default, as set out in the Trust Deed and in the Operating Guidelines applicable at the time the relevant Creation Application or Redemption Application is made.

“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 CCASS.

“Code” means the Code on Unit Trusts and Mutual Funds issued by the SFC (as amended or replaced from time to time).

“Connected Person” has the meaning as set out in the Code which at the date of this Prospectus means in relation to a company:

- (a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise directly or indirectly, 20% or more of the total votes in that company; or
- (b) any person or company controlled by a person who or which meets one or both of the

descriptions given in (a); or

- (c) any member of the group of which that company forms part; or
- (d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c).

“Creation Application” means an application by a Participating Dealer for the creation and issue of Units in an Application Unit size in accordance with the Operating Guidelines and the Trust Deed.

“CSRC” means China Securities Regulatory Commission.

“Daily” in relation to the performance, the inverse performance or the leveraged performance of an Index or a Product, means the performance, the inverse performance or the leveraged performance of an Index or a Product (as the case may be) from the close of market of a given Business Day until the close of the market on the subsequent Business Day.

“Dealing Day” means each Business Day during the continuance of the relevant Product, and/or such other day or days as the Manager may from time to time determine in consultation with the Trustee.

“Dealing Deadline” in relation to any Dealing Day, means such time or times as the Manager may from time to time in consultation with the Trustee determine generally or in relation to any particular place for submission of Application(s) by a Participating Dealer.

“Default” means a failure by a Participating Dealer in respect of:

- (a) a Creation Application to deliver the requisite Securities, Futures Contracts and/or any relevant cash amount; or
- (b) a Redemption Application to deliver the Units the subject of the Redemption Application and/or any relevant cash amount.

“Deposited Property” means, in respect of each Product, all the assets (including Income Property), received or receivable by the Trustee, for the time being held or deemed to be held upon the trusts and subject to the terms of the Trust Deed for the account of the relevant Product but excluding (i) Income Property standing to the credit of the distribution account of such Product (other than interest earned thereon) and (ii) any other amount for the time being standing to the credit of the distribution account of such Product.

“Duties and Charges” means, in relation to any particular transaction or dealing, all stamp and other duties, taxes, government charges, brokerage fees, bank charges, transfer fees, registration fees, transaction levies 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 Futures Contracts (as the case may be) or the entering into or termination of any Swaps (including any costs associated with the entering into, or unwind or maintenance of, any hedging arrangements in respect of such Swaps, or any costs associated with any collateral arrangements in respect of such Securities, Futures Contracts or Swaps), 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 Futures Contracts (as the case may be) in the Trust Fund 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 Futures Contracts (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 Futures Contracts (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.

“Encumbrance” means any mortgage, charge, pledge, lien, third party right or interest, any other encumbrance or security interest of any kind or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect other than any such encumbrance or security interest imposed by the terms of the relevant clearing system/depository or otherwise created by the terms of the Participation Agreement, the Trust Deed or any agreement between the Manager, the Trustee and the relevant Participating Dealer.

“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 the fee payable to the Trustee on each occasion the Manager, upon a Participating Dealer’s request, grants the Participation Dealer an extended settlement in respect of a Creation Application or Redemption Application in accordance with the Operating Guidelines.

“FDI” means financial derivative instrument.

“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” has the meaning as set out in the Code which at the date of this Prospectus means any investment issued by, or the payment of principal and interest on, which is guaranteed by a government, or any fixed-interest investment issued by its public or local authorities or other multilateral agencies.

“HKD” means Hong Kong dollars, the lawful currency for the time being and from time to time of Hong Kong.

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

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

“IFRS” means International Financial Reporting Standards.

“Income Property” means, in respect of each Product, (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 Product (whether in cash or, without limitation, by warrant, cheque, money, credit or otherwise or the proceeds of sale or transfer of any Income Property received in a form other than cash); (b) all interest and other sums received or receivable by the Trustee in respect of (a), (c) or (d) of this definition; (c) all cash payments received or receivable by the Trustee for the account of the relevant Product in respect of an Application; (d) all Cancellation Compensation received by the Trustee for the account of the relevant Product; and (e) any payments to be received or are receivable by the Trustee under any contractual agreements in the nature of investments for the benefit of the relevant Product but excluding (i) other Deposited Property; (ii) any amount for the time being standing to the credit of the distribution account for the account of the relevant Product or previously distributed to Unitholders; (iii) gains for the account of the relevant Product arising from the realisation of Securities and/or Futures Contracts (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 Product.

“Index” means, in respect of a Product, the index or benchmark (as the context required) against which the relevant Product is benchmarked as set out in the relevant Appendix.

“Index/Benchmark Provider” means, in respect of a Product, the person responsible for compiling

the Index against which the relevant Product benchmarks its investments and who holds the right to licence the use of such Index to the relevant Product as set out in the relevant Appendix.

“Initial Issue Date” means, in respect of a Product, the date of the first issue of Units.

“Initial Offer Period” means, in respect of each Product, the period before the relevant Listing Date as set out in the relevant Appendix.

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

“Issue Price” means, in respect of a Product, the price at which Units may be issued, determined in accordance with the Trust Deed.

“Listing Date” means, in respect of a Product, the date on which the Units are first listed and from which dealings therein are permitted to take place on SEHK, the expected date of which is set out in the relevant Appendix for the Product.

“Manager” means Bosera Asset Management (International) Co., Limited or such other person or persons for the time being duly appointed pursuant to the Trust Deed as manager of the Trust in succession thereto being approved by the SFC under the Code.

“Market” means in any part of the world:

- (a) in relation to any Security: the SEHK or such other stock exchange from time to time determined by the Manager; and
- (b) in relation to any Futures Contract: the Hong Kong Futures Exchange Limited or such other futures exchange from time to time determined by the Manager,

and any over-the-counter transaction conducted in any part of the world and in relation to any Security or Futures Contract shall be deemed to include any bilateral agreement with a responsible firm, corporation or association in any country in any part of the world dealing in the Security or Futures Contract which the Manager may from time to time elect in consultation with the Trustee.

“Market Maker” means a broker or dealer permitted by the SEHK to act as such by making a market for the Units in the secondary market on the SEHK.

“Net Asset Value” means the net asset value of a Product or, as the context may require, the net asset value of a Unit calculated under the Trust Deed.

“Operating Guidelines” means, in respect of a Product, the guidelines for the creation and redemption of Units as set out in the schedule to each Participation Agreement as amended from time to time by the Manager with the approval of the Trustee and following consultation, to the extent reasonably practicable, with the relevant Participating Dealers, including without limitation, the procedures for creation and redemption of Units subject always, in respect of the relevant Operating Guidelines for a Participating Dealer, any amendment being notified in writing by the Manager in advance to the Participating Dealer. Unless otherwise specified, references to the Operating Guidelines shall be to the Operating Guidelines for the Product applicable at the time of the relevant Application.

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

“Participating Dealer” means a broker or dealer who is (or who has appointed an agent or delegate

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

“Participation Agreement” means an agreement entered into between, among others, the Trustee, the Manager and a Participating Dealer, setting out, amongst other things, the arrangements in respect of the Applications. References to the Participation Agreement shall, where appropriate, mean the Participation Agreement, read together with the Operating Guidelines.

“PRC” means The People’s Republic of China

“PRC mainland” means The People’s Republic of China and for the purpose of this Prospectus, excluding Hong Kong and the Macau Special Administrative Region.

“Product” means a segregated pool of assets and liabilities into which the Trust Fund is divided, established under the Trust Deed and the relevant supplemental deed as a separate trust as described in the relevant Appendix.

“QFII” means a qualified foreign institutional investor approved pursuant to the relevant PRC mainland regulations (as amended from time to time).

“QI” means QFII, RQFII and/or a qualified foreign institutional investor who have been approved by the CSRC to invest in the PRC securities and futures markets pursuant to the relevant PRC mainland regulations (as amended from time to time) which consolidated the QFII and RQFII programmes with effect from 1 November 2020.

“Recognised Futures Exchange” means an international futures exchange which is approved by the Manager or which is recognised by the SFC.

“Recognised Stock Exchange” means an international stock exchange which is approved by the Manager or which is recognised by the SFC.

“Redemption Application” means an application by a Participating Dealer for the redemption of Units in Application Unit size in accordance with the Operating Guidelines and the Trust Deed.

“Redemption Value” means, in respect of a Unit, the price per Unit at which such Unit is redeemed, calculated in accordance with the Trust Deed.

“Registrar” means Computershare Hong Kong Investor Services Limited or such person as may from time to time be appointed as registrar of in respect of each Product to keep the register of the Unitholders of the Product.

“Reverse Repurchase Transactions” means transactions whereby a Product purchases Securities from a counterparty of Sale and Repurchase Transactions and agrees to sell such securities back at an agreed price in the future.

“RQFII” means a Renminbi qualified foreign institutional investor approved pursuant to the relevant PRC mainland regulations (as amended from time to time).

“Sale and Repurchase Transactions” means transactions whereby a Product sells its securities to a counterparty of Reverse Repurchase Transactions and agrees to buy such securities back at an agreed price with a financing cost in the future.

“Securities” means any shares, stocks, debentures, loan stocks, bonds, securities, commercial paper, acceptances, trade bills, warrants, participation notes, certificates, structured products, treasury bills, instruments or notes 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 units in any Unit Trust (as defined in the Trust Deed);
- (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; and
- (e) any bill of exchange and any promissory note.

“Securities Lending Transactions” means transactions whereby a Product 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 the Product.

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

“Service Agreement” means each agreement by which the Service Agent provides its services in respect of a Product in accordance with the CCASS Rules and CCASS Operational Procedures, entered amongst the Trustee, the Registrar, the Manager, the Participating Dealer, the Service Agent and the Hong Kong Securities Clearing Company Limited.

“Settlement Day” means the Business Day which is two Business Days after the relevant Dealing Day (or such other Business Day as is permitted in relation to such Dealing Day (including the Dealing Day itself) pursuant to the Operating Guidelines) or such other number of Business Days after the relevant Dealing Day as determined by the Manager in consultation with the Trustee from time to time and notified to the relevant Participating Dealers or as otherwise described in the relevant Appendix.

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

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

“Substantial Financial Institution” has the meaning as set out in the Code.

“Swap” means a swap agreement to be entered by the Trustee on behalf of a Product which may, subject to the terms of the Trust Deed, take such form as determined or agreed by the Manager, including an International Swaps and Derivatives Association master agreement, schedules, annexes and confirmations as well as related documents.

“Swap Counterparty” means a counterparty of each Product pursuant to a Swap.

“SZSE” means the Shenzhen Stock Exchange.

“Trading Day” means, in respect of the Units, a day on which trading is conducted on the SEHK as specified in the relevant rules of the SEHK.

“Transaction Fee” means the fee, in respect of a Product, which may be charged for the benefit of the Trustee, the Registrar and the Service Agent to each Participating Dealer on each Dealing Day upon which an Application has been or Applications have been made by the relevant Participating Dealer.

“Trust” means the umbrella unit trust constituted by the Trust Deed and called “Bosera Leveraged and Inverse Series” or such other name as the Manager may from time to time determine upon prior notice to the Trustee.

“Trust Deed” means the trust deed dated 21 March 2022 between the Manager and the Trustee, as amended and restated from time to time.

“Trust Fund” means with respect to each Product, all the property for the time being held or deemed to be held by the Trustee upon the trusts hereof, including the Deposited Property and Income Property attributable to that Product and subject to the terms and provisions of the Trust Deed, except for amounts to be distributed, and where such term is used generically, “Trust Fund” means the Trust Fund attributable to all Product taken together.

“Trustee” means Cititrust Limited or such other person or persons for the time being duly appointed as trustee or trustees hereof in succession thereto in accordance with the Trust Deed.

“Unit” means a unit representing an undivided share in a Product.

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

“US” or “United States” means the United States of America.

“USD” means United States dollars, the lawful currency of the United States of America.

“Valuation Point” means, in respect of a Product, the official close of trading on the Market on which the Securities or Futures Contracts constituting the Index are listed on each Dealing Day or if more than one, the official close of trading on the last relevant Market to close or such other time or times 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 Dealing Day other than where there is a suspension of the creation and redemption of Units.

## INTRODUCTION

### **The Trust**

The Trust is an umbrella unit trust created by the Trust Deed between the Manager and the Trustee made under Hong Kong law. The Trust and each Product is authorised as a collective investment scheme by the SFC under Section 104 of the SFO and each Product falls within Chapters 8.6 and 8.8 of the Code. Certain Product(s) may also be subject to additional Chapters of the Code. SFC authorisation is not a recommendation or endorsement of a Product nor does it guarantee the commercial merits of a Product or its performance. It does not mean that a Product is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

### **The Product**

The Trust may issue different classes of Units and the Trustee shall establish a separate pool of assets under the Trust Deed as separate trusts (each such separate pool of assets a "Product") to which one or more class of Units shall be attributable. The assets of a Product will be invested and administered separately from the other assets of the Trust. The Product will be listed on the SEHK.

The Manager and the Trustee reserve the right to establish other Products and/or issue further classes of Units relating to a Product or Products in the future in accordance with the provisions of the Trust Deed.



## THE OFFERING PHASES

### Initial Offer Period

During the Initial Offer Period, Participating Dealers (acting for themselves or for their clients) may apply for Units (to be available for trading on the Listing Date) by means of cash Creation Applications on each Dealing Day for themselves and/or their clients by transferring cash in accordance with the Operating Guidelines.

Unless otherwise stated in the relevant Appendix, the latest date for making a Creation Application for Units is 4:00 p.m. (Hong Kong time) two Business Days prior to the Listing Date or such other time as the Manager (in consultation with the Trustee) may determine on any day when the trading hours of the SEHK are reduced.

To be dealt with during the Initial Offer Period, the relevant Participating Dealer must submit the Creation Applications to the Registrar (with a copy to the Manager) before the above deadline.

If a Creation Application is received by the Registrar after two Business Days prior to the Listing Date, that Creation Application shall be carried forward and deemed to be received at the opening of business on the next following Dealing Day, which shall be the Dealing Day for the purposes of that Creation Application.

Creation Applications must be made in Application Unit size, which is the number of Units specified in the relevant Appendix. Participating Dealers (acting for themselves or for their clients) can apply for Units on each Dealing Day at the Issue Price.

Please refer to the section on “Creations and Redemptions (Primary Market)” for the operational procedures in respect of Creation Applications.

### After Listing

The After Listing phase commences on the Listing Date and continues until the Product is terminated.

You can acquire or dispose the Units in either of the following two ways:

- (a) buy and sell Units on the SEHK; or
- (b) apply for creation and redemption of Units through Participating Dealers.

#### *Buying and Selling of Units on the SEHK*

After Listing, all investors can buy and sell Units in Trading Board Lot Size (as described in the section “Key Information” in the relevant Appendix) or whole multiples thereof like ordinary listed stocks through an intermediary such as a stockbroker or through any of the share dealing services offered by banks or other financial advisers at any time the SEHK is open.

However, please note that transactions in the secondary market on the SEHK will be subject to brokerage and other fees and will occur at market prices which may vary throughout the day and may differ from Net Asset Value per Unit due to market demand and supply, liquidity and scale of trading spread for the Units in the secondary market. As a result, the market price of the Units in the secondary market may be higher or lower than Net Asset Value per Unit.

Please refer to the section on “Exchange Listing and Trading (Secondary Market)” for further information in respect of buying and selling of Units on the SEHK.

#### *Creations and Redemptions through Participating Dealers*

Units will continue to be created and redeemed at the Issue Price and Redemption Value respectively through Participating Dealers in Application Unit size. The Application Unit size and

currency for settlement are as set out in the relevant Appendix.

To be dealt with on a Dealing Day, the relevant Participating Dealer must submit the Creation Applications or Redemption Applications to the Registrar (with a copy to the Manager) before the Dealing Deadline on the relevant Dealing Day. If a Creation Application or Redemption Application is received on a day which is not a Dealing Day or is received after the relevant Dealing Deadline on a Dealing Day, that Creation Application or Redemption Application shall be treated as having been received at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Creation Application or Redemption Application.

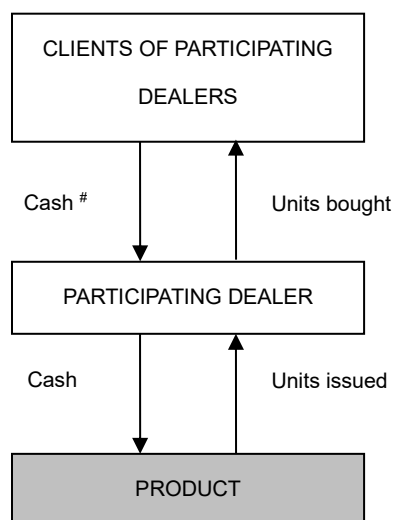
Settlement for subscribing Units is due by such time as agreed in the Operating Guidelines on the relevant Dealing Day or for redeeming Units is due by the Settlement Day, being the Business Day which is two Business Days (unless as otherwise stated in the relevant Appendix) after the Dealing Day, unless the Manager and Trustee agree with the relevant Participating Dealer to accept later settlement generally or in any particular case.

After Listing, all Units will be registered in the name of HKSCC Nominees Limited on the register of the Trust. The register of the Trust is the evidence of ownership of Units. The beneficial interests in Units of any client of the Participating Dealers shall be established through such client's account with the relevant Participating Dealer or with any other CCASS participants if the client is buying from the secondary market.

## Diagrammatic Illustration of Investment in a Product

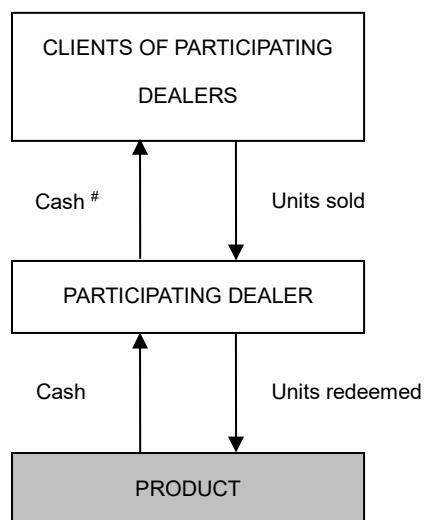
The diagrams below illustrate the creation or redemption and the buying or selling of Units:

(a) Creation and buying of Units in the primary market – Initial Offer Period and After Listing



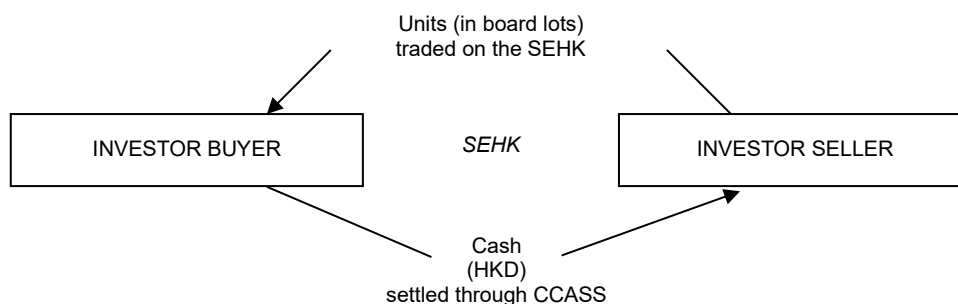
# Clients of the Participating Dealers may agree with the Participating Dealers settlement in another currency.

(b) Redemption and sale of Units in the primary market – After Listing



# Clients of the Participating Dealers may agree with the Participating Dealers settlement in another currency.

(c) Buying or selling of Units in the secondary market on the SEHK – After Listing



**Summary of Offering Methods and Related Fees**

*Initial Offer Period*

Method of Offering	Minimum Number of Units (or multiple thereof)	Channel	Available to	Consideration, Fees and Charges <sup>#</sup>
Cash creation (in the currency as specified in the relevant Appendix)	Application Unit size (see relevant Appendix)	Through Participating Dealers	Any person acceptable to the Participating Dealer as its client	<p>Cash based on the initial Issue Price and the number of Units applied</p> <p>Brokerage fees and/or any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it)</p> <p>Transaction Fee payable to the Trustee (payable in the currency as specified in the section "Fees and Expenses")</p> <p>Transaction Fee payable to the Service Agent (payable in HKD)</p> <p>Duties and Charges (payable in USD unless otherwise specified in the relevant Appendix)</p>

After Listing

Method of Acquisition or Disposal of Units	Minimum Number of Units (or multiple thereof)	Channel	Available to	Consideration, Fees and Charges <sup>#</sup>
Purchase and sale in cash through brokers on the SEHK (secondary market)	Board lot size (see relevant Appendix)	On the SEHK	Any investor	<p>Market price of Units on SEHK (in HKD only)</p> <p>Brokerage fees (in such currency as determined by individual brokers)</p> <p>Transaction Levy and Trading Fee (in HKD only unless otherwise specified in the relevant Appendix)</p>
Cash creation and cash redemption	Application Unit size (see relevant Appendix)	Through Participating Dealers	Any person acceptable to the Participating Dealer as its client	<p>Cash (in the currency as specified in the relevant Appendix)</p> <p>Any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it)</p> <p>Transaction Fee payable to the Trustee (payable in the currency as specified in the section "Fees and Expenses")</p> <p>Transaction Fee payable to the Service Agent (payable in HKD)</p> <p>Duties and Charges (payable in USD unless otherwise specified in the relevant Appendix)</p>

<sup>#</sup> Please refer to "Fees and Expenses" for further details

## **INVESTMENT OBJECTIVE, INVESTMENT STRATEGY, INVESTMENT RESTRICTIONS, SECURITIES LENDING AND BORROWING**

### **Investment Objective**

The investment objective of each Product is to provide investment results that, before fees and expenses, closely correspond to the performance of a relevant leveraged or inverse index, or the inverse Daily performance or the leveraged Daily performance of the relevant Index, unless otherwise stated in the relevant Appendix.

### **Investment Strategy**

In managing a Product, the Manager may use (i) a futures-based replication strategy, (ii) a swap-based synthetic replication strategy or (iii) a hybrid approach with the combination of (i) and (ii) as described below. The particular strategy employed for each Product is set out in the relevant Appendix.

#### *Futures-based replication strategy*

By using a futures-based replication strategy, a Product directly or indirectly invests in Futures Contracts, so as to replicate the performance, the inverse Daily performance or the leveraged Daily performance of the relevant Index.

The Manager may use a full replication or a representative sampling strategy. In using a representative sampling strategy, the Manager will invest in a representative sample of Futures Contracts which collectively have an investment profile that reflects the profile of the relevant Index and whose performance closely correlates with the performance, the inverse Daily performance or the leveraged Daily performance of the relevant Index.

#### *Swap-based synthetic replication strategy*

Pursuant to a Swap-based synthetic replication strategy, a Product will enter into one or more Swaps (which are over-the counter financial derivative instruments entered into with one or more counterparties (each a "Swap Counterparty")) the purpose of which is to exchange all or part of the invested proceeds to gain exposure to the performance, the inverse Daily performance or the leveraged Daily performance of the relevant Index.

#### *Hybrid strategy*

The Manager may use a combination of a futures-based replication strategy and a Swap-based synthetic replication strategy where the Manager believes such investments will help the relevant Product achieve its investment objective and beneficial to the relevant Product.

### **Change of Investment Strategy**

The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to Unitholders before adopting a strategy other than the investment strategy for a Product as stated in the relevant Appendix (save for certain immaterial changes which do not require the SFC's approval).

### **Investment Restrictions**

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

The Trustee will take reasonable care to ensure compliance with the investment and borrowing limitations set out in the constitutive documents and the conditions under which a Product was authorised.

The investment restrictions applicable to each Product (that are included in the Trust Deed) are summarised below:

- (a) the aggregate value of a Product's investments in, or exposure to, any single entity through the following may not exceed 10% of the total Net Asset Value of the Product, save as permitted by Chapter 8.6(h) and as varied by Chapter 8.6(h)(a) of the Code:
  - (1) investments in Securities issued by such entity;
  - (2) exposure to such entity through underlying assets of financial derivative instrument ("FDI"); 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 SFC, the aggregate value of a Product'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 Product:
  - (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 SFC, the value of a Product'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 Product, unless:
  - (1) the cash is held before the launch of the Product 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 the Product, 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 (3), cash deposits generally refer to those that are repayable on demand or have the right to be withdrawn by the Product and not referable to provision of property or services.
- (d) ordinary shares issued by any single entity (other than Government and other Public Securities) held for the account of a Product, when aggregated with other ordinary shares of the same entity held for the account of all other Products under the Trust collectively may not exceed 10% of the nominal amount of the ordinary shares issued by the entity;
- (e) not more than 15% of the total Net Asset Value of a Product 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 Product in a market is not in the best interests of investors, a Product 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 Product, 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 Product as a result must be clearly disclosed in the Prospectus; and
  - (3) the Product 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 Product;
- (g) notwithstanding (a), (b) and (d), not more than 30% of the total Net Asset Value of a Product may be invested in Government and other Public Securities of the same issue, except for a Product which has been authorised by the SFC as an index fund, this limit may be exceeded with the approval of the SFC;
- (h) subject to (g), a Product may fully invest in Government and other Public Securities in at least six different issues. Subject to the approval of the SFC, a Product which has been authorised by the SFC 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 SFC, a Product may not invest in physical commodities;
- (j) for the avoidance of doubt, exchange traded funds that are:
- (1) authorised by the SFC 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 the Product should be consistently applied and clearly disclosed in this Prospectus;

- (k) where a Product invests in shares or units of other collective investment schemes ("underlying schemes"),
- (1) the value of the Product's investment in units or shares in underlying schemes which are non-eligible schemes (as determined by the SFC) and not authorised by the SFC may not in aggregate exceed 10% of the total Net Asset Value of the Product; and
  - (2) the Product may invest in one or more underlying schemes which are either schemes authorised by the SFC or eligible schemes (as determined by the SFC), but the value of the Product's investment in units or shares in each such underlying scheme may not exceed 30% of the total Net Asset Value of the Product, unless the underlying scheme is authorised by the SFC and its name and key investment information are disclosed in the Prospectus of the Product,



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, the Product may invest in scheme(s) authorised by the SFC under Chapter 8 of the Code (except for hedge funds under Chapter 8.7 of the Code), eligible scheme(s) (as determined by the SFC) 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 (j) 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 Product or the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or the manager of an underlying scheme, or quantifiable monetary benefits in connection with investments in any underlying scheme;
- (l) a Product 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 SFC. In this case:
- (1) the underlying scheme ("master fund") must be authorised by the SFC;
  - (2) the Prospectus must state that:
    - (i) the Product is a feeder fund into the master fund;
    - (ii) for the purpose of complying with the investment restrictions, the Product (i.e. feeder fund) and its master fund will be deemed a single entity;
    - (iii) the Product (i.e. feeder fund)'s annual report must include the investment portfolio of the master fund as at the financial year end date; and
    - (iv) the aggregate amount of all the fees and charges of the Product (i.e. Feeder fund) and its underlying master fund must be clearly disclosed;
  - (3) unless otherwise approved by the SFC, 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 Unitholders or by a Product (i.e. feeder fund) may result, if the master fund in which the Product (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 Product indicates a particular objective, investment strategy, geographic

region or market, the Product 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 Product represents.

The Manager shall not on behalf of a Product:

- (A) 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;
- (B) 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)). In the case of investments in such shares and REITs, they shall comply with the relevant investment restrictions and limitations set out in Chapter 7.1, 7.1A, 7.2, 7.3 and 7.11 of the Code, where applicable. For the avoidance of doubt, where investments are made in listed REITs, 7.1, 7.1A and 7.2 apply and where investments are made in unlisted REITs, which are either companies or collective investment schemes, then 7.3 and 7.11 apply respectively;
- (C) make short sales if as a result the Product would be required to deliver Securities exceeding 10% of the total Net Asset Value of the Product (and for this purpose Securities sold short must be actively traded on a market where short selling is permitted). For the avoidance of doubt, the Product 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;
- (D) lend or make a loan out of the assets of a Product, except to the extent that the acquisition of bonds or the making of a deposit (within the applicable investment restrictions) might constitute a loan;
- (E) subject to (e), 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;
- (F) enter into any obligation in respect of a Product or acquire any asset or engage in any transaction for the account of a Product which involves the assumption of any liability which is unlimited; or
- (G) apply any part of the Product 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 the Product whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transactions in FDIs for the purposes of Chapters 7.29 and 7.30 of the Code.

Note: The investment restrictions set out above apply to each Product, subject to the following: A collective investment scheme authorised by the SFC 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 total net asset value. For a Product authorised under Chapter 8.6 of the Code as an index tracking ETF, given the investment objective of the Products and nature of the Index, the Products are 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 Product's total Net Asset Value if such constituent Securities account for more than 10% of the weighting of the Index and the relevant Product's holding of any such constituent Securities does not exceed their respective weightings in the Index, except where the weightings are exceeded as a result of changes in the composition of the 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:

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

### **Securities Financing Transactions**

Where indicated in the relevant Appendix, a Product 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 Product 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 Product;
- 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:

- (a) 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 SFC-licensed corporations or are registered institutions with the Hong Kong Monetary Authority;

- (b) the Trustee, upon the instruction of the Manager, will take collateral, which can be cash or non-cash assets fulfilling the requirements under “Collateral” below;
- (c) for 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 repurchase transactions will be used for meeting redemption requests or defraying operating expenses, but will not be re-invested;
- (d) the maximum and expected level of a Product’s assets available for these transactions will be as set out in the relevant Appendix; and
- (e) 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.

There is no current intention for any Product to engage in securities financing transactions, but this may change in light of market circumstances and where a Product is to engage in these types of transactions, prior approval shall be obtained from the SFC (if required) and no less than one month’s prior notice will be given to the Unitholders.

### **Financial Derivative Instruments**

Subject always to the provisions of the Trust Deed and the Code, the Manager may on behalf of a Product enter into any transactions in relation to Swaps or other FDIs.

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

- (a) they are not aimed at generating any investment return;
- (b) they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss or risks arising from the investments being hedged;
- (c) they should relate to the same asset class with high correlation in terms of risks and return, and involve taking opposite positions, in respect of the investments being hedged; and
- (d) they exhibit price movements with high negative correlation with the investments being hedged under normal market conditions. Hedging arrangement should be adjusted or re-positioned, where necessary and with due consideration on the fees, expenses and costs, to enable the Product to meet its hedging objective in stressed or extreme market conditions.

Unless otherwise stated in the relevant Appendix, each Product may acquire FDIs for non-hedging purposes (“investment purposes”), subject to the limit that the Product’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 SFC for a Product pursuant to Chapter 8.8 or Chapter 8.9 of the Code). For the avoidance of doubt:

- (a) for the purpose of calculating net derivative exposure, the positions of FDIs acquired by a Product 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 SFC 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 Product may invest in FDIs provided that the exposure to the underlying assets of the FDI, together with the other investments of the Product, 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 Product 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 SFC, in which the Product may invest according to its investment objectives and policies. Where a Product invests in index-based FDIs, the underlying assets of such FDIs are not required to be aggregated for the purposes of the investment restrictions or limitations set out in Chapters 7.1, 7.1A, 7.1B and 7.4 of the Code provided that the relevant Index is in compliance with Chapter 8.6(e) of the Code;
- (B) the counterparties to over-the-counter FDI transactions or their guarantors are Substantial Financial Institutions or such other entity acceptable to the SFC 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 total Net Asset Value of the Product. The exposure of a Product to a counterparty of over-the-counter FDIs may be lowered by the collateral received (if applicable) by such Product and shall be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter FDIs 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 Product. 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 Product 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 a Product'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 Product should also be covered as follows:

- in the case of FDI transactions which will, or may at the Product's discretion, be cash settled, the Product 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 Product 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 Product 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 the case of holding alternative assets as cover, such Product 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 embeds a financial derivative as well. For the purposes herein, an “embedded financial derivative” is a financial derivative instrument that is embedded in another security.

## **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 Product’s exposure to issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in Chapters 7.1, 7.1A, 7.1B, 7.4, 7.5, 7.11, 7.11A, 7.11B and 7.14 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 the counterparty of securities financing transactions 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 (including any custodian or sub-custodian duly appointed by the Trustee in accordance with the Trust Deed);
- 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 - 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 SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the Code. Non-cash collateral received may not be sold, re-invested or pledged;
- For the purpose herein, “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. Any re-investment of cash collateral shall be subject to the following further restrictions and limitations:

- i. the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in Chapter 8.2(f) and Chapter 8.2(n) of the Code;
  - ii. cash collateral received is not allowed to be further engaged in any securities financing transactions; and
  - iii. 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, stocks, funds and money market instruments;
- the issuer of collateral must be of high quality and 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.

Where a Product receives collateral, a description of holdings of collateral (including but not limited

to a description of the nature of collateral, identity of the counterparty providing the collateral, value of the Product (by percentage) secured/ covered by collateral with breakdown by asset class/nature and credit rating (if applicable)) will be disclosed in the Product's annual and interim reports for the relevant period as required under Appendix E of the Code.

### **Structured Funds**

The Products seek to invest their respective investment objective primarily through investment in FDIs. The Products are passively managed and track the performance or leveraged or inverse performance of an index and their net derivative exposure exceeds 50% of their respective Net Asset Value. As such the Products are known as structured funds under the Code. The core requirements in Chapter 7 of the Code (as set out in the Trust Deed and summarised above under "Investment Restrictions") will apply with the modifications, exemptions or additional requirements as set out under 8.8 of the Code (as set out in the Trust Deed and summarised below):

- (a) the Manager and the issuer of FDIs shall be independent of each other;
- (b) the valuation of the FDIs shall meet the requirements set out in paragraph (D) under "Financial Derivative Instruments" in this section;
- (c) notwithstanding paragraph (C) under "Financial Derivative Instruments" in this section, a Product should maintain full collateralisation and there should be no net exposure to any single counterparty of the over-the-counter FDIs;
- (d) the collateral shall meet the requirements set out in "Collateral" under this section and the disclosure requirements set out in "Collateral" above; and
- (e) 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.

### **Borrowing Policy**

Borrowing against the assets of a Product is allowed up to a maximum of 10% of its total Net Asset Value. Where the Manager so determines, a Product's permitted borrowing level may be a lower percentage or more restricted as set out in the relevant Appendix. Securities Lending Transactions and Sale and Repurchase Transactions in compliance with the requirements as set under the section entitled "Securities Financing Transactions" above are also not borrowings for the purpose of, and are not subject to the borrowing restrictions under this section.

Subject to the relevant Appendix, the Trustee may on instruction of the Manager borrow for the account of a Product any currency, and charge or pledge assets of the Product, for the following purposes:

- (a) facilitating the creation or redemption of Units or defraying operating expenses;
- (b) enabling the Manager to acquire Securities for the account of the Product; or
- (c) for any other proper purpose as may be agreed by the Manager and the Trustee, except to enhance the performance of any Product.

### **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 Product employing synthetic replication 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 SFC 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 derivatives 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 propriety to act as the counterparty of the relevant Product 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 SFC 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 Product'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 Product, 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 Product will enter into the new Swap(s) as soon as possible with the new counterparty(ies). The Manager would then inform the SFC of the selection of the new counterparty(ies) and the entering into of the new Swap(s) with the new

counterparty(ies). Alternatively, the Manager may also propose a restructuring of the relevant Product by using other instruments similar to the relevant Swap(s), in the case where no suitable new counterparty(ies) is/are available. Such restructuring would then be subject to review and approval by the relevant authorities, including the SFC. 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 Product and the Swap Counterparty(ies) is insolvent or otherwise unable to pay the amount in full, the relevant Product will account for any loss. To mitigate such a loss, the Manager intends to adopt a multiple counterparty arrangement where a Product (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 Product, after consultation with the trustee and having regard to the best interest of the Unitholders. For the avoidance of doubt, the Manager will notify the SFC and publish a notice of suspension following the suspension and at least once a month during the suspension.
- (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 Product is not able to achieve its investment objective, which is to track the movements in the relevant Index, the Manager may decide to terminate the relevant Product.

## CREATIONS AND REDEMPTIONS (PRIMARY MARKET)

### Investment in a Product

There are two methods of making an investment in a Product and of disposing of Units to realise an investment in a Product.

The first method is to create or to redeem Units at Net Asset Value directly with the Product in the primary market through a Participating Dealer, being a licensed dealer that has entered into a Participation Agreement in respect of the relevant Product. Because of the size of the capital investment (i.e. Application Unit size) required either to create or redeem Units through the Participating Dealer in the primary market, this method of investment is more suitable for institutional investors and market professionals. Participating Dealers are under no obligations to create or redeem Units for their clients and may impose terms, including charges, for handling creation or redemption orders as they determine appropriate, as described in more detail in this section.

The second method is to buy or to sell Units in the secondary market on the SEHK which is more suitable for retail investors. The secondary market price of Units may trade at a premium or discount to the Net Asset Value of the relevant Product.

This section of this Prospectus describes the first method of investment and should be read in conjunction with the Operating Guidelines and the Trust Deed. The section on “Exchange Listing and Trading (Secondary Market)” relates to the second method of investment.

### Creation of Units through Participating Dealers

Any application for the creation of Units of a Product must only be made through a Participating Dealer in respect of an Application Unit size or whole multiple thereof (save and except for application during the relevant Initial Offer Period) as set out in the “Key Information” section in the relevant Appendix. Investors cannot acquire Units directly from a Product. Only Participating Dealers may submit Creation Applications to the Registrar (with a copy to the Manager).

Units in each Product are continuously offered through a Participating Dealer, who may apply for them on any Dealing Day for its own account or for the account of their client(s), in accordance with the Operating Guidelines, by submitting a Creation Application to the Registrar (with a copy to the Manager).

Each initial Participating Dealer has indicated to the Manager that it will generally accept and submit creation requests received from its clients, subject always to (i) mutual agreement between the relevant initial Participating Dealer and its clients as to its fees for handling such requests; (ii) completion to its satisfaction of client acceptance procedures and requirements; (iii) no objection from the Manager to create Units for the relevant initial Participating Dealer on behalf of such clients (please refer to the sub-section on “Creation process” below for the examples of exceptional circumstances under which the Manager shall have the right to reject a Creation Application); and (iv) mutual agreement between the relevant initial Participating Dealer and its clients as to the method of effecting such creation requests.

In addition, a Participating Dealer reserves the right to reject, acting in good faith, any creation request received from a client under exceptional circumstances, including without limitation the following circumstances:

- (a) any period during which (i) the creation or issue of Units of the relevant Product, (ii) the redemption of Units of the relevant Product, and/or (iii) the determination of Net Asset Value of the relevant Product is suspended;
- (b) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to any of the Securities and/or Futures Contracts in the relevant Index;

- (c) where acceptance of the creation 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 necessary for compliance with applicable legal and regulatory requirements;
- (d) circumstances outside the control of the Participating Dealer make it for all practicable purposes impossible to process the creation request; or
- (e) during any period when the business operations of the Participating Dealer are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riot, strikes or acts of God.

*Requirements relating to Creation Requests by potential investors*

As of the date of this Prospectus, only cash creation is available to the Participating Dealers in respect of the Product.

A Participating Dealer may impose fees and charges in handling any creation request which would increase the cost of investment. Investors are advised to check with the Participating Dealer as to relevant fees and charges. Although the Manager has a duty to monitor the operations of each Product closely, neither the Manager nor the Trustee is empowered to compel a Participating Dealer to disclose its fees agreed with specific clients or other proprietary or confidential information to the Manager or the Trustee or to accept any such creation requests received from clients. In addition, neither the Trustee nor the Manager can ensure effective arbitrage by Participating Dealer.

A Participating Dealer may also impose timing deadlines for the submission by its clients of any creation request and require any such clients to complete the relevant client acceptance procedures and requirements (including, where necessary, providing such documentation and certifications as required by the Participating Dealer) in order to ensure that an effective Creation Application in respect of a Product can be submitted by it to the Registrar (with a copy to the Manager). Investors are advised to check with the Participating Dealer as to the relevant timing deadlines and the client acceptance procedures and requirements.

The Application Unit size for a Product is the number of Units specified in the relevant Appendix. Save and except for application during the relevant Initial Offer Period, Creation Applications submitted in respect of Units other than in Application Unit size or whole multiples thereof will not be accepted. The minimum subscription for each Product is one Application Unit.

*Creation process*

A Participating Dealer may from time to time submit Creation Applications in respect of a Product to the Registrar, with a copy to the Manager, following receipt of creation requests from its clients or where it wishes to create Units of the relevant Product for its own account.

If a Creation Application is received on a day which is not a Dealing Day or is received after the relevant Dealing Deadline on a Dealing Day, that Creation Application shall be treated as having been received at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Creation Application. The current Dealing Deadline After Listing on the relevant Dealing Day is specified in the relevant Appendix, or such other time as the Manager (in consultation with the Trustee) may determine on any day when the trading hours of the SEHK are reduced. To be effective, a Creation Application must:

- (a) be given by a Participating Dealer in accordance with the Trust Deed, the relevant Participation Agreement and the relevant Operating Guidelines;
- (b) specify the number of Units and the class of Units (where applicable) which is the subject of the Creation Application; and

- (c) include the certifications required in the Operating Guidelines (if any) in respect of creations of Units, together with such certifications and opinions of counsel (if any) as each of the Trustee and the Manager may separately consider necessary to ensure compliance with applicable Securities and other laws in relation to the creation of Units which are the subject of the Creation Application.

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

- (a) any period during which (i) the creation or issue of Units of the relevant Product, (ii) the redemption of Units of the relevant Product, and/or (iii) the determination of Net Asset Value of the relevant Product is suspended;
- (b) where in the opinion of the Manager, acceptance of the Creation Application would have an adverse effect on the relevant Product;
- (c) where in the opinion of the Manager, acceptance of the Creation Application would have a material impact on the relevant market on which a Security and/or Futures Contracts, as the case may be (that is a component of the Index for the relevant Product) has its primary listing;
- (d) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to any of the Securities and/or Futures Contracts as the case may be in the relevant Index;
- (e) where 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 necessary for compliance with applicable legal and regulatory requirements;
- (f) circumstances outside the control of the Manager make it for all practicable purposes impossible to process the Creation Application;
- (g) any period during which the business operations of the Manager, the Trustee or any delegate of the Manager or the Trustee in respect of a Creation Application in the relevant Product are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God; or
- (h) an Insolvency Event occurs in respect of the relevant Participating Dealer.

In the event of such rejection, the Manager shall notify the relevant Participating Dealer and the Trustee of its decision to reject such Creation Application in accordance with the Operating Guidelines. Where for any reason there is a limit to the number of Units which can be created, priority will be given to Participating Dealers and the relevant Creation Applications as set out in the Operating Guidelines.

The Manager's right to reject a Creation Application is separate and in addition to a Participating Dealer's right to reject, acting in good faith, any creation request received from a client of the Participating Dealer under exceptional circumstances. Notwithstanding a Participating Dealer has accepted creation requests from its clients and in that connection submitted an effective Creation Application, the Manager may exercise its ultimate rights to reject such Creation Application in the circumstances described herein.

Where the Manager accepts a Creation Application from a Participating Dealer, it shall instruct the Trustee to effect (i) for the account of the Product, the creation of Units in Application Unit size in exchange for a transfer of cash; and (ii) the issue of Units to the Participating Dealer, both in accordance with the Operating Guidelines and the Trust Deed.

#### *Issue of Units*

Units will be issued at the Issue Price prevailing on the relevant Dealing Day, provided that the Manager may add to such Issue Price a sum (if any) which represents an appropriate provision for Duties and Charges. Please refer to the section on “Issue Price and Redemption Value of Units” for the calculation of the Issue Price.

On receipt of a Creation Application by a Participating Dealer for Units in a Product during the relevant Initial Offer Period, the Manager shall procure the creation and issue of Units in that Product on the relevant Initial Issue Date.

Units are denominated in the base currency of the relevant Product (unless otherwise determined by the Manager) as set out in the relevant Appendix and no fractions of a Unit shall be created or issued by the Trustee.

The creation and issue of Units pursuant to a Creation Application shall be effected on the relevant Settlement Day for the Dealing Day on which the Creation Application is received (or deemed received) and accepted in accordance with the Operating Guidelines but (i) for valuation purposes only, Units shall be deemed created and issued after the Valuation Point on the Dealing Day on which the relevant Creation Application was received or deemed received, and (ii) the register will be updated on the relevant Settlement Day or the Dealing Day immediately following the Settlement Day if the settlement period is extended. If a Creation Application is received on a day which is not a Dealing Day or is received after the relevant Dealing Deadline on a Dealing Day, that Creation Application shall be treated as having been received at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Creation Application. An Extension Fee may be payable in relation to such an extension. See the section on “Fees and Expenses” for further details.

The Trustee shall be entitled to refuse to enter (or allow to be entered) Units in the register if at any time the Trustee is of the opinion that the provisions as set out in the Trust Deed, the relevant Operating Guidelines or the relevant Participation Agreement, in regard to the issue of Units, are being infringed.

#### *Fees relating to Creation Applications*

The Service Agent, the Registrar and/or the Trustee may charge a Transaction Fee in respect of Creation Applications and may on any day vary the rate of the Transaction Fee they charge (but not as between different Participating Dealers in respect of the same Product). The Transaction Fee shall be paid by or on behalf of the Participating Dealer applying for such Units and may be set off and deducted against any cash amount due to the Participating Dealer in respect of such Creation Applications for the benefit of the Trustee, the Registrar and/or the Service Agent. See the section on “Fees and Expenses” for further details.

In relation to cash creation of Units, the Manager reserves the right to require the Participating Dealer to pay an additional sum for the purpose of compensating or reimbursing the Product for the difference between:

- (a) the prices used when valuing the Securities and/or Futures Contracts, as applicable, of the Product for the purpose of such issue of Units; and
- (b) the prices which would be used when acquiring the same Securities and/or Futures Contracts, as applicable, if they were acquired by the Product with the amount of cash received by the Product upon such issue of Units.

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

Any commission, remuneration or other sum payable by the Manager to any agent or other person in respect of the issue or sale of any Unit shall not be added to the Issue Price of such Unit and shall not be paid from the assets of any Product.

#### **Cancellation of Creation Applications**

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

The Trustee, after consultation with the Manager may cancel a creation order in respect of any Units deemed created pursuant to a Creation Application if it has not received the full amount of cash (including Transaction Fee, Duties and Charges) relating to the Creation Application by the relevant time on the Dealing Day.

In addition to the preceding circumstances, the Manager may also cancel any creation order of any Units if it determines by such time as it specifies in the Operating Guidelines that it is unable to invest the cash proceeds of any Creation Application.

Upon the cancellation of any creation order of any Units deemed created pursuant to a Creation Application as provided for above, any cash received by or on behalf of the Trustee in connection with a Creation Application shall be redelivered to the Participating Dealer (without interest) as soon as practicable and the relevant Units shall be deemed for all purposes never to have been created and the Participating Dealer shall have no right or claim against the Manager, the Trustee and/or the Service Agent in respect of such cancellation provided that:

- (a) the Trustee may charge the relevant Participating Dealer an application cancellation fee (see the section on "Fees and Expenses" for further details);
- (b) the Manager may at its absolute discretion require the relevant Participating Dealer to pay to the Trustee, for the account of the Product, in respect of each Unit so cancelled Cancellation Compensation, being the amount (if any) by which the Issue Price of each such Unit exceeds the Redemption Value which would have applied in relation to each such Unit if the Participating Dealer had, on the date on which such Units are cancelled, made a Redemption Application, together with charges, expenses and losses incurred by the Product as a result of such cancellation;
- (c) the Transaction Fee in respect of such Creation Application shall remain due and payable (notwithstanding that the Creation Application shall be deemed to never have been made) and once paid shall be retained by and for the benefit of the Trustee, the Registrar and/or the Service Agent (see the section on "Fees and Expenses" for further details); and
- (d) no previous valuations of the Trust Fund shall be re-opened or invalidated as a result of the cancellation of such Units.

### **Redemption of Units through Participating Dealers**

Any application for the redemption of Units of a Product must only be made through a Participating Dealer in respect of an Application Unit size or whole multiples thereof. Investors cannot redeem Units directly from the relevant Product. Only Participating Dealers may submit Redemption Applications to the Registrar (with a copy to the Manager).

A Participating Dealer may redeem Units on any Dealing Day for its own account or for the account of its clients in accordance with the Operating Guidelines, by submitting a Redemption Application to the Registrar (with a copy to the Manager).

Each initial Participating Dealer has indicated to the Manager that it will generally accept and submit redemption requests received from its clients, subject always to (i) mutual agreement between the relevant initial Participating Dealer and its clients as to its fees for handling such request(s); (ii) completion to its satisfaction of client acceptance procedures and requirements; (iii) no objection from the Manager to redeem Units for the relevant initial Participating Dealer on behalf of its clients (please refer to the sub-section on "Redemption process" below for the examples of exceptional circumstances under which the Manager shall have the right to reject a Redemption Application); and (iv) mutual agreement between the relevant initial Participating Dealer and its clients as to the method of effecting such redemption request.

In addition, a Participating Dealer reserves the right to reject, acting in good faith, any redemption request received from a client under exceptional circumstances, including without limitation the following circumstances:

- (a) any period during which (i) the creation or issue of Units of the relevant Product, (ii) the redemption of Units of the relevant Product, and/or (iii) the determination of Net Asset Value of the relevant Product is suspended;
- (b) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to any of the Securities and/or Futures Contracts in the Index;
- (c) where acceptance of the 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 necessary for compliance with applicable legal and regulatory requirements;
- (d) circumstances outside the control of the Participating Dealer make it for all practicable purposes impossible to process the redemption request; or
- (e) during any period when the business operations of the Participating Dealer are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riot, strikes or acts of God.

#### *Requirements relating to redemption requests by Unitholders*

As at the date of this Prospectus, only cash redemption is available to the Participating Dealers in respect of the Products.

A Participating Dealer may impose fees and charges in handling any redemption request which would increase the cost of investment and/or reduce the redemption proceeds. Investors are advised to check with the Participating Dealer as to relevant fees and charges. Although the Manager has a duty to monitor the operations of each Product closely, neither the Manager nor the Trustee is empowered to compel a Participating Dealer to disclose its fees agreed with specific clients or other proprietary or confidential information to the Manager or the Trustee or to accept any such redemption requests received from clients. In addition, neither the Trustee nor the Manager can ensure effective arbitrage by a Participating Dealer.

A Participating Dealer may also impose timing deadlines for the submission by its clients of any redemption request and require any such clients to complete the relevant client acceptance procedures and requirements (including, where necessary, providing such documentation and certifications as required by the Participating Dealer) in order to ensure that an effective Redemption Application in respect of a Product can be submitted by it to the Registrar (with a copy to the Manager). Investors are advised to check with the Participating Dealer as to the relevant timing deadlines and the client acceptance procedures and requirements.

The Application Unit size for a Product is the number of Units specified in the relevant Appendix. Redemption Applications submitted in respect of Units other than in Application Unit size or whole multiples thereof will not be accepted. The minimum redemption for each Product is one Application Unit.

#### *Redemption process*

A Participating Dealer may from time to time submit Redemption Applications in respect of a Product to the Registrar (with a copy to the Manager), following receipt of redemption requests from clients or where it wishes to redeem Units of the relevant Product for its own account.

If a Redemption Application is received on a day which is not a Dealing Day or is received after the relevant Dealing Deadline on a Dealing Day, that Redemption Application shall be treated as



having been received at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Redemption Application. The current Dealing Deadline After Listing on the relevant Dealing Day is specified in the relevant Appendix, or such other time as the Manager (in consultation with the Trustee) may determine on any day when the trading hours of the SEHK are reduced.

To be effective, a Redemption Application must:

- (a) be given by a Participating Dealer in accordance with the Trust Deed, the relevant Participation Agreement and the relevant Operating Guidelines;
- (b) specify the number of Units and the class of Units (where applicable) which is the subject of the Redemption Application; and
- (c) include the certifications required in the Participation Agreement and Operating Guidelines (if any) in respect of redemptions of Units, together with such certifications and opinions of counsel (if any) as the Trustee and the Manager may consider necessary to ensure compliance with applicable securities and other laws in relation to the redemption of Units which are the subject of the Redemption Application.

The Manager shall 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 creation or issue of Units of the relevant Product, (ii) the redemption of Units of the relevant Product, and/or (iii) the determination of Net Asset Value of the relevant Product is suspended;
- (b) where in the opinion of the Manager, acceptance of the Redemption Application would have an adverse effect on the relevant Product;
- (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 any of the Securities and/or Futures Contracts in the relevant Index;
- (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 necessary for compliance with applicable legal and regulatory requirements;
- (e) circumstances outside the control of the Manager make it for all practicable purposes impossible to process the Redemption Application; or
- (f) any period during which the business operations of the Manager, the Trustee or any delegate of the Manager or the Trustee in respect of a Redemption Application in the relevant Product are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God.

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 under exceptional circumstances. Notwithstanding a Participating Dealer has accepted redemption requests from 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.

Where the Manager accepts a Redemption Application from a Participating Dealer, it shall (i) effect the redemption and cancellation of the relevant Units; and (ii) require the Trustee to transfer to the

Participating Dealer cash in accordance with the Operating Guidelines and the Trust Deed.

The Participating Dealer will then transfer the cash to the relevant client if the Redemption Application was submitted by the Participating Dealer for the account of its client.

#### *Redemption of Units*

Any accepted Redemption Application will be effected on the Settlement Day provided that a Redemption Application duly signed by a Participating Dealer (to the satisfaction of the Manager and the Trustee) has been received and provided further that the Trustee shall have received (unless otherwise provided in the Operating Guidelines) the original (and not a faxed copy) of the certificates (if any) representing the Units to be cancelled (or an indemnity in terms acceptable to the Trustee) and the full amount of any amount payable by the Participating Dealer including the Transaction Fee and any other Duties and Charges have been either deducted or otherwise paid in full.

For valuation purposes only, Units shall be deemed to have been redeemed and cancelled after the Valuation Point on the Dealing Day on which the Redemption Application was received or deemed received. The name of the Unitholder of such Units shall be removed from the Register in respect of those Units redeemed and cancelled on the relevant Settlement Day.

The Redemption Value of Units tendered for redemption and cancellation shall be the Net Asset Value per Unit of a Product rounded to the nearest four decimal places (0.00005 or above being rounded up, and less than 0.00005 being rounded down). The benefit of any rounding adjustments will be retained by the relevant Product. For the purpose of valuation, the relevant Valuation Point shall be the Valuation Point for the Dealing Day on which the Redemption Application is treated as having been received.

The interval between the receipt of a properly documented Redemption Application and payment of redemption proceeds may not exceed one calendar month provided that there is no delay in submitting all duly completed redemption documentation and the determination of the Net Asset Value or dealing in Units is not suspended.

The Manager may at its discretion extend the settlement period upon receipt of the extended settlement request in respect of the Redemption Application on such terms and conditions (including as to the payment of any fees to the Manager or the Trustee or their respective Connected Persons or otherwise) as the Manager may in its discretion determine, in accordance with the Operating Guidelines.

#### *Fees relating to Redemption Applications*

The Service Agent, the Registrar and/or the Trustee may charge a Transaction Fee in respect of Redemption Applications and may on any day vary the rate of the Transaction Fee they charge (but not as between different Participating Dealers in respect of the same Product). The Transaction Fee shall be paid by or on behalf of the Participating Dealer submitting the Redemption Application(s) (and may be set off and deducted against any amount due to the Participating Dealer in respect of such Redemption Application(s)) for the benefit of the Trustee, the Registrar and/or the Service Agent. See the section on "Fees and Expenses" for further details.

In relation to cash redemption of Units, the Manager reserves the right to require the Participating Dealer to pay an additional sum for the purpose of compensating or reimbursing a Product for the difference between:

- (a) the prices used when valuing the Securities and/or Futures Contracts, as applicable of the Product for the purpose of such redemption of Units; and
- (b) the prices which would be used when selling the same Securities and/or Futures Contracts, as applicable if they were sold by the Product in order to realise the amount of cash required

to be paid out of the Product upon such redemption of Units.

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

The Trustee may deduct from the redemption proceeds such sum (if any) as the Trustee may consider represents an appropriate provision for the Transaction Fee and/or other Duties and Charges.

### **Cancellation of Redemption Applications**

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

No cash amount shall be paid in respect of any Redemption Application unless Units, which are the subject of the Redemption Application, have been delivered to the Trustee free and clear of any Encumbrance for redemption by such time on the Settlement Day or other dealing set forth in the Trust Deed and/or Operating Guidelines as the Trustee and the Manager shall for the time being prescribe for Redemption Applications generally.

In the event that any Units, which are the subject of a Redemption Application, are not delivered to the Trustee for redemption in accordance with the foregoing or are not free and clear of any Encumbrance (other than in certain circumstances contemplated in the Trust Deed such as when the Manager declares a suspension of redemptions of Units):

- (a) the Trustee may charge the relevant Participating Dealer an application cancellation fee (see the section on "Fees and Expenses" for further details);
- (b) the Manager may at its discretion require the relevant Participating Dealer to pay to the Trustee, for the account of the relevant Product, in respect of each Unit so cancelled Cancellation Compensation, being the amount (if any) by which the Redemption Value of each such Unit is less than the Issue Price which would have applied in relation to each such Unit if the Participating Dealer had, on the actual date when the Manager is able to repurchase any replacement Securities and/or Futures Contracts made a Creation Application in accordance with the provisions of the Trust Deed plus such other amount as the Manager reasonably determines as representing any charges, expenses and losses incurred by the Product as a result of such cancellation;
- (c) the Transaction Fee in respect of such Redemption Application shall remain due and payable (notwithstanding that the Redemption Application shall be deemed to never have been made) and once paid, shall be retained by and for the benefit of the Trustee, the Registrar and/or the Service Agent (see the section on "Fees and Expenses" for further details); and
- (d) no previous valuations of the Trust Fund shall be re-opened or invalidated as a result of an unsuccessful Redemption Application.

### **Deferred Redemption**

In the event that redemption requests are received for the redemption of Units representing in aggregate more than 10% (or such higher percentage as the Manager may determine in respect of the Product and as permitted by the SFC) of the total number of Units in a Product then in issue or the total Net Asset Value of a Product as specified in the relevant Appendix, the Manager may direct the Trustee to reduce such requests rateably and pro rata amongst all Unitholders seeking to redeem Units on the relevant Dealing Day and carry out only sufficient redemptions which, in aggregate, amount to 10% (or such higher percentage as the Manager may determine in respect of a Product) of the Units in the relevant Product then in issue. Units which are not redeemed but which would otherwise have been redeemed will be redeemed on the next Dealing Day (subject to further deferral if the deferred requests in respect of the relevant Product themselves exceed 10% (or such higher percentage as the Manager may determine in respect of that Product) of the total number of

Units in the relevant Product then in issue or the total Net Asset Value of a Product, as specified in the relevant Appendix) in priority to any other Units in the relevant Product for which redemption requests have been received. Units will be redeemed at the Redemption Value prevailing on the Dealing Day on which they are redeemed.

### **Suspension of Creations and Redemptions**

The Manager may, at its discretion, after consultation with the Trustee (and where practicable, after consultation with Participating Dealers) having regard to the best interests of the Unitholders, suspend the creation or issue of Units of any Product, suspend the redemption of Units of any Product 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 Futures Contracts in respect of any Creation Application and/or Redemption Application in the following circumstances:

- (a) during any period when trading on the SEHK or any other Recognised Stock Exchange or Recognised Futures Exchange is restricted or suspended;
- (b) during any period when a market on which a Security and/or Futures Contract, as the case may be (that is a component of the Index) has its primary listing, or the official clearing and settlement depositary (if any) of such market, is closed;
- (c) during any period when dealing on a market on which a Security and/or Futures Contract, as the case may be (that is a component of the Index) has its primary listing is restricted or suspended;
- (d) during any period when, in the opinion of the Manager, settlement or clearing of Securities and/or Futures Contracts, as the case may be in the official clearing and settlement depositary (if any) of such market is disrupted;
- (e) during the existence of any state of affairs as a result of which delivery or purchase of Securities and/or Futures Contracts, as appropriate or disposal of investments for the time being comprised in the relevant Product cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Unitholders of the relevant Product;
- (f) during any period when the Index for the relevant Product is not compiled or published;
- (g) during any breakdown in any of the means normally employed in determining the Net Asset Value of the relevant Product or when for any other reason the value of any Securities and/or Futures Contracts or other property for the time being comprised in the relevant Product cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained;
- (h) during any period when the determination of the Net Asset Value of the relevant Product is suspended or if any circumstance specified in the section on "Suspension of Determination of Net Asset Value" below arises;
- (i) during any period when the Swap (if any) cannot be adjusted or reset for any reason; or
- (j) during any period when the business operations of the Manager, the Trustee or any delegate of the Manager or the Trustee, in respect of any Creation Application and/or Redemption Application in the relevant Product is substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riot, strikes or acts of God; or
- (k) if as result of the investment of the proceeds of issue of such Units in accordance with the investment objective of a Product, the Trust collectively holds or would hold in aggregate more than 10% of the ordinary shares issued by any single issuer.

The Manager will, after consultation with the Trustee, having regard to the best interests of the

Unitholders, suspend the right to subscribe for Units of the relevant Product 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% of the ordinary shares issued by any single issuer. Where the Product under the Trust hold in aggregate more than the limit of 10% 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 SFC and publish a notice of suspension following the suspension, and at least once a month during the suspension, on its website at [www.bosera.com.hk/](http://www.bosera.com.hk/) (the contents of which and of other websites referred to in this Prospectus have not been reviewed by the SFC) or in such other publications as it decides.

The Manager shall consider any Redemption Application or any Creation 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 Participating Dealer may, at any time after a suspension has been declared and before termination of such suspension, withdraw any Creation Application or Redemption Application by notice in writing to the Manager and the Manager shall promptly notify and request the Trustee to return to the Participating Dealer any cash received by it in respect of the Creation Application (without interest) as soon as practicable.

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.

### **Evidence of Unitholding**

Units will be deposited, cleared and settled by CCASS. Units are held in registered entry form only, which means that no Unit certificates are issued. HKSCC Nominees Limited is the registered owner (i.e. the sole holder of record) of all outstanding Units deposited with CCASS and is holding such Units for the Participants in accordance with the General Rules of CCASS. Furthermore, the Trustee and the Manager acknowledge that pursuant to the General Rules of CCASS neither HKSCC Nominees Limited nor HKSCC has any proprietary interest in the Units. Investors owning Units in CCASS are beneficial owners as shown on the records of the participating brokers or the relevant Participating Dealer(s) (as the case may be) who are Participants.

### **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 which would result in such holding being:

- (a) a breach of the law or requirements of any country or governmental authority or any stock exchange on which the Units are listed in circumstances which, in the Manager's opinion, might result in the Trust or a Product suffering any adverse effect which the Trust or the Product might not otherwise have suffered;
- (b) in the circumstances which, in the Manager's opinion, might result in the Trust or any Product, the Trustee or the Manager incurring any liability to taxation or suffering any other potential or actual pecuniary disadvantage or might result in the Trust or any Product, the Trustee or the Manager being subject to any additional regulatory compliance which the Trust or the relevant Product, the Trustee or the Manager might not otherwise have incurred, suffered or been subject to; or
- (c) in breach of, or deemed by the Manager to be in breach of, any applicable anti-money laundering or identification verification or national status or residency requirements imposed

on him (whether under the terms of any underlying investment arrangement or otherwise) including without limitation the issue of any warranty or supporting document required to be given to the Trustee and the Manager

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.

### **Transfer of Units**

The Trust Deed provides that a Unitholder may transfer Units with the consent of the Manager. As all Units will be held in CCASS, the Manager's consent is deemed given where an investor is transferring his interest in Units within CCASS. A Unitholder is entitled to transfer Units held by him by using the standard transfer form issued by SEHK or by an instrument in writing in such other form (and if the transferor or the transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution) as the Trustee may from time to time approve. The transferor will be deemed to remain the Unitholder of the Units transferred until the name of the transferee is entered in the register of Unitholders in respect of the Units being transferred. Each instrument of transfer must relate to a single Product only. If and to the extent that all Units are deposited, cleared and settled in CCASS, HKSCC Nominees Limited will be the sole Unitholder, holding such Units for the persons admitted by HKSCC as a Participant and to whose account any Units are for the time being allocated in accordance with the General Rules of CCASS.

## **EXCHANGE LISTING AND TRADING (SECONDARY MARKET)**

The purpose of the listing of the Units on the SEHK is to enable investors to buy and sell Units on the secondary market, normally via a broker or dealer in smaller quantities than would be possible if they were to subscribe and/or redeem Units in the primary market.

The market price of a Unit listed or traded on the SEHK may not reflect the Net Asset Value per Unit. Any transactions in the Units on the SEHK will be subject to the customary brokerage commissions and/or transfer taxes associated with the trading and settlement through the SEHK. There can be no guarantee that once the Units are listed on the SEHK they will remain listed.

The Manager will use its best endeavours to put in place arrangements so that at least one Market Maker will maintain a market for the Units. Broadly, the obligations of a Market Maker will include quoting bid and offer prices on the SEHK with the intention of providing liquidity. Given the nature of the Market Maker's role, the Manager will make available to a Market Maker, the portfolio composition information which is made available to a Participating Dealer.

Units may be purchased from and sold through the Market Makers. However, there is no guarantee or assurance as to the price at which a market will be made. In maintaining a market for Units, the Market Makers may make or lose money based on the differences between the prices at which they buy and sell Units, which is to a certain extent dependent on the difference between the purchase and sale prices of the underlying Securities or Futures Contracts comprised within the Index. Market Makers may retain any profits made by them for their own benefit and they are not liable to account to the Products in respect of such profits.

If you wish to buy or sell Units on the secondary market, you should contact your brokers.

Subject to the compliance with the stock admission requirements of HKSCC, the Units of Bosera SZSE ChiNext Daily (2x) Leveraged Product will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Units of Bosera SZSE ChiNext Daily (2x) Leveraged Product on the SEHK or on any other date HKSCC chooses.

Settlement of transactions between participants of the SEHK is required to take place in CCASS on the second CCASS Settlement Day after any Trading Day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

If trading of the Units on the SEHK is suspended or trading generally on the SEHK is suspended, then there will be no secondary market dealing for the Units.

Participating Dealers should note that they will not be able to sell or otherwise deal in the Units on the SEHK until dealings begin on the SEHK.

## DETERMINATION OF NET ASSET VALUE

### Calculation of Net Asset Value

The Net Asset Value of each Product will be calculated by the Administrator as at each Valuation Point applicable to the relevant Product, which may be different from the close of any Market, by calculating the value of the assets of the relevant Product and deducting the liabilities of the relevant Product, in accordance with the terms of the Trust Deed.

Set out below is a summary of how various properties held by the relevant Product are valued:

- (a) Securities that are quoted, listed, traded or dealt in on any Market shall unless the Manager (in consultation with the Trustee) determines that some other method is more appropriate, be valued by reference to the price appearing to the Manager to be the official closing price, or if unavailable, the last traded price on the Market as the Manager may consider in the circumstances to provide fair criterion, provided that (i) if a Security is quoted or listed on more than one Market, the Manager shall adopt the price quoted on the Market which in its opinion provides the principal market for such Security; (ii) if prices on that Market are not available at the relevant time, the value of the Securities 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 so requires, by the Manager after consultation with the Trustee; (iii) interest accrued on any interest-bearing Securities shall be taken into account, unless such interest is included in the quoted or listed price; and (iv) the Manager, the Trustee or its delegates may accept as sufficient evidence of the value of any asset of a Product or the cost price or sale price thereof, any market quotation or certification by a calculation agent, broker, any professional person, firm or association qualified in the opinion of the Trustee or its delegates or the Manager to provide such a quotation; and (v) the Manager, the Trustee or its delegates may rely upon the established practice and rulings of any market and any committees and officials thereof on which any dealing in any assets of the Product or other property is from time to time effected in determining what shall constitute a good delivery and any similar matters; and (vi) the Manager and the Trustee shall be entitled to use and rely on electronic price feeds, mechanised and/or electronic systems of price/valuation dissemination and the prices provided by any such system shall be deemed to be the last traded prices.
- (b) the value of each interest in any unlisted mutual fund corporation or unit trust shall be the latest available net asset value per share or unit in such mutual fund corporation or unit trust or if not available or appropriate, the last available bid or offer price for such unit, share or other interest;
- (c) Futures Contracts will be valued at the official closing price of the Futures Contracts or if such price is not available (i) the latest available price or (ii) if bid and offer quotations are made, the latest available middle market quotation of such Futures Contract in each case at the Valuation Point or as otherwise valued as described in the Trust Deed;
- (d) except as provided for in paragraph (a) (iii) or (b), the value of any investment which is not listed, quoted or ordinarily dealt in on a Market shall be the initial value thereof equal to the amount expended on behalf of the Product in the acquisition of such investment (including, in each case the amount of stamp duties, commissions and other acquisition expenses) provided that the Manager may at any time in consultation with the Trustee and shall at such times or at such intervals as the Trust shall, in consultation with the Trustee, request cause a revaluation to be made by a professional person approved by the Trustee as qualified to value such investments (which may, if the Trustee agrees, be the Manager);
- (e) cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager and in consultation with the Trustee, any adjustment should be made to reflect the value thereof; and
- (f) notwithstanding the foregoing, the Manager in consultation with the Trustee may adjust the value of any investment or permit some other method of valuation to be used if, having



regard to relevant circumstances, it determines that such adjustment is more appropriate to fairly reflect the value of the investment.

The Administrator will perform any currency conversion at the rates which the Administrator and the Manager deem appropriate from time to time.

The value of the swap invested by a Product, 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 verification of this valuation on a daily basis. In addition, the Administrator will carry out an independent verification of the value of the swap in accordance with its internal policy and the terms of the swaps.

The above is a summary of the key provisions of the Trust Deed with regard to how the various assets of the relevant Product are valued.

To the extent that the valuation or accounting basis adopted by the Products deviates from IFRS, the Manager may make necessary adjustments in the annual financial statements to comply with IFRS. Any such adjustments will be disclosed in the financial reports, including a reconciliation note to reconcile values arrived at by applying the Trust's valuation rules.

### **Suspension of Determination of Net Asset Value**

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

- (a) there exists any state of affairs prohibiting the normal disposal and/or purchase of the investments of the relevant Product;
- (b) circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to realise a substantial part of the Securities and/or Futures Contracts held or contracted for the account of that Product or it is not possible to do so without seriously prejudicing the interest of Unitholders of that Product;
- (c) for any other reason the prices of investments of the relevant Product cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained;
- (d) there is a breakdown in any of the means normally employed in determining the Net Asset Value of the relevant Product or the Net Asset Value per Unit of the relevant class or when for any other reason the value of any Securities and/or Futures Contracts or other property for the time being comprised in the relevant Product cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained;
- (e) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, a substantial part of the Securities and/or Futures Contracts or other property of that Product or the subscription or redemption of Units of the relevant Product is delayed or cannot, in the opinion of the Manager, be carried out promptly or at normal rates of exchange;
- (f) the business operations of the Manager, the Trustee or any delegate of the Manager or the Trustee in respect of the determination of the Net Asset Value of the Product are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riot, strikes or acts of God; or
- (g) the existence of any state of affairs prohibiting the normal disposal of any notional investment to which a Swap is linked.

Any suspension shall take effect upon its declaration and thereafter there shall be no determination of the Net Asset Value of the relevant Product and the Manager shall be under no obligation to rebalance the relevant Product until the suspension is terminated on the earlier of (i) the Manager declaring the suspension is at an end; and (ii) the first Dealing Day on which (1) the condition giving rise to the suspension shall have ceased to exist; and (2) no other condition under which suspension is authorised exists.

The Manager shall notify the SFC and publish a notice of suspension following the suspension, and at least once a month during the suspension, on its website at [www.bosera.com.hk/](http://www.bosera.com.hk/) (the contents of which and of any other website referred to in this Prospectus have not been reviewed by the SFC) or in such other publications as it decides.

No Units of a Product will be issued or redeemed during any period of suspension of the determination of the Net Asset Value of the relevant Product.

### **Issue Price and Redemption Value**

The Issue Price which is the subject of a Creation Application during the Initial Offer Period of a Product will be a fixed amount per Unit, or a percentage of the closing level of the relevant Index (expressed in the base currency of the relevant Product) as at the last day of the Initial Offer Period, rounded to four decimal places (0.00005 or above being rounded up, and less than 0.00005 being rounded down), or such other amount from time to time determined by the Manager and the Trustee. The Issue Price during the Initial Offer Period of each Product will be set out in the relevant Appendix.

After the expiry of the Initial Offer Period, the Issue Price of Units created and issued by a Creation Application, will be the prevailing Net Asset Value of the relevant Product as at the relevant Valuation Point divided by the total number of Units in issue rounded to the nearest four decimal places (0.00005 or above being rounded up, and less than 0.00005 being rounded down).

The Redemption Value on a Dealing Day shall be the prevailing Net Asset Value of the relevant Product as at the relevant Valuation Point divided by the total number of Units in issue rounded to the nearest four decimal places (0.00005 or above being rounded up, and less than 0.00005 being rounded down).

The benefit of any rounding adjustments will be retained by the relevant Product.

The latest Net Asset Value of the Units will be available before market opens on the day after the relevant Trading Day on the Manager's website at [www.bosera.com.hk/](http://www.bosera.com.hk/) (the contents of which and of any other website referred to in this Prospectus have not been reviewed by the SFC) or published in such other publications as the Manager may decide from time to time.

Neither the Issue Price nor the Redemption Value takes into account Transaction Fees, Duties and Charges, or fees payable by a Participating Dealer.

## FEES AND EXPENSES

*There are different levels of fees and expenses applicable to investing in a Product as set out in the following table, current as at the date of this Prospectus. Where any levels of fees and expenses applicable to a particular Product differs from the following, such fees and expenses will be set out in full in the relevant Appendix.*

<b>(A) Fees and expenses payable by Participating Dealers on creations and redemptions (as applicable) of Units (applicable both during the Initial Offer Period and After Listing)</b>	<b>Amount</b>
Administrative Transaction Fee and Service Agent Fee	Up to HKD3,000 <sup>1</sup> per Application
	HKD1,000 <sup>1</sup> per book-entry deposit and book-entry withdrawal
Application Cancellation Fee	HKD10,000 <sup>2</sup> per Application
Extension Fee	HKD10,000 <sup>3</sup> per Application
Stamp duty	Nil
All other Duties and Charges incurred by the Trustee or the Manager in connection with the creation or redemption	As applicable
<b>(B) Fees and expenses payable by investors</b>	<b>Amount</b>
<b><i>(i) Fees payable by clients of the Participating Dealers in respect of creations and redemptions (as applicable) via the Participating Dealer (applicable both during the Initial Offer Period and After Listing)</i></b>	
Fees and charges imposed by the Participating Dealer <sup>4</sup>	Such amounts as determined by the relevant Participating Dealer
<b><i>(ii) Fees payable by all investors in respect of dealings in the Units on SEHK (applicable After Listing)</i></b>	
Brokerage	Market rates
SFC Transaction levy	0.0027% <sup>5</sup>

<sup>1</sup> Up to HKD3,000 is payable to the Trustee and HKD1,000 is payable to the Service Agent per book-entry deposit and book-entry withdrawal. A Participating Dealer may pass on to the relevant investor such Transaction Fee.

<sup>2</sup> An Application Cancellation fee is payable to the Trustee by the Participating Dealer in respect of either a withdrawn or failed Creation Application or Redemption Application. Cancellation compensation may also be payable pursuant to the terms of the Operating Guidelines.

<sup>3</sup> An extension fee is payable by the Participating Dealer to the Trustee on each occasion the Manager grants the Participating Dealer's request for extended settlement in respect of a Redemption Application

<sup>4</sup> The Participating Dealer may increase or waive the level of its fees in its discretion. Information regarding these fees and charges is available upon request to the relevant Participating Dealer.

<sup>5</sup> SFC transaction levy of 0.0027% of the price of the Units payable by each of the buyer and the seller.

Accounting and Financial Reporting Council (“AFRC”) transaction levy	0.00015% <sup>6</sup> of the trading price
SEHK trading fee	0.00565% <sup>7</sup>
Stamp duty	Nil
<b>Fees and expenses payable by the Product</b>	(See further disclosure below)

**No money should be paid to any intermediary in Hong Kong which is not licensed or registered to carry on Type 1 regulated activity under Part V of the SFO.**

### **Fees and Expenses Payable by a Product**

#### *Management Fee*

The Manager is entitled to receive a management fee of up to 3% per year of the Net Asset Value of each Product. The current management fee percentage in respect of each Product is set out in the relevant Appendix and is accrued daily and calculated as at each Dealing Day and payable monthly in arrears. This fee is payable out of the Trust Fund.

The Manager may pay a distribution fee to any distributor or sub-distributors of the Trust out of the Management Fee it receives from the Trust. A distributor may re-allocate an amount of the distribution fee to the sub-distributors.

#### *Trustee’s fee*

The Trustee receives out of the assets of each Product a monthly trustee’s fee, payable in arrears, accrue daily and calculated as at each Dealing Day of up to 2% per year of the Net Asset Value of a Product. The Trustee fee percentage in respect of each Product is set out in the relevant Appendix.

The Trustee shall also be entitled to be reimbursed out of the assets of the relevant Product all out-of-pocket expenses incurred.

#### *Registrar’s fee*

The Registrar is entitled to a registrar fee as set out in the relevant Appendix.

#### *Service Agent’s fee*

The Service Agent is entitled to receive a monthly reconciliation fee of HKD5,000 from the Manager. The Manager shall pass on to the relevant Product such reconciliation fee.

For any period less than a month, the reconciliation fee is on a pro-rata basis and accrues on a daily basis. The Trustee, on behalf of the Trust, will pay all other expenses chargeable by the Service Agent in connection with the Service Agent’s role.

#### *Brokerage rates*

A Product shall bear all costs and brokerage commissions associated with trading transactions through its broker account. Please refer to the relevant Appendix for further information on brokerage rates.

<sup>6</sup> Accounting and Financial Reporting Council (“AFRC”) transaction levy of 0.00015% of the price of the Units, payable by the buyer and the seller.

<sup>7</sup> Trading fee of 0.00565% of the trading price of the Units, payable by the buyer and the seller.

### *Swap fees and indirect costs*

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

### *Promotional Expenses*

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

### *Other Expenses*

The Product will bear all operating costs relating to the administration of the Product including but not limited to stamp and other duties, governmental charges, brokerages, commissions, exchange costs and commissions, bank charges and other costs and expenses payable in respect of the acquisition, holding and realisation of any investment or any monies, deposit or loan, charges and expenses of its legal counsel, auditors and other professionals, index licensing fees, the costs in connection with maintaining a listing of the Units on the SEHK or other exchange and maintaining the Trust's and the Product's authorisation under the SFO, costs incurred in the preparation, printing and updating of any offering documents and the costs incurred in the preparation of supplemental deeds, any disbursements or out-of-pocket expenses properly incurred on behalf of the Product by the Trustee, the Manager or the Registrar or any of its service providers, the expenses incurred in convening meetings of Unitholders, preparing, printing and distributing annual and half-yearly financial reports and other circulars relating to the Product and the expenses of publishing Unit prices.

### **Establishment Costs**

The cost of establishing the Trust and Boserá SZSE ChiNext Daily (2x) Leveraged Product including the preparation of this Prospectus, inception fees, the costs of seeking and obtaining the listing and authorisation by the SFC and all initial legal and printing costs including, if considered appropriate by the Manager, any additional costs of determining the stock code, will be borne by Boserá SZSE ChiNext Daily (2x) Leveraged Product (unless otherwise determined by the Manager and set out in the relevant Appendix of any subsequent Product) and amortised over the first five financial years of Boserá SZSE ChiNext Daily (2x) Leveraged Product or such other period as determined by the Manager after consulting the Auditor. Such costs are estimated to be HKD2,000,000.

The attention of the investors is drawn to the risk factor entitled "Valuation and accounting risk".

### **Increase in Fees**

The current fees in respect of each Product payable to the Manager and the Trustee as described in the relevant Appendix (which are included in the calculation of the Management Fee for the relevant Product) may be increased on one month's notice to Unitholders (or such shorter period as approved by the SFC), subject to the maximum rates set out above. In the event that such fees are to be increased beyond the maximum rates set out in the Trust Deed, such increase will be subject to the Unitholders' and the SFC's approval.

## RISK FACTORS

*An investment in any Product carries various risks. Each of these may affect the Net Asset Value, yield, total return and trading price of the Units. There can be no assurance that the investment objective of a Product will be achieved. Investors should carefully evaluate the merits and risks of an investment in the relevant Product in the context of your overall financial circumstances, knowledge and experience as an investor. The risk factors set forth below are the risks which are believed by the Manager and its directors to be relevant and presently applicable to all Products. Inverse and leveraged Products are very different from other investments. You should refer to additional risk factors, specific to each Product, as set out in the relevant Appendix.*

### **General Investment Risks**

#### *Investment Objective Risk*

There is no assurance that the investment objective of a Product will be achieved. Whilst it is the intention of the Manager to implement strategies which are designed to minimise tracking error, there can be no assurance that these strategies will be successful. It is possible that an investor may lose a substantial proportion or all of its investment in a Product when the relevant Index value moves in an unfavourable direction. As a result, each investor should carefully consider whether you can afford to bear the risks of investing in the relevant Product.

#### *Market Risk*

The Net Asset Value of each Product will change with changes in the market value of the Securities, Swaps and/or Futures Contracts it holds. 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 the Products are based on the capital appreciation/depreciation and income on the Securities, Swaps and/or Futures Contracts it holds, less expenses incurred. A Product's return may fluctuate in response to changes in such capital appreciation/depreciation or income. Furthermore, each Product may experience volatility and decline in response to changes in the relevant Index. Investors in the Products are exposed to the same risks that investors who invest directly in the underlying Securities, Swaps and/or Futures Contracts would face. These risks include, for example, interest rate risks (risks of changes in portfolio values with changes in interest rates); income risks (risks of falling incomes from a portfolio in a falling interest rate market); and credit risk (risk of a default by the underlying issuer of a Security that forms part of the Index).

#### *Asset Class Risk*

Although the Manager is responsible for the continuous supervision of the investment portfolio of the Products, the returns from the types of Securities, Swaps and/or Futures Contracts in which each Product invests (either directly or indirectly) may underperform or outperform returns from other Securities, Swaps and/or Futures Contracts markets or from investment in other assets. Different types of Securities, Swaps and/or Futures Contracts tend to go through cycles of out-performance and underperformance when compared with other general Securities, Swaps and/or Futures Contracts markets.

#### *Passive Investment Risk*

The Products are not actively managed. Accordingly, the Products may be affected by changes in the market segments relating to the relevant Index or Indices. Under normal market circumstances, the Manager will not take defensive positions when the relevant Index moves in an unfavourable direction. In such circumstances, investors may lose a significant part of their respective investments. Each Product invests (either directly or indirectly) in the Securities, Swaps and/or Futures Contracts included in or representative of the relevant Index regardless of their investment merit, except to the extent of any representative sampling strategy. The Manager does not attempt to take defensive positions unless under extreme market circumstances, the Manager will adopt temporary defensive position for protection of the Product. Investors should note that the lack of discretion on the part of the Manager to adapt to market changes due to the inherent investment

nature of the Products will mean that a fall in the relevant Index expected to result in a fall in the value of a leveraged Product, whereas a rise in the relevant Index expected to result in a fall in the value of an inverse Product, and investors may lose substantially all of their investment.

#### *Possible Business Failure Risk*

Global markets may experience very high level of volatility and an increased risk of corporate failures. The insolvency or other corporate failures of any one or more of the constituents of an Index may have an adverse effect on such Index and therefore a leveraged Product's performance. Investors may lose money by investing in leveraged Products.

#### *Management Risk*

Because there is no guarantee or assurance of exact or identical replication of the performance, the inverse performance or the leveraged performance (as the case may be) of the relevant Index by a Product at any time, a Product is subject to management risk. This is the risk that the Manager's strategy, the implementation of which is subject to a number of constraints, may not produce the intended results. In addition, the Manager has absolute discretion to exercise Unitholders' rights with respect to Securities, Swaps and/or Futures Contracts comprising a Product. There can be no guarantee that the exercise of such discretion will result in the investment objective of the relevant Product being achieved.

#### *Tracking Error Risk*

The Net Asset Value of a Product may not correlate exactly with the performance, the leveraged performance or the inverse performance of the relevant Index. Factors such as the fees and expenses of a Product, imperfect correlation between a Product's assets and the Securities or Futures Contracts constituting its Index, inability to rebalance a Product's holdings of Securities or Futures Contracts in response to high portfolio turnover, transaction costs, a temporary lack of liquidity in the markets for the Securities or Futures Contracts held by a Product, changes in the constituents of the Index, rounding of Security or Futures Contracts prices, inability to acquire the required number of Securities or Futures Contracts due to limited Product size, changes to the Indices and regulatory policies may affect the Manager's ability to achieve close correlation with the performance, the leveraged performance or the inverse performance of the relevant Index. The level of fees, taxes and expenses payable by a Product will fluctuate in relation to the Net Asset Value. Although the amounts of certain ordinary expenses of each Product can be estimated, the growth rate of the Product, and hence its Net Asset Value, cannot be anticipated. The above factors may cause each Product's returns to deviate from the performance, the leveraged performance or the inverse performance of its Index. The Manager will monitor and seek to manage such risk in minimising tracking error. There can be no assurance of exact or identical replication at any time to achieve the performance, the leveraged performance or the inverse performance (as the case may be) of the relevant Index.

#### *Concentration Risk*

A Product may be subject to concentration risk as a result of tracking the performance, the inverse performance or the leveraged performance (as the case may be) of a single geographical region. Such a Product is likely to be more volatile than a broad-based fund, such as a global or regional equity fund, as it is more susceptible to fluctuations in value resulting from adverse conditions (where the relevant Product tracks the performance or leveraged performance of the relevant Index) or positive conditions (where the relevant Product tracks the inverse performance of the relevant Index) in the relevant region.

#### *Trading Risk*

While the creation/redemption feature of each Product is designed to make it likely that Units will trade close to their Net Asset Value, disruptions to creations and redemptions (for example, as a result of imposition of capital controls by a foreign government) may result in trading prices that differ significantly from the Net Asset Value. The secondary market prices of Units will fluctuate in accordance with changes in the Net Asset Value and supply and demand on any exchange on

which Units are listed. In addition, when buying or selling Units on the SEHK additional charges (such as brokerage fees) mean that an investor may pay more than the Net Asset Value per Unit when buying Units on the SEHK and may receive less than the Net Asset Value per Unit when selling Units on the SEHK. The Manager cannot predict whether Units will trade below, at, or above their Net Asset Value. Since, however, Units must be created and redeemed in Application Unit size (unlike shares of many closed-end funds, which frequently trade at appreciable discounts from, and sometimes at premiums to, their Net Asset Value) the Manager believes that ordinarily large discounts or premiums to the Net Asset Value of Units should not be sustained. If the Manager suspends creations and/or redemptions of Units, the Manager anticipates that there may be larger discounts or premiums as between the secondary market price of Units and the Net Asset Value.

#### *Loss of Capital Risk*

There is no guarantee that a Product's investments will be successful. In addition, trading errors are an intrinsic factor in any complex investment process, and will occur, notwithstanding the execution of due care and special procedures designed to prevent such errors.

#### *No or Limited Trading Market in the Units Risk*

Although the Units are listed on the SEHK and one or more Market Makers have been appointed, there may be no liquid trading market for the Units or that such Market Maker(s) may cease to fulfil that role. Further, there can be no assurance that Units will experience trading or pricing patterns similar to those of exchange traded funds which are issued by investment companies in other jurisdictions or those traded on the SEHK which are based upon indices other than the Index.

#### *Counterparty to Custodian Risk*

The Products will be exposed to the credit risk of any custodian or any depository used by the custodian where cash is held by the custodian or other depositaries. In the event of the insolvency of the custodian or other depositaries, a Product will be treated as a general creditor of the custodian or other depositaries in relation to cash holdings of the relevant Product. The Product's Securities are however maintained by the custodian or other depositaries in segregated accounts and should be protected in the event of insolvency of the custodian or other depositaries.

#### *Indemnity Risk*

Under the Trust Deed, the Trustee and the Manager have the right to be indemnified against any liability in performing their respective duties, except nothing in the Trust Deed may provide that the Trustee or the Manager can be exempted from any liability to Unitholders imposed under Hong Kong law or breaches of trust through fraud or negligence, or be indemnified against such liability by Unitholders or at Unitholders' expense. Any reliance by the Trustee or the Manager on the right of indemnity would reduce the assets of the relevant Product and the value of the Units.

#### *Distributions May Not be Paid Risk*

Whether a Product will pay distributions on Units is subject to the Manager's distribution policy (as described in the "Distribution Policy" section and in the relevant Appendix) and also mainly depends on dividends declared and paid in respect of the Securities of the Index held by the Product, where each Product holds Securities as part of its investment strategy. In addition, dividends received by a Product may be applied towards meeting the costs and expenses of that Product. Dividend payment rates in respect of such Securities 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 Out Of or Effectively Out Of Capital Risk*

The Manager may, at its discretion make distributions out of capital. The Manager may also, at its discretion, make distributions out of gross income while all or part of the fees and expenses of a



Product are charged to/paid out of the capital of the Product, resulting in an increase in distributable income for the payment of distributions by each Product and therefore, each Product may effectively pay distributions out of the capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Product's capital may result in an immediate reduction of the Net Asset Value per Unit. The Manager may amend its distribution policy subject to the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

#### *Early Termination Risk*

A Product may be terminated early under certain circumstances, including but not limited to (i) the aggregate Net Asset Value of all the Units is less than USD10,000,000 or (ii) any law is passed or amended or regulatory directive or order is imposed which renders it illegal or in the opinion of the Manager, impracticable or inadvisable to continue the relevant Product or (iii) within a reasonable time and using commercially reasonable endeavours, the Manager is unable to find a person acceptable to act as the new trustee after deciding to remove the Trustee in accordance with the Trust Deed or (iv) the relevant Index is no longer available for benchmarking or if the Units are no longer listed on the SEHK or any other Recognised Stock Exchange or (v) at any time, the relevant Product ceases to have any Participating Dealer or Market Maker or (vi) the Manager is unable to implement its investment strategy in respect of the Product. Upon a Product being terminated, the Trustee will distribute the net cash proceeds (if any) derived from the realisation of the investments comprised in the relevant Product to the Unitholders in accordance with the Trust Deed. Investors may suffer a loss when a Product is terminated because any such amount distributed may be more or less than the capital invested by the Unitholder.

#### *Borrowing Risk*

The Trustee, on the written instructions of the Manager, may borrow for the account of a Product (up to 10% of the Net Asset Value of each Product unless otherwise specified in the Appendix) for various reasons, such as facilitating redemptions or to acquire investments for the account of the relevant Product. Borrowing involves an increased degree of financial risk and may increase the exposure of a Product 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 a Product will be able to borrow on favourable terms, or that the relevant Product's indebtedness will be accessible or be able to be refinanced by the relevant Product at any time.

#### *Government Intervention and Restriction Risk*

Governments and regulators may intervene in the financial markets, such as by the imposition of trading restrictions, a ban on short selling or the suspension of short selling for certain stocks. This may affect the operation and market making activities of the Product, and may have an unpredictable impact on the Products, including increasing or decreasing the level of premium or discount of the Unit price to Net Asset Value or the ability of the Products to track the relevant Index. Furthermore, such market interventions may have a negative impact on the market sentiment which may in turn affect the performance of an Index and as a result the performance of the relevant Product.

#### *No Right to Control the Product's Operation Risk*

Investors will have no right to control the daily operations, including investment and redemption decisions, of the Products.

#### *Reliance on the Manager Risk*

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 with the requisite skills and qualifications

quickly or at all and the new appointment may not be on equivalent terms or of similar quality.

### *Foreign Exchange Risk*

If a Product's assets are generally invested (either directly or indirectly) in Securities, Swaps or Futures Contracts denominated other than in its base currency, and if a substantial portion of the revenue and income of a Product is received in a currency other than its base currency, any fluctuation in the exchange rate of the base currency relative to the relevant foreign currency will affect the Net Asset Value of a Product regardless of the performance of its underlying portfolio. If the relevant Product's Net Asset Value is determined on the basis of USD, an investor may lose money if he invests in any investment fund if the local currency of a foreign market depreciates against the USD, even if the local currency value of the Product's holdings goes up.

### **Risks Associated with Financial Derivative Instruments and Collateral**

The Manager may invest a Product in constituents of the relevant Index through financial derivative instruments. A financial derivative instrument is a financial contract or instrument the value of which depends on, or is derived from, the value of an underlying asset such as a Security or an index and may have a high degree of price variability and are subject to occasional rapid and substantial changes. Compared to conventional Securities, financial derivative instruments can be more sensitive to changes in interest rates or to sudden fluctuations in market prices due to both the low margin deposits required, and the extremely high degree of leverage involved in their pricing. As a result, a relatively small price movement in a financial derivative instrument may result in immediate and substantial loss (or gain) to the relevant Product. The relevant Product's losses may be greater if it invests in financial derivative instruments than if it invests only in conventional Securities.

There may also be no active market in financial derivative instruments and therefore investment in financial derivative instruments can be illiquid. In order to meet redemption requests, the relevant Product may rely upon the issuer of the financial derivative instruments to quote a price to unwind any part of the financial derivative instruments that will reflect the market liquidity conditions and the size of the transaction.

In addition, many financial derivative instruments are not traded on exchanges. As a result, if the relevant Product engages in transactions involving financial derivative instruments, it will be subject to the risk of the inability or refusal to perform such contracts by the counterparties with which the relevant Product trades, and as such the relevant Product may suffer a total loss of the relevant Product's interest in the financial derivative instrument. This risk is also aggregated by the fact that over-the-counter derivatives markets are generally not regulated by government authorities and participants in these markets are not required to make continuous markets in the contracts they trade.

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

There are risks associated with management of collateral and re-investment of collateral. The value of any collateral received in respect of any derivative 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 Product's exposure to such counterparty to be under-collateralised. If a Product reinvests cash collateral, it is subject to investment risk including the potential loss of principal.

A Product uses investment techniques, including investments in derivatives, such as Futures

Contracts and Swaps that may be considered aggressive. The use of derivatives may result in larger losses or smaller gains than investing in or shorting the Securities included in the relevant Index. Investments in these derivatives 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 Product. The use of derivatives may expose each Product to additional risks such as counterparty risk, liquidity risk and increased daily correlation risk. When a Product uses derivatives, there may be imperfect correlation between the value of the underlying reference assets and the derivative, which may prevent each Product from achieving its investment objective.

A Product 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 Product's Net Asset Value, the terms of the swap agreement between each Product and its Swap Counterparty may allow the Swap Counterparty to immediately close out of the transaction with the Product. In such circumstances, each Product may be unable to enter into another swap agreement or invest in other derivatives to achieve the desired exposure consistent with the Product's Daily inverse or leveraged investment objective. Any financing, borrowing or other costs associated with using derivatives may also have the effect of lowering the Product's return. In addition, the Product's investments in derivatives 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.

#### *Counterparty Risk*

Each Product may invest in Futures Contracts and/or Swaps involving counterparties for the purpose of attempting to gain inverse or leveraged exposure to a relevant index without actually purchasing those Securities or investments. The use of these derivatives involves risks that are different from those associated with Securities. For example, each Product 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 Product, it may not receive the full amount it is entitled to receive. In addition, each Product may enter into swap agreements with a limited number of counterparties, which may increase the Product's exposure to counterparty credit risk. Each Product does not specifically limit its counterparty risk with respect to any single counterparty and there is a chance for each Product 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 each Product and, as a result, each Product may not be able to achieve its investment objectives. A Product will not enter into any agreement involving a Swap Counterparty unless the Manager believes that the other party to the transaction is creditworthy.

#### *Liquidity Risk*

Some Securities held by a Product, including derivatives, may be difficult to sell or illiquid, particularly during times of market turmoil. Illiquid Securities may also be difficult to value. Markets

for Securities or financial instruments could be disrupted by a number of events, including, but not limited to an economic crisis, natural disasters, new legislation or regulatory changes. Illiquid Securities may also be difficult to value. If a Product is forced to sell an illiquid security at an unfavourable time or at a price that is lower than Manager's judgment of the Security's true market value, each Product may be forced to sell the security at a loss. Such a situation may prevent each Product from limiting losses, realising gains or achieving its inverse or leveraged investment objective, thus adversely affecting the Product's performance.

### **Risks relating to securities lending transactions**

Securities lending transactions may involve the risk that the borrower may fail to return the securities lent out in a timely manner and the value of the collateral may fall below the value of the securities lent out.

### **Risks relating to Sale and Repurchase Transactions**

In the event of the failure of the counterparty with which collateral has been placed, a Product 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 Product 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 Transactions**

In the event of the failure of the counterparty with which cash has been placed, a Product 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. A Product may also be subject to legal risk, operational risks, liquidity risk of the counterparty and custody risk of the collateral.

### **Risks Associated with Market Trading**

#### *Absence of Active Market and Liquidity Risk*

Although Units of each Product are listed for trading on the SEHK, there can be no assurance that an active trading market for such Units will develop or be maintained. In addition, if the underlying Securities, Swaps or Futures Contracts have limited trading markets, or if the spreads are wide, this may adversely affect the price of the Units and the ability of an investor to dispose of its Units at the desired price. If an investor needs to sell his, her or its Units at a time when no active market for them exists, the price received for the Units — assuming an investor is able to sell them — is likely to be lower than the price received if an active market did exist.

#### *Suspension of Trading Risk*

Investors and potential investors will not be able to buy nor sell Units on the SEHK during any period in which trading of the Units is suspended. The SEHK may suspend the trading of Units whenever the SEHK determines that it is appropriate and in the interest of a fair and orderly market to protect investors. The subscription and redemption of Units may also be suspended if the trading of Units is suspended.

#### *Effect of Redemptions Risk*

If significant redemptions of Units are requested by the Participating Dealers, it may not be possible to liquidate the relevant Product'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, the right of Participating Dealers to require redemptions in excess of 10% (or such higher percentage as the Manager may determine and as permitted by the SFC) of the total number of Units in each Product then in issue

or the total Net Asset Value of a Product as specified in the relevant Appendix 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 a Product for the whole or any part of any period. Please see the section on "Determination of Net Asset Value" for further details.

#### *Units May Trade at Prices Other than Net Asset Value Risk*

Units may trade on the SEHK at prices above or below the most recent Net Asset Value. The Net Asset Value per Unit of each Product is calculated at the end of each Dealing Day and fluctuates with changes in the market value of the relevant Product's holdings. The trading prices of the Units fluctuate continuously throughout the trading hours based on market supply and demand rather than Net Asset Value. The trading price of the Units may deviate significantly from Net Asset Value particularly during periods of market volatility. Volatility on the SEHK as well as supply and demand for Units traded on the SEHK may lead to the Units of the relevant Product trading at a premium or discount to the Net Asset Value. On the basis that Units can be created and redeemed in Application Units at Net Asset Value, the Manager believes that large discounts or premiums to Net Asset Value are not likely to be sustained over the long-term. While the creation/redemption feature is designed to make it likely that the Units will normally trade at prices close to the relevant Product's next calculated Net Asset Value, trading prices are not expected to correlate exactly with the relevant Product's Net Asset Value due to reasons relating to timing as well as market supply and demand factors. In addition, disruptions to creations and redemptions or the existence of extreme market volatility may result in trading prices that differ significantly from Net Asset Value. In particular, if an investor purchases Units at a time when the market price is at a premium to Net Asset Value or sells when the market price is at a discount to Net Asset Value, then the investor may sustain losses.

#### *Cost of Trading Units Risk*

As investors will pay certain charges (e.g. trading fees and brokerage fees) to buy or sell Units on the SEHK, investors may pay more than the Net Asset Value per Unit when buying Units on the SEHK, and may receive less than the Net Asset Value per Unit when selling Units on the SEHK. In addition, investors on the secondary market will also incur the cost of the trading spread, being the difference between what investors are willing to pay for the Units (bid price) and the price at which they are willing to sell Units (ask price). Frequent trading may detract significantly from investment results and an investment in Units may not be advisable particularly for investors who anticipate making small investments regularly.

#### *Secondary Market Trading Risk*

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

#### *Reliance on Market Makers Risk*

Although it is a requirement that the Manager uses its best endeavours to put in place arrangements so that at least one Market Maker will maintain a market for the Units of each Product, there may be circumstances such as the revocation of the relevant market making approvals or registration or other changes beyond the control of the Manager that may result in the sudden loss of a market maker for a Product. If there is no market maker for the Units, a Product may be required by the SFC to be terminated if it tracks the leveraged or inverse performance of an index. Termination will take place at about the same time as the resignation of the last Market Maker becoming effective and advance notice of termination will be issued to investors pursuant to the Code. The Manager will seek to mitigate this risk by using its best endeavours to put in place arrangements so that at least one Market Maker (with relevant experience in leveraged or inverse products, as the case

may be) for the Units of each Product gives not less than 3 months' notice prior to terminating market making under the relevant market making agreements. It is possible that there is only one SEHK Market Maker to a Product or the Manager may not be able to engage a substitute Market Maker within the termination notice period of a Market Maker. There is also no guarantee that any market making activity will be effective.

#### *Reliance on Participating Dealers Risk*

The creation and redemption of Units may only be effected through Participating Dealers. A Participating Dealer may charge a fee for providing this service. Participating Dealers will not be able to create or redeem Units during any period when, amongst other things, dealings on the SEHK are restricted or suspended, settlement or clearing of Securities through the CCASS is disrupted or the Index is not compiled or published. In addition, Participating Dealers will not be able to issue or redeem Units if some other event occurs that impedes the calculation of the Net Asset Value of the relevant Product or disposal of the relevant Product's Securities, Swaps or Futures Contracts cannot be effected. Where a Participating Dealer appoints an agent or delegate (who is a Participant) to perform certain CCASS-related functions, if the appointment is terminated and the Participating Dealer fails to appoint an alternative agent or delegate, or if the agent or delegate ceases to be a Participant, the creation or realisation of Units by such Participating Dealer may also be affected. Since the number of Participating Dealers at any given time will be limited, and there may even be only one Participating Dealer at any given time, there is a risk that investors may not always be able to create or redeem Units freely.

#### *Trading Time Differences Risk*

As a stock exchange or futures exchange may be open when the Units are not priced, the value of any Security or Futures Contract which comprises the Index may change when investors may not be able to buy or sell Units. Further the price of Securities, Swaps or Futures Contracts may not be available during part of the Trading Day due to trading hour differences which may result in the trading price of Units deviating from the Net Asset Value per Unit. When trading Futures Contracts there may be a time difference between the trading times of the Futures Contracts and the underlying index constituents. There may be imperfect correlation between the value of the index constituents and the Futures Contracts, which may prevent a Product from achieving its investment objective.

#### *Intra-day Investments Risk*

A Product seeks Daily inverse or leveraged investment results, which should not be equated with seeking an investment objective for shorter than a day. Thus, return for investors that invest for period less than a full Trading Day will generally be greater than or less than the inverse or leverage factor for the Product, depending upon the movement of the Index from the end of one Trading Day until the time of purchase. If the Index moves in a direction favourable to a Product, the investor will receive exposure to the underlying index less than the inverse or leverage factor. Conversely, if the Index moves in a direction adverse to a Product, the investor will receive exposure to the Index greater than the inverse or leverage factor.

### **Risks Associated with the Indices**

#### *Fluctuations Risk*

The performance of the Units should, before fees and expenses, correspond closely with the performance, the inverse performance or the leveraged performance (as the case may be) of the Index. If the Index experiences volatility or fluctuations, the price of the Units will vary and may decline.

#### *Licence to Use Index may be Terminated Risk*

The Manager is granted a licence by the Index/Benchmark Provider to use each Index in connection

with the relevant Product and to use certain trade marks and any copyright in the Index. A Product may not be able to fulfil its objective and may be terminated if the licence agreement is terminated. The initial term of the licence agreement may be limited in period and thereafter renewable for only short periods. There can be no guarantee that the relevant licence agreement will be perpetually renewed. For further information on the grounds for terminating the licence agreement, please refer to the section on “Index Licence Agreement” in the relevant Appendix. Although the Manager will seek to find a replacement Index, a Product may also be terminated if the relevant Index ceases to be compiled or published and there is no replacement Index using the same or substantially similar formula for the method of calculation as used in calculating the Index.

#### *Compilation of Index Risk*

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

#### *Composition of an Index May Change Risk*

The Securities and/or Futures Contracts constituting an Index will change as the Securities and/or Futures Contracts of the Index are delisted, or as the Securities and/or Futures Contracts mature or are redeemed or as new Securities and/or Futures Contracts are included in the Index. When this happens the weightings or composition of the Securities and/or Futures Contracts owned by the Products (either directly or indirectly) will change as considered appropriate by the Manager to achieve the investment objective. Thus, an investment in Units will generally reflect the performance, the leveraged performance or the inverse performance (as the case may be) of the relevant Index as its constituents change and not necessarily the way the relevant Index is comprised at the time of an investment in Units. However, there can be no guarantee that the Products will, at any given time accurately reflect the composition of the Index.

### **Risks Associated with Regulation**

#### *Withdrawal of SFC Authorisation Risk*

The Trust and each Product have been authorised as a collective investment scheme under the Code by the SFC under Section 104 of the SFO. SFC authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. This does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. The SFC reserves the right to withdraw the authorisation of the Trust or any Product or impose such conditions as it considers appropriate or to withdraw any waiver from the Code or revise the same. If the Manager does not wish the Trust or any Product to continue to be authorised by the SFC, the Manager will give Unitholders at least three months’ notice of the intention to seek SFC’s withdrawal of such authorisation. In addition, any authorisation granted by the SFC may be subject to certain conditions or waivers from the Code which may be withdrawn or varied by the SFC. If, as a result of such withdrawal or variation of conditions or waivers from the Code, it becomes illegal, impractical or inadvisable to continue the Trust or any Product, the Trust or the relevant Product (as applicable) will be terminated.

### *General Legal and Regulatory Risk*

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

### *Units May be Delisted from the SEHK Risk*

The SEHK imposes certain requirements for the continued listing of securities, including the Units, on the SEHK. Investors cannot be assured that a Product will continue to meet the requirements necessary to maintain the listing of Units on the SEHK or that the SEHK will not change the listing requirements. If the Units are delisted from the SEHK, Unitholders will have the option to redeem their Units by reference to the Net Asset Value of the Product. Where each Product remains authorised by the SFC, such procedures required by the Code will be observed by the Manager including as to notices to Unitholders, withdrawal of authorisation and termination, as may be applicable. Should the SFC withdraw authorisation of the Products for any reason it is likely that Units may also have to be delisted.

### *Taxation Risk*

Investing in a Product 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.

### *Legal and Compliance Risk*

Domestic and/or international laws or regulations may change in a way that adversely affects the Trust or the Products. Differences in laws between jurisdictions may make it difficult for the Trustee or Manager to enforce legal agreements entered into in respect of the Products. The Trustee and the Manager reserve the right to take steps to limit or prevent any adverse effects from changes to laws or their interpretation, including altering investments of or restructuring the Products.

### *Valuation and Accounting Risk*

The Manager intends to adopt IFRS in drawing up the annual financial reports of the Products. However, the calculation of the Net Asset Value in the manner described under the section on "Determination of Net Asset Value" will not necessarily be in compliance with generally accepted accounting principles, that is, IFRS. Under IFRS, investments should be valued at fair value (valuations within the bid and offer pricings are considered to be representative of fair value for listed investments) rather than last traded price, and establishment costs should be expensed as incurred rather than amortised over a period of time. Accordingly, the Net Asset Value as described in this Prospectus will not necessarily be the same as the net asset value to be reported in the financial reports as the Manager will make necessary adjustments in the financial reports to comply with IFRS (although the Manager does not consider the differences between IFRS and the calculation of Net Asset Value are material). Any such adjustments will be disclosed in the financial reports, including a reconciliation. Otherwise, non-compliance with IFRS may result in the auditors issuing a qualified or an adverse opinion on the financial reports depending on the nature and level of materiality of the non-compliance.

### *Contagion across Products Risk*

The Trust Deed allows the Trustee and the Manager to issue Units in separate Products as



separate trusts. The Trust Deed provides for the manner in which the liabilities are to be attributed across the various Products under the Trust (liabilities are to be attributed to the specific Product 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 Product (in the absence of the Trustee granting that person a security interest). However, each of the Trustee and the Manager will have a right of reimbursement and indemnity out of the assets of the Trust as a whole or any part thereof, against any action, costs, claims, damages, expenses or demands relating to the Trust as a whole, which may result in Unitholders of one Product being compelled to bear the liabilities incurred in respect of another Product in which such Unitholders do not themselves own Units, if there are insufficient assets in that other Product to satisfy the amount due to the Trustee or the Manager (as the case may be). Accordingly, there is a risk that liabilities of one Product may not be limited to that particular Product and may be required to be paid out of one or more other Product.

#### *Non-recognition of Product Segregation Risk*

The assets and liabilities of each of the Products under the Trust will be tracked, for book keeping purposes, separately from the assets and liabilities of any other Products, and the Trust Deed provides that the assets of each of the Products should be segregated as separate trusts from each other. There is no guarantee that the courts of any jurisdiction outside Hong Kong will respect the limitations on liability and that the assets of any particular Product will not be used to satisfy the liabilities of any other Product.

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

Sections 1471 to 1474 (referred to as "FATCA") of the US Internal Revenue Code of 1986, as amended (the "IRS Code") have imposed rules with respect to certain payments to non-United States persons, such as the Trust and each Product, including interest and dividends from securities of US issuers and potentially in the future 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 (the "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 each Product (and, generally, other investment funds organised 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. Such information to be reported includes but not limited to their name, date and jurisdiction of birth, address, tax identification number, account details, account balance/value, and income or sale or redemption proceeds.

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. It is expected that potentially in the future certain non-US 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 US Treasury Regulations is currently pending.

Hong Kong and the US have entered into an intergovernmental agreement ("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 each Product) will be required to enter into an FFI Agreement with the US IRS, register with the US IRS and comply with the terms of an FFI Agreement. Otherwise they will be subject to a 30% withholding tax on relevant US-sourced payments to them.

Under the IGA, FFIs in Hong Kong (such as the Trust and each Product) 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 non-consenting US accounts (i.e. accounts of which the holders do not consent to FATCA reporting and disclosure to the US IRS) or close those non-

consenting US accounts (provided that information regarding such recalcitrant account holders is reported to the US IRS in a timely manner by the Inland Revenue Department of Hong Kong, which may be beyond the control of the Trust and the Products), but may be required to withhold tax on payments made to nonparticipating FFIs.

The Trust and the Products 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 a Product is not able to comply with the requirements imposed by FATCA or the FFI Agreement and the Trust or the relevant Product does suffer US withholding tax on its investments as a result of non-compliance, the Net Asset Value of the Trust or the relevant Product may be adversely affected and the Trust or the relevant Product 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 a Product, or a risk of the Trust or a Product being subject to withholding tax under FATCA, the Manager on behalf of the Trust and the relevant Product reserves the right to take any action and/or pursue all remedies at its disposal including, without limitation and 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 to the extent permitted by applicable laws and regulations. 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.

Each Product has been registered with the IRS as at the date of this Prospectus.

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

## MANAGEMENT OF THE TRUST

### **The Manager**

The Manager is Bosera Asset Management (International) Co., Limited.

The Manager was established in Hong Kong in March 2010 and is being directly held by Bosera Asset Management Co., Limited and China Merchants Fund Management Co., Limited as to 55% and 45% ordinary shares of the Manager.

The Manager is licensed by the SFC for type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO with CE number AVR135.

The Manager may appoint sub-managers or investment advisers in relation to specific Products, subject to the approval of the SFC. Where the investment management functions in respect of a Product are delegated to third party sub-managers or investment advisers, the Manager will conduct on-going supervision and regular monitoring of the competence of such delegates to ensure that the Manager's accountability to investors is not diminished, and although the investment management role of the Manager may be sub-contracted to third parties, the responsibilities and obligations of the Manager may not be delegated. The Manager has sufficient human and technical resources and capability, infrastructure, system operational processes, control and procedures to ensure the smooth and effective management and operation of the Product.

The directors of the Manager are as follows:

#### ***Wu Huifeng***

Mr. Wu is a director of the Manager. From 1996 to 2023, he had worked at China Nanshan Development Group Inc, Shanghai Chengnan Real Estate Development Co., Ltd., China Merchants Finance Holdings Company Limited and China Merchants Securities Co., Ltd., being a senior management and overseeing finance functions. Mr. Wu joined Bosera Asset Management Co., Ltd. in 2023 and is currently its Deputy General Manager, Chief Financial Officer, and Secretary of its Board.

Mr. Wu holds a Master's Degree in Economics from Peking University and a Bachelor's Degree in Economics from Shanghai University of Finance and Economics.

#### ***LIAN Shaodong***

Ms. Lian is a director of the Manager. She is Acting Chief Executive Officer and Responsible Officer of the Manager. Ms. Lian joined Bosera Asset Management Co., Ltd in May 2012 as head of product department and head of marketing and sales division. Effective from 2016, Ms. Lian was appointed as Deputy CEO, RO and director of the Manager.

Prior to joining Bosera Asset Management Co., Ltd, Ms. Lian was Chief Executive Officer of Da Cheng International Asset Management from 2008 to 2012. She also worked for DBS Vickers (Hong Kong) as China Business director from 2004 to 2008. Prior to that, Ms. Lian joined Dacheng Fund Management Co. as first batch of employee in 2000. Lastly, she started her career as trader and chief representative in ABN AMRO Bank (Asia) since 1993.

Ms. Lian is the Chairperson of Chinese Asset Management Associate of Hong Kong and Election Committee Member of Hong Kong SAR currently.

Ms. Lian achieved a master degree in Economics from Guangdong Provincial Community Party College.

#### ***HE Kai***

Mr. He is the director of the Manager. He is Deputy Chief Executive Officer and Responsible Officer of the Manager. Mr. He joined the Manager in December 2012. Prior to this, he was an Executive Director/Portfolio Manager at CSOP Asset Management, responsible for Asia fixed income investment. Prior to CSOP, he worked as a portfolio manager of emerging market debt at China Investment Corporation. Mr. He started his career as an exotic credit derivatives trader at ABN AMRO Bank (London).

Mr. He holds an MSc degree in Financial Economics from Oxford University and an MPhil degree in Management Studies from Cambridge University. He received his undergraduate degree in Electronic & Information Science & Technology from Peking University, China.

### ***OU Zhiming***

Mr. Ou is a director of the Manager. Since 2002, Mr. Ou joined GF Securities in its Shenzhen business headquarters as an Institutional Client Account Manager. From April 2003 to July 2004, he was engaged in risk management at the headquarters of GF Securities. He joined China Merchants Fund Management Co., Ltd. (“CMFM”) in July 2004 and consecutively served as the Legal Compliance Department’s Senior Manager, Deputy Director, Director, and CMFM’s Chief Inspector. He is currently the Deputy General Manager, Chief Information Officer, Secretary of the Board of Directors of CMFM, and concurrently serves as a Director of the China Merchants Wealth Asset Management Co., Ltd.

Mr. Ou holds a Master’s degree in Investment Economics and double undergraduate degrees in Economics and Law from the Huazhong University of Science and Technology.

### ***ZHOU Yi***

Ms. Zhou is a director of the Manager. Since July 2010, she joined the China Merchants Bank’s Headquarters and served as the Risk Control Manager of the Financial Market Department and the Head of the Foreign Currency Wealth Management Team of the Asset Management Department. In 2018, she joined E Fund Management Co., Ltd., and was responsible for the investment management of USD Short-Term Bond Strategy, USD and HKD Money Market Funds. Ms. Zhou joined China Merchants Fund Management Co., Ltd. in 2021 as a Senior Fund Manager.

She holds a Master of Science degree from Oxford University. Ms. Zhou received a Master of Engineering and double undergraduate degrees in Engineering and Management from the Huazhong University of Science and Technology. Ms. Zhou is a Chartered Financial Analyst (CFA).

### **The Trustee**

The Trustee of the Trust and the Products is Cititrust Limited.

The Trustee is a registered trust company and is a wholly-owned subsidiary of Citigroup Inc. (“Citigroup”). As a global financial services group, Citigroup and its subsidiaries provide a broad range of financial products and services, including consumer banking, corporate and investment banking, securities brokerage and wealth management to consumers, corporations, governments and institutions.

Under the Trust Deed, the Trustee is responsible for the safe-keeping of the assets of the Trust and the Product, subject to the provisions of the Trust Deed.

The Trustee may from time to time appoint such person or persons as it thinks fit (including, without limitation, any of its Connected Persons) to hold as custodian, nominee, agent or delegate, all or any of the investments, assets or other property comprised in the Trust Fund or any of the Products and may empower any such custodian, nominee, agent or delegate to appoint, with no objection in writing by the Trustee, co-custodians and/or sub-custodians (each such custodian, nominee, agent, delegate, co-custodian and sub-custodian a “Correspondent”). The Trustee is required to (a) exercise reasonable care, skill and diligence in the selection, appointment and on-

going monitoring of Correspondents and (b) be satisfied that Correspondents retained remain suitably qualified and competent on an ongoing basis to provide the relevant custodial services to the Product. The Trustee shall be liable for the acts and omissions of any Correspondent which is a Connected Person of the Trustee as if the same were the acts or omissions of the Trustee, but provided that the Trustee has discharged its obligations set out in (a) and (b) as set out in this paragraph, the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any Correspondent which is not a Connected Person of the Trustee. The Trustee has appointed Citibank, N.A. Hong Kong Branch (which also acts as the Administrator of the Trust and the Product) as the Custodian of the Trust and the Product. For the purpose of the foregoing “Correspondent” shall include the Custodian. Citibank, N.A. is organised under the laws of U.S.A. with limited liability.

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 depository 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 shall not be liable for losses caused by the performance of investments made by the Trust and/or the Product.

Subject as provided in the Trust Deed, the Trustee is entitled to be indemnified from the assets of the Trust and/or each Product from and against any and all actions, proceedings, liabilities, costs, claims, damages, expenses, including all reasonable legal, professional and other similar expenses (other than any liability to Unitholders imposed under Hong Kong law or resulting from breaches of trust through fraud or negligence on the part of the Trustee or any of its officers, employees, agents or delegates for which the Trustee would be liable under the Trust Deed), which may be incurred by or asserted against the Trustee in performing its obligations or duties in connection with the Trust or a Product. Subject to applicable law and the provisions of the Trust Deed, the Trustee shall not, in the absence of fraud, negligence or wilful default by it or any agent, sub-custodian or delegate appointed by the Trustee, be liable for any losses, costs or damage to the Trust, the Product 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 the Product, which is the sole responsibility of the Manager.

The appointment of the Trustee may be terminated in the circumstances set out in the Trust Deed.

The Trustee is entitled to the fees set under the section on “Fees and Expenses Payable by the Product” and to be reimbursed for all costs and expenses in accordance with the provisions of the Trust Deed.

The Manager has sole responsibility for making investment decisions in relation to the Trust and/or each Product and the Trustee (including its delegate) is not responsible and has no liability for any investment decision made by the Manager. Except as provided in the Trust Deed or expressly stated in this Prospectus and/or required by the Code, neither the Trustee nor any of its employees, service providers or agents are or will be involved in the business affairs, organisation, sponsorship or investment management of the Trust or the Product, and they are not responsible for the preparation or issue of this Prospectus other than the description under the section on “The Trustee”.

### **The Administrator**

Citibank, N.A., Hong Kong Branch acts as administrator of the Trust and the Product, and is responsible for certain financial, administrative and other services in relation to the Trust and the Product, including:

- determining the Net Asset Value and the Net Asset Value per Unit;
- preparing and maintaining the Trust and the Product’s financial and accounting records and statements; and

- assisting in preparing the financial statements of the Trust and the Product.

### **The Custodian**

The Trustee has appointed Citibank, N.A., Hong Kong Branch as the Custodian of the Trust and the Product.

The Custodian has been a provider of custodial and settlement services to domestic and international clients since its establishment in the United States of America in 1814. The Custodian's global custodial network covers all mature and major emerging markets. The Custodian began offering securities services in Hong Kong in the mid-1970s and developed a full-blown capability by the mid-1980s.

### **The Registrar**

Computershare Hong Kong Investor Services Limited acts as the registrar of the Trust under the terms of the Trust Deed. The registrar provides services in respect of the establishment and maintenance of the Register of the Unitholders of the Product.

### **The Service Agent**

HK Conversion Agency Services Limited acts as Service Agent under the terms of the Service Agreement entered into among the Manager, the Trustee and Registrar, the Participating Dealer, the Service Agent and HKSCC. The Service Agent performs, through HKSCC, certain of its services in connection with the creation and redemption of Units in each Product by Participating Dealers.

### **The Auditor**

The Manager has appointed Ernst & Young to act as the auditor of the Trust and the Product(s) (the "Auditor"). The Auditor is independent of the Manager and the Trustee.

### **The Participating Dealers**

A Participating Dealer may act for its own account or for your account as its clients in making Creation Applications and Redemption Applications. Different Products may have different Participating Dealers. The latest list of the Participating Dealers in respect of each Product is available at [www.bosera.com.hk/](http://www.bosera.com.hk/) (the contents of which and of any other website referred to in this Prospectus have not been reviewed by the SFC).

### **The Market Makers**

A Market Maker is a broker or dealer permitted by the SEHK to make a market for the Units in the secondary market and whose 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 the Units on the SEHK. Market Makers facilitate the efficient trading of Units by providing liquidity in the secondary market when it is required, in accordance with the market making requirements of the SEHK.

Subject to applicable regulatory requirements, 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 Units. 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 Product to facilitate the efficient trading of Units. The Manager will use its best endeavours to put in place arrangements so that at least one Market Maker per Product gives not less than 3 months' notice prior to terminating market making under the relevant market making agreement. The latest list of Market Makers for each Product is available at <http://www.hkex.com.hk> and [www.bosera.com.hk/](http://www.bosera.com.hk/) (the contents of which and of any other website referred to in this Prospectus have not been reviewed by the SFC).

### **The Listing Agent**

Unless otherwise specified in the relevant Appendix, Altus Capital Limited has been appointed by the Manager as the Listing Agent for each Product in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in respect of the relevant Product's listing on the SEHK. The Listing Agent is a licensed corporation which holds, amongst others, a Type 6 (advising on corporate finance) regulated activity licence under the SFO with CE Number AGH102.

### **Conflicts of interest and soft dollars**

The Manager, and the Trustee may, from time to time, act as manager, sub-investment manager, investment adviser, trustee or custodian or in such other capacity in connection with any collective investment scheme separate and distinct from the Trust and the Products and retain any profit or benefit made in connection therewith.

In addition:

- (a) The Manager or any of their Connected Persons may purchase and sell investments for the account of a Product as agent for the Product.
- (b) The Trustee, the Manager and any of their Connected Persons may contract or enter into any financial, banking or other transaction with one another or with any Unitholder or any company or body any of whose shares or securities form part of a Product's assets.
- (c) The Trustee, the Manager or any 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 any of their Connected Persons.
- (d) The Trustee, the Manager, and any of their Connected Persons may buy, hold and deal in any securities, commodities or other property for their own account or for the account of their other customers notwithstanding that similar securities, commodities or other property may be held by the Products.
- (e) Any arrangements for the borrowing or deposit of any monies for the account of the Products may be made with any of the Trustee, the Manager or any of their Connected Persons 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.
- (f) None of the Trustee, the Manager nor any of their Connected Persons shall be liable to account to each other or to the Products or to the Unitholders for any profits or benefits made or derived from or in connection with any such transaction mentioned above.

It is, therefore, possible that any of the Trustee, the Manager or any of their Connected Persons may, in the course of business, have potential conflicts of interest with the Products. Each will, at all times, have regard in such event to its obligations to the Products and the Unitholders and will endeavour to ensure that such conflicts are resolved fairly.

Subject to applicable rules and regulations, the Manager, their delegates or any of their Connected Persons may enter into portfolio transactions for or with the Products as agent in accordance with normal market practice, provided that commissions charged to the relevant Product in these circumstances do not exceed customary full service brokerage rates. If a broker does not provide research or other lawful services in addition to brokerage execution, such broker will generally charge a brokerage commission that is discounted from customary full service brokerage rates. Where the Manager invests a Product in shares or units of a collective investment scheme managed by the Manager, its delegates or any Connected Person of any of them, the manager of the scheme in which the investment is being made by each Product must waive any preliminary or

initial charge which it is entitled to charge for its own account in relation to the acquisition of shares or units and there must be no increase in the overall total of annual management fees (or other costs and charges payable to the Manager or any Connected Person of any of them) borne by the relevant Product.

None of the Manager nor any Connected Person of any of them shall, retain any cash commission rebates or other payment or benefit (except as otherwise provided for in this Prospectus or in the Trust Deed) received from a third party (either directly or indirectly) arising out of the sale or purchase or loan of investments for the Products, and any such rebates or payments or benefits which are received shall be credited to the account of the relevant Product.

The Manager or Connected Person of any of them may receive, and are entitled to retain, research products and services (known as soft dollar benefits) which are of demonstrable benefit to the Products (as may be permitted under the Code, applicable rules and regulations) from brokers and other persons through whom investment transactions are carried out ("brokers") provided that the quality of transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary full service brokerage rates, that prior disclosure is made in the Prospectus and that periodic disclosure is made in Trust's and/or a Product's annual report in the form of a statement describing the soft dollar policies and practices of the Manager, including a description of goods and services received by them, and the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer.

The services of the Trustee provided to the Trust and the Products are not deemed to be exclusive and the Trustee shall be free to render similar services to others so long as its services hereunder are not impaired thereby and to retain for its own use and benefit all fees and other monies payable thereby and the Trustee shall not be deemed to be affected with notice of or to be under any duty to disclose to the Products any fact or thing which comes to the notice of the Trustee in the course of the Trustee rendering similar 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.

Conflicts of interest may also arise due to the widespread business operations of the Trustee, the Manager, the Registrar and the Service Agent and their respective holding companies, subsidiaries and affiliates. The foregoing parties may effect transactions where those conflicts arise and shall not, subject to the terms of the Trust Deed, be liable to account for any profit, commission or other remuneration arising. However, all transactions carried out by or on behalf of the Products will be on arm's length terms and in the best interests of Unitholders. In particular, any transactions between a Product and the Manager or any of their Connected Person(s) as principal may only be made with the prior written consent of the Trustee. All such transactions must be disclosed in the Product's annual report.

For so long as a Product is authorised by the SFC and it is an applicable requirement of the Code, the Manager, if transacting with brokers or dealers connected to the Manager or any of its respective Connected Person, must ensure it complies with the following obligations:

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



- (f) the nature of such transactions and the total commissions and other quantifiable benefits received by such broker or dealer shall be disclosed in the annual report of the Products.

## STATUTORY AND GENERAL INFORMATION

### Reports

The financial year-end of the Trust (and each Product) is 31 December every year. The first financial year-end of the Product is 31 December 2022. Audited financial reports are to be prepared (in accordance with IFRS) and published on the Manager's website at within four months of each financial year-end. Half-yearly unaudited financial reports are also to be prepared up to 30 June of each year and published on the Manager's website within 2 months of such date. Once these financial reports are made available on the Manager's website, investors will be notified within the relevant timeframe.

The first annual financial reports and the first half-yearly unaudited reports for Bosera SZSE ChiNext Daily (2x) Leveraged Product will be for the year ending 31 December 2022 and the half year ending 30 June 2023 respectively.

The audited financial reports and the half-yearly reports of the Product will be available in English only. Printed copies may be requested free of charge from the Manager by contacting it, as described below under "Notices".

The financial reports provide details of the assets of each Product and the Manager's statement on transactions during the period under review (including a list of any constituent Securities or Futures Contracts of the relevant Index, if any, that each accounts for more than 10% of the weighting of the relevant Index as at the end of the relevant period and their respective weighting showing any limits adopted by the relevant Product have been complied with). The financial reports shall also provide a comparison of each Product's performance and the actual relevant Index performance over the relevant period and such other information as is required under the Code.

### Trust Deed

The Trust and each Product were established under Hong Kong law by the Trust Deed made between the Manager and the Trustee. All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Trust Deed. The Trust Deed contains provisions for the indemnification of the Trustee and the Manager out of the assets of the Trust Fund and their relief from liability in certain circumstances (summarised below in "Indemnities of the Trustee and Manager"). Unitholders and intending applicants are advised to consult the terms of the Trust Deed.

### Indemnities of the Trustee and Manager

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 Trust Fund in respect of any action, costs, claims, damages, expenses or demands arising directly or indirectly from the proper performance of the Product. Nothing in the Trust Deed shall (i) exempt either the Trustee or the Manager (as the case may be) from or against any liability to Unitholders for breach of trust through fraud or negligence or any liability to Unitholders which by virtue of any Hong Kong rule of law or any other rule of law would otherwise attach to them in respect of any negligence, fraud or breach of trust of which they may be liable in relation to their duties nor (ii) indemnify either against such liability by Unitholders or at Unitholders' expense.

### Liability of Unitholders

No Unitholder shall incur or assume any liability or be required to make any payment to the Trustee or the Manager in respect of its Units. The liability of Unitholders is limited to their investment in Units.

### Modification of the Trust Deed

The Trustee and the Manager may agree to modify, alter or add to the provisions of the Trust Deed

by supplemental deed provided that in the opinion of the Trustee and the Manager such proposed modification, alteration or addition (i) does not materially prejudice the interests of Unitholders, does not operate to release to any material extent the Trustee or the Manager or any other person from any responsibility to the Unitholders and (with the exception of the costs incurred in connection with the relevant supplemental deed) does not increase the costs and charges payable out of the assets of the Products or (ii) is necessary in order to make possible compliance with any fiscal, statutory, regulatory or official requirement (whether or not having the force of law) or (iii) is made to correct a manifest error. In all other cases, modifications, alterations and additions involving material changes require the sanction of an extraordinary resolution of the Unitholders affected. The SFC must (where such approval is required) also give its prior approval to all such amendments to the Trust Deed.

The Manager will notify affected Unitholders of the amendments as soon as practicable in advance of such amendments having effect or after they are made if such notification is required under the Code.

### **Name of the Trust and Product**

Under the Trust Deed the Manager may, on notice to the Trustee, change the name of the Trust and the Products.

### **Meetings of Unitholders**

Proxies may be appointed. A Unitholder who is the holder of two or more Units may appoint more than one proxy to represent him and vote on his behalf at any meeting of the Unitholders. If a clearing house (or its nominee(s)), being a corporation, is a Unitholder, it may authorise such persons as it think fit to act as its representatives at any meeting of the Unitholders provided that, if more than one person is so authorised, the authorisation shall specify the number and class of Units in respect of which each such representative is so authorised. Each person so authorised shall be deemed to have been duly authorised without further evidence of the facts and shall be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person were the registered Unitholder of the Units held by the clearing house (or its nominee(s)), including the right to vote individually on a poll.

### **Voting Rights**

Unitholders' meetings may be convened by the Manager, by the Trustee or by Unitholders representing at least 10% of the Units in issue, on not less than 14 days' notice. Notice of meetings will be posted to Unitholders and posted on the Manager's website at [www.bosera.com.hk/](http://www.bosera.com.hk/) (which has not been reviewed or approved by the SFC) and the Hong Kong Exchanges and Clearing Limited's website at [www.hkex.com.hk](http://www.hkex.com.hk).

These meetings 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 Products at any time. Such amendments to the Trust Deed must be considered by Unitholders of at least 25% of the Units in issue and passed by 75% or more of the votes cast.

Other matters that require an ordinary resolution being passed would be considered by Unitholders of at least 10% of the Units in issue and passed by a simple majority (i.e. more than 50%) of the votes cast.

The Trust Deed contains provisions for the holding of separate meetings of Unitholders holding Units of different classes where only the interests of Unitholders of such class are affected.

### **Termination**

The Trust may be terminated by the Trustee if: (i) 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 a receiver is appointed over any of its assets and not discharged within 60 days or (ii) in the opinion of the Trustee, the Manager is incapable of

performing its duties satisfactorily or (iii) the Manager has failed to perform its duties satisfactorily or has, in the opinion of the Trustee, done something calculated to bring the Trust into disrepute or that is harmful to the interests of Unitholders or (iv) a law is passed that renders it illegal or in the opinion of the Trustee or the Manager, impracticable or inadvisable to continue the Trust or (v) the Trustee is unable to find an acceptable person to replace the Manager within 30 days after the removal of the Manager, or the person nominated by the Trustee shall fail to be approved by extraordinary resolution or (vi) 60 days after the Trustee notifies the Manager in writing of its intention to retire, no new person willing to act as trustee has been identified.

The Manager may terminate the Trust if: (i) after one year from the date of the Trust Deed, the aggregate Net Asset Value of all the Units in each Product outstanding is less than USD10 million; (ii) any law or regulation is passed or amended or any regulatory directive or order is imposed that affects the Trust and which renders the Trust illegal or in the good faith opinion of the Manager, makes it impracticable or inadvisable to continue the Trust; or (iii) within a reasonable time and using commercially reasonable endeavours, the Manager is unable to find a person acceptable to act as the new trustee after deciding to remove the Trustee in accordance with the Trust Deed.

The Manager may, in its absolute discretion, by notice in writing to the Trustee, terminate a Product if: (i) after one year from the date of establishment of the Product, the aggregate Net Asset Value of all the Units in the relevant Product outstanding is less than USD10 million or such other amount specified in the relevant Supplemental Deed; (ii) any law or regulation is passed or amended or any regulatory directive or order is imposed that affects the relevant Product and which renders the relevant Product illegal or in the good faith opinion of the Manager makes it impracticable or inadvisable to continue that Product; (iii) its Index is no longer available for benchmarking or if the Units of the relevant Product are no longer listed on the SEHK or any such other stock exchange from time to time determined by the Manager; (iv) at any time, the relevant Product ceases to have any Participating Dealer; or (v) the Manager is unable to implement its investment strategy. Further, the Unitholders may at any time authorise termination of the Trust or the relevant Products by extraordinary resolution.

The Trustee may, in its absolute discretion, by notice in writing to the Manager, terminate a Product if: (i) the Trustee forms the opinion for good and sufficient reason that the Manager is incapable of performing its duties satisfactorily in respect of the relevant Product; (ii) the Trustee forms the opinion for good and sufficient reason that the Manager has failed to perform its duties satisfactorily in respect of the relevant Product or has done something calculated to bring the relevant Product into disrepute or that is harmful to the interests of Unitholders of the relevant Products; or (iii) any law or regulation is passed or amended or any regulatory directive or order is imposed that affects the relevant Product and which renders the relevant Product illegal or in the good faith opinion of the Trustee makes it impracticable or inadvisable to continue the relevant Product.

Notice of the termination of the Trust or the Products will be given to the Unitholders after the SFC has approved the notice. The notice will contain the reasons for the termination, the consequences to Unitholders of terminating the Trust or the Products and the alternatives available to them, and any other information required by the Code. Any unclaimed proceeds or other monies held by the Trustee in the event of a termination may at the expiration of twelve calendar months from the date upon which the same became payable be paid into court.

### **Distribution Policy**

The Manager will adopt a distribution policy for each Product as the Manager considers appropriate having regard to the Product's net income, fees and costs. For each Product this distribution policy (including the currency of such distribution) will be set out in the relevant Appendix. Distributions will always depend on dividend payments on Securities held by the relevant Product which will in turn depend on factors beyond the control of the Manager including, general economic conditions, and the financial position and distribution policies of the relevant underlying entities. Distribution may be paid out of capital and/or effectively out of capital of the Product. There can be no assurance that such entities will declare or pay dividends or distributions.

### **Inspection of Documents**

Copies of the following documents in respect of each Product are available for inspection free of charge at the offices of the Manager and copies thereof (other than (d) which may be obtained free of charge) may be purchased from the Manager at a reasonable price:

- (a) Trust Deed;
- (b) Service Agreement;
- (c) Participation Agreement(s); and
- (d) The most recent annual financial report of the Trust and the Products (if any) and the most recent interim report of the Trust and the Products (if any).

#### **Part XV of the SFO**

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

#### **Anti-money Laundering Regulations**

As part of the Manager's, the Trustee's and the Participating Dealer's responsibility for the prevention of money laundering and to comply with all applicable laws to which the Manager, the Trustee, each Product or the relevant Participating Dealer is subject, the Manager, the Registrar, the Trustee or the relevant Participating Dealer may require a detailed verification of an investor's identity and the source of payment of any applications for Units. Depending on the circumstances of each application, a detailed verification by the Manager, the Registrar, the Trustee or the relevant Participating Dealer might not be required where:

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

These exceptions apply only if the financial institution or intermediary is within a country recognised by the Trustee and the Manager as having sufficient anti-money laundering regulations.

#### **Liquidity Risk Management**

The Manager has established a liquidity management policy which enables it to identify, monitor and manage the liquidity risks of the Products and to ensure that the liquidity profile of the investments of the relevant Product will facilitate compliance with such Product'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.

On an on-going basis, the Manager's risk management function will assess each Product's liquidity position against internal liquidity indicators. The Manager may consider a range of quantitative metrics and qualitative factors in arriving at a liquidity assessment. The quantitative metrics that the Manager may consider include, where available, the underlying asset's issue size, bid-ask spreads, transaction cost, the number of market makers and each Product's holding as a proportion of the outstanding issuance. The Manager supplements the available quantitative data with its professional judgment and other qualitative factors such as the overall market conditions, the applicable regulatory requirements, and the currency denomination. The Manager classifies each Product's assets into different liquidity categories using the generic categories of illiquid, low, medium and high liquidity, and sets indicators on the minimum and maximum holding of assets that belong to each of these liquidity categories, taking into account the historical liquidity demands and expected future liquidity demands of each Product under likely future market conditions. Where a Product is unable to meet the targets, the Manager will report the incident to the senior management who perform the oversight role for consideration in a timely manner. Policies will be put in place

and documentation will be maintained on the assessments. The Manager will also perform liquidity stress testing on each Product on an ongoing basis.

As a liquidity risk management tool, the Manager may limit the number of Units of a Product redeemed on any Dealing Day to Units representing 10% (or such higher percentage as the Manager may determine in respect of the Product and as permitted by the SFC) of the total number of Units in such a Product then in issue or the total Net Asset Value of the Product, as specified in the relevant Appendix (subject to the conditions under the section headed “Deferred Redemption”).

### **Index Licence Agreements**

Please refer to the relevant Appendix for details in respect of each Index.

### **Material Changes to an Index**

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

### **Replacement of an Index**

The Manager reserves the right, with the prior approval of the SFC and provided that in its opinion the interests of the Unitholders of the relevant Product would not be adversely affected, to replace an Index with another index in accordance with the provision of the Code and the Trust Deed. The circumstances under which any such replacement might occur include but are not limited to the following events:

- (a) the relevant Index ceasing to exist;
- (b) the licence to use the Index being terminated;
- (c) a new index becoming available that supersedes the existing Index;
- (d) a new index becoming available that is regarded as the market standard for investors in the particular market and/or would be regarded as more beneficial to the Unitholders than the existing Index;
- (e) investing in the Securities and/or Futures Contracts comprised within the Index becomes difficult;
- (f) the Index/Benchmark Provider increasing its licence fees to a level considered too high by the Manager;
- (g) the quality (including accuracy and availability of the data) of the Index having in the opinion of the Manager, deteriorated; and
- (h) a significant modification of the formula or calculation method of the Index rendering that index unacceptable in the opinion of the Manager.

The Manager may change the name of each Product if the relevant Index changes or for any other reasons including if licence to use the Index is terminated. Any change to (i) the use by the relevant Product of the Index and/or (ii) the name of the relevant Product will be notified to investors.

### **Information Available on the Internet**

The Manager will publish important news and information with respect to each Product (including in respect of the relevant Index), in the English and Chinese languages (unless otherwise specified), on the Manager’s website at [www.bosera.com.hk/](http://www.bosera.com.hk/) (which has not been reviewed or approved by the SFC) including:

- (a) this Prospectus and each product key facts statement in respect of the Products (as revised from time to time);
- (b) the latest annual audited financial report and half yearly unaudited financial report (in English only);
- (c) any notices relating to material changes to the Products which may have an impact on Unitholders such as material alterations or additions to this Prospectus or the constitutive documents of the Trust and/or a Product;
- (d) any public announcements made by the Products, including information with regard to the Products and Index, notices of the suspension of the calculation of the Net Asset Value, suspension of creation and redemption of Units, changes in fees and the suspension and resumption of trading;
- (e) the near real time indicative Net Asset Value per Unit updated every 15 seconds during SEHK trading hours in the relevant base currency and (if the base currency is not HKD) in HKD;
- (f) the last Net Asset Value of each Product in the relevant base currency and the last Net Asset Value per Unit of each Product in the relevant base currency and (if the base currency is not HKD) in HKD;
- (g) the past performance information of each Product;
- (h) the daily tracking difference, the average daily tracking difference and the tracking error of each Product;
- (i) full holdings information of each Product (updated on a Daily basis);
- (j) a “performance simulator” of each Product which allows investors to select a historical time period and simulate the performance of the relevant Product vis-à-vis the Index during that period based on historical data;
- (k) the latest list of the Participating Dealers and Market Makers;
- (l) in respect of a Product which may distribute dividends, the composition of dividends for each Product (i.e. the relative amounts paid out of (i) net distributable income, and (ii) capital (if any)), for a rolling 12-month period; and
- (m) in respect of a Product investing in Swaps:
  - (i) the gross and net exposure to each Swap Counterparty;
  - (ii) the composition of the Asset Portfolio;
  - (iii) total Asset Portfolio (expressed as a percentage of the Product’s Net Asset Value);
  - (iv) the list of Swap Counterparties (including hyperlinks to the websites of Swap Counterparties and their guarantors (if applicable));
  - (v) pictorial presentation of collateral information by way of pie charts showing the following (if applicable):
    - a breakdown by asset type, e.g. equity, bond and cash and cash equivalents;
    - for equity, further breakdown by (1) primary listing (i.e. stock exchanges), (2) index constituents, and (3) sector;
    - for bond, further breakdown by (1) types of bonds, (2) countries of

issuers/guarantors, and (3) credit rating; and

- (vi) top 10 holdings in the collateral (including name, percentage of the Product's Net Asset Value, type, primary listing for equities and country of issuers, credit rating if applicable),

where items (i), (ii) and (iii) will be updated on a daily basis and items (iv), (v) and (vi) will be updated on a weekly basis and uploaded onto the website within three working days of the end of each week; and

- (n) in respect of a Product investing in Futures Contracts, the portfolio holdings of such Products (updated on a daily basis unless otherwise specified in the relevant Appendix).
- (o) in respect of a Product investing in FDIs, information on FDIs acquired by the Product including:
  - (i) a list of derivatives counterparties (including Swap Counterparties);
  - (ii) the details of collateral arrangements (if any); and
  - (iii) the gross and net counterparty exposures of each Product.

The near real-time indicative Net Asset Value per Unit in HKD is updated during SEHK trading hours. Real-time updates about the Index can be obtained through other financial data vendors. Investors should obtain additional and the latest updated information about the Index (including without limitation, a description of the way in which the Index is calculated, any change in the composition of the Index, any change in the method for compiling and calculating the Index) via the Manager's website at [www.bosera.com.hk/](http://www.bosera.com.hk/) and the Index/Benchmark Provider's website (neither of which, nor any other website referred to in this Prospectus, has been reviewed by the SFC). Please refer to the section on "Website Information" for the warning and the disclaimer regarding information contained in such website.

## Notices

All notices and communications to the Manager and Trustee should be made in writing and sent to the following addresses:

### **Manager**

Bosera Asset Management (International) Co., Limited  
Suite 4109, Jardine House  
One Connaught Place  
Central  
Hong Kong

### **Trustee**

Cititrust Limited  
50/F., Champion Tower  
Three Garden Road  
Central, Hong Kong

## 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 you to access further information relating to the subject matter indicated and such information does not form part of this Prospectus. None of the Listing Agent, 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 Listing Agent, 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, its website [www.bosera.com.hk/](http://www.bosera.com.hk/) (the contents of which and of other websites referred to in this Prospectus have not been reviewed by the SFC). The information and materials included in these websites have not been reviewed by the SFC or any regulatory body. You should exercise an appropriate degree of caution when assessing the value of such information.



## TAXATION

*The following summary of taxation is of a general nature, and for information purposes only, and is not intended to be an exhaustive list of all the tax considerations that may be relevant to a decision to purchase, own, realise or otherwise dispose of Units. The summary does not constitute legal or tax advice and does not purport to deal with the tax consequences applicable to all categories of Unitholders. Prospective Unitholders should consult their professional advisers on the consequences to them of acquiring, holding, redeeming, transferring or selling Units under the relevant laws of Hong Kong as well as the relevant jurisdiction(s) to which they are subject, including the tax consequences 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. The following statements regarding taxation are based on advice received by the Manager regarding the law and practice in force in Hong Kong, Mainland China and also regarding FATCA and related laws at the date of this Prospectus. The relevant laws, rules and practice relating to tax are subject to change and amendment (and such changes may be made on a retrospective basis). As such, there can be no guarantee that the summary provided below will continue to be applicable after the date of this Prospectus. Furthermore, tax laws can be subject to different interpretations and no assurance can be given that the relevant tax authorities will not take a contrary position to the tax treatment described below.*

### **Hong Kong Taxation**

#### *Taxation of the Trust and the Boserá SZSE ChiNext Daily (2x) Leveraged Product*

##### *Profits Tax*

As the Trust and the Product have been authorised as a collective investment scheme by the SFC under Section 104 of the SFO, profits of the Trust and the Product are exempt from Hong Kong profits tax pursuant to Section 26A(1A)(a) of the Inland Revenue Ordinance ("IRO").

##### *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 should fall within the definition of "Hong Kong stock" as the Units will be listed in Hong Kong and the register of Unitholders will be kept in Hong Kong.

Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, transfer of Hong Kong stocks to the Trust and/or the Product in exchange for issue of Units or transfer of Hong Kong stocks from the Trust and/or the Product in consideration for redemption of Units is exempt from Hong Kong Stamp Duty.

No Hong Kong Stamp Duty is payable by the Trust and the Product on an issue or redemption of Units.

#### *Taxation of the Unitholders*

##### *Profits tax*

Where the Unitholders do not carry on a trade, profession or business in Hong Kong or the Units in the Product are 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 in the Product should not be taxable. For Unitholders carrying on a trade, profession or business in Hong Kong, such gains may be subject to Hong Kong profits tax (which is currently charged at the rate of 16.5% in the case of corporations, and 15% in the case of individuals and unincorporated business) if the gains in questions arise in or are derived from such trade, profession or business and sourced in Hong Kong and the Units are not capital assets to Unitholders.

There is no withholding tax on dividends and interest in Hong Kong.

Distributions made by the Trust or the Product should generally not be subject to Hong Kong profits tax in the hands of Unitholders according to the practice of the IRD (as at the date of this Prospectus).

#### *Stamp duty*

Under the Stamp Duty (Amendment) Ordinance 2015 stamp duty payable in respect of any contract notes or instruments of transfer relating to transactions 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 Units in any Product (which is an exchange traded fund as defined in Part 1 to Schedule 8 of the Stamp Duty Ordinance) will not attract stamp duty and no stamp duty is payable by Unitholders.

Unitholders should take advice from their own professional advisers as to their particular tax position.

#### **Automatic Exchange of Financial Account Information**

The Inland Revenue (Amendment) (No.3) Ordinance (the "Ordinance") came into effect on 30 June 2016. The Ordinance together with the later amendments is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information ("AEOI"). The AEOI comprises, among others, the model Competent Authority Agreement ("CAA") and Common Reporting Standard ("CRS"). In addition, IRD published guidance for financial institutions ("FIs") on 9 September 2016 which is updated and amended from time to time to provide guidance to them for complying with the CRS obligations. The AEOI requires FIs in Hong Kong to obtain certain information and documentation relating to non-Hong Kong tax residents holding financial accounts with the FIs, and report the required information to the IRD for the purpose of automatic exchange. Generally, the information will be reported and automatically exchanged in respect of account holders that are tax residents in a reportable jurisdiction(s) with which Hong Kong has a Multilateral CAA or bilateral agreement in force; however, a Product and/or its agents may further obtain information and/or documentation relating to the residents of other jurisdictions that are not resident in a reportable jurisdiction for CRS purposes in Hong Kong.

The Trust is required to comply with the requirements of the Ordinance, which means that the Trust and/or its agents shall obtain and provide to the IRD the required information relating to Unitholders. The Ordinance requires the Trust to, amongst other things, (i) register the Trust as a "Reporting Financial Institution" with the IRD to the extent the Trust maintains reportable financial accounts; (ii) conduct due diligence on its account holders (i.e. Unitholders) in order to determine whether any of their relevant financial accounts are regarded as "Reportable Accounts" under the Ordinance; and (iii) report to the IRD the required information of such Reportable Accounts. The IRD is expected on an annual basis to exchange the required information reported to it to the competent authorities of the respective reportable jurisdictions. Broadly, AEOI requires that Hong Kong FIs should report on: (i) individuals or entities that are tax residents in a reportable jurisdiction; and (ii) certain entities controlled by individuals who are tax residents in such jurisdictions. Under the Ordinance, details of Unitholders, including but not limited to their name, place of birth, date of birth, address, tax residence, tax identification number(s) (if any), account number, account balance/value regarding their interest in the Trust, and income or sale or redemption proceeds received from the Trust, should be reported to the IRD and subsequently exchanged with competent authorities in the relevant jurisdictions.

By investing in a Product and/or continuing to invest in a Product, Unitholders acknowledge that they may be required to provide additional information or documents to the Trust and/or its agents in order for the Trust to comply with the Ordinance. A Unitholders's information (and information on controlling persons including beneficial owners, beneficiaries, direct or indirect Unitholders or other persons associated with such Unitholders that are passive non-financial entities as defined under the Ordinance) may be exchanged by the IRD to the competent authorities in the relevant reportable jurisdictions.

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 Products.

## **Mainland China Taxation**

The following is based on the Manager's understanding of and certain aspects of the tax laws, regulations and practice currently in force in the PRC. No guarantee can be given that the tax position at the date of this Prospectus or at the time of an investment will endure indefinitely.

In the PRC, under the current regulatory environment, foreign investors are allowed to invest in China A-Shares, bonds and certain financial instruments through QFII/RQFII, Stock Connect and Bond Connect schemes.

With the implementation of the new QFII/RQFII scheme from 1 November 2020, foreign institutional investors are allowed to invest in more diversified financial instruments, including certain derivatives products, etc. Following that, investments including commodity futures, commodity options and stock options in exchange market are also allowed for QFII/RQFII.

Under the prevailing PRC tax regimes, foreign investment in China A-Shares, bonds and other financial instruments would normally be subject to Corporate Income Tax ("CIT"), Withholding Income Tax ("WHT"), Value Added Tax ("VAT") and Stamp Duty ("SD").

### General China Taxation

#### *Corporate Income Tax ("CIT")*

Under the prevailing PRC CIT Law, a China Tax Resident Enterprise ("TRE") is subject to CIT on its worldwide income. A foreign enterprise with a "place of effective management" within the PRC is also regarded as a China TRE.

The "place of effective management" refers to the place where the exercise, in substance, of the overall management and control of the production and business operation, personnel, accounts and assets is located.

A non-TRE with an establishment or a place of business in China shall pay CIT on income derived by such establishment or place from sources in China as well as income derived from outside China that is effectively connected with such establishment or place.

An "establishment or place" is defined under PRC CIT regulations as an establishment or place in China engaging in production and business operations, including management and business organisations, offices, places where natural resources are exploited, labour services are rendered, contractor projects are undertaken, and other establishments or places where production and business activities are undertaken. Business agents who regularly sign contracts, store and deliver goods, etc. on behalf of non-TREs would also be regarded as creating an establishment or place of business in China under CIT law/regulations.

Under the CIT law, the standard CIT rate is 25%.

A non-TRE that has no establishment or place in China is taxed only on its China-source income. A unilateral concessionary rate of 10% WHT will be applied on gross income derived from dividends,

interest and other China-source passive income unless any specific exemption or reduction is available under current PRC tax laws, or tax treaties or tax arrangements.

The Trust, together with the Manager, do not intend to operate in a way that would cause the Product to be treated as a PRC tax resident enterprise or to have an establishment or a place in the PRC, although this cannot be guaranteed. It is possible, however, that the PRC tax authority could disagree with such an assessment or that changes in Mainland China tax law could affect the PRC CIT status of the Product.

If the Product does not have a place of effective management, an establishment or a place of business in the PRC, the Product will normally be regarded as a non-TRE.

Generally, QFIIs/RQFIIs would be subject to PRC WHT at 10% on its gross income from dividends, interest and capital gains realized from the disposal of the units in the PRC investee companies unless reduced/waived under China tax laws and regulations or relevant tax treaties/tax arrangements.

#### *Value-added Tax (“VAT”)*

In Mainland China, VAT payers are classified into general payers and small scale payers. They are subject to different VAT calculation methods and different VAT rates.

Being an overseas entity, the Trust and the Product are subject to VAT at 6% which is applicable to general payers on the gains derived from trading financial products in PRC (including trading equity or equity-linked securities) and various interest income from China. According to Circular Caishui [2016] No. 36 (“Circular 36”), deposit interest income is not subject to VAT. Interest income derived from government bonds and local government bonds are exempted from VAT. Other VAT-exempted regulations for different types of income are as follows.

VAT surcharges including Urban Maintenance and Construction Tax (“UMCT”), Educational Surcharge (“ES”) and Local Educational Surcharge (“LES”)) are no longer applicable for a foreign taxpayer from 1st September 2021.

#### *Stamp Duty (“SD”)*

The SD law of the PRC took into effect from 1 July 2022. According to SD Law, SD is levied on the execution or receipt in China of certain documents. In the case of contracts for sale of A-Shares and B-shares, SD is currently imposed on the seller side only, at the rate of 0.1%. Where there is no transfer price for securities transactions, the SD basis should be calculated based on the closing price of the previous transaction day at the time of completing the transfer registration; where there is no closing price, SD basis should be calculated on the par value of the securities.

The sale or purchase of PRC domestic bonds investments does not fall in the SD taxable scope and are not subject to PRC SD.

#### A-Shares investments via QFII/RQFII

##### *Capital gains*

According to Circular Caishui [2014] No. 79 (“Circular 79”), effective from 17 November 2014, QFIIs/RQFIIs are temporarily exempt from the PRC WHT on the capital gains derived from trading A-Shares and other PRC equity-linked investments, provided that QFIIs/RQFIIs do not have a place or an establishment in the PRC or the relevant capital gains are not connected to their places or establishments in the PRC. However, it is uncertain how long such temporary exemption will last and whether it will be repealed and re-imposed retrospectively.

According to Circular Caishui [2016] No. 36 and Caishui [2016] No. 70, QFII/RQFII are exempt from VAT on their income derived from entrusting PRC domestic companies to conduct securities trading in the PRC.

### *Dividends*

Dividends derived by overseas investors from China A-Shares via QFII/RQFII are subject to WHT at 10% unless reduced under a tax treaty or tax arrangement. Under the current China tax regulations, China A-Shares listed companies are required to withhold and settle such WHT with China tax authorities.

Dividends from China equity investment is not subject to VAT.

### A-Shares investment via Stock Connect

#### *Capital gains*

According to Circular Caishui [2014] No. 81 (“Circular 81”) and Circular Caishui [2016] No. 127 (“Circular 127”), overseas investors are temporarily exempt from PRC WHT on the gains from trading A-Shares via Shanghai/HK Stock Connect and Shenzhen/HK Stock Connect schemes. However, it is uncertain how long the temporary exemption will last, and whether it will be repealed and re-imposed retrospectively.

Investors from Hong Kong market are exempt from VAT on gains from trading China A-Shares through Shanghai/HK Stock Connect and Shenzhen/HK Stock Connect schemes during the pilot period of VAT reform since 2016. However, it is uncertain how long such VAT exemption will last and whether it will be repealed and re-imposed retrospectively.

#### *Dividends*

Dividends derived by overseas investors from China A-Shares via Stock Connects are subject to WHT at 10%, which are not subject to VAT.

### China Bonds Investment via Bond Connect and QFII/RQFII

#### *Interest*

According to Circular Caishui [2021] No.34, interest income derived by overseas investors from the domestic bond market through foreign institute investors (including QFII/RQFII or Bond Connect channels) are temporarily exempt from CIT and VAT during the period from 7 November 2021 to 31 December 2025 provided that such bond interests are not derived by the establishment or place of business of the overseas investors in the PRC or effectively connected with such establishment or place. However, it is uncertain whether this temporary exemption will be further extended after expiration.

#### *Capital gains*

In China, there are no specific tax rules granting CIT exemption on capital gains derived from trading debt instruments. In practice, it is more likely than not such gains derived by foreign investors would be regarded as non-PRC sourced income and not subject to PRC CIT.

The above complements with the Operational Procedures for Overseas Institutional Investors to Enter China’s Inter-bank Bond Market prescribed by the PBOC in November 2017, which indicated that capital gains derived by overseas investors from trading the domestic bond market investments through Inter-bank Bond Market is temporarily exempt from CIT and VAT during the pilot period of VAT reform since 2016. However, it is uncertain how long the exemption will last and whether it will be repealed and re-imposed retrospectively.

Without the exemption described above, interest or capital gain derived by overseas investors through holding or trading the PRC bonds would be subject to WHT at the rate of 10% unless reduced under a tax treaty or tax arrangement.

### Investment in New Assets’ Classes

In China, new QFII scheme became effective on 1 November 2020 with significant changes, including the consolidation of previous QFII and RQFII schemes and expansion of QFII's investment scope, etc.

However, the prevailing PRC CIT and VAT exemption policies may not cover all the income derived from new permissible asset classes after the implementation of new QFII/RQFII scheme. Therefore, depending on the structure of market access products, income derived from new asset classes and other diversified financial instruments (e.g. swaps, derivatives), might not be fully covered by the prevailing China CIT and VAT exemption treatment. It is subject to clarification of regulatory and tax authorities.

It should also be noted that the actual PRC taxes imposed by China tax authorities may be different and may change from time to time. There is a possibility of regulatory changes and PRC taxes being applied retrospectively. There are also risks and uncertainties associated with the current PRC tax laws, regulations and practice. Such changes or uncertainties may result in higher taxation on PRC investments than currently contemplated. As such, any provision for taxation made by the Manager may be excessive or inadequate to meet ultimate PRC tax liabilities. Consequently, investors may be advantaged or disadvantaged depending upon the ultimate PRC tax liabilities, the level of provision and when they subscribed and/or redeemed their units in the Product.

Investors should seek their own tax advice on their tax position with regard to their investment in the Product.

## **FATCA**

The United States ("US") Hiring Incentives to Restore Employment Act (the "HIRE Act") was signed into US law in March 2010 and includes provisions commonly referred to as the "Foreign Account Tax Compliance Act" or "FATCA". Broadly, the FATCA provisions are set out in sections 1471 to 1474 of the US Internal Revenue Code of 1986, as amended (the "Revenue Code"), which impose a reporting regime with respect to certain payments to foreign financial institutions (each an "FFI"), such as the Boseria SZSE ChiNext Daily (2x) Leveraged Product, including interests and dividends from securities of US issuers and potentially in the future gross proceeds from the sale of such securities. All such payments may be subject to withholding at a rate of 30%, unless the recipient of the payment satisfies certain requirements intended to enable the US Internal Revenue Service (the "IRS") to identify United States persons (within the meaning of the Revenue Code) ("US persons") with interests in such FFIs. To avoid such withholding on payments made to it, FFIs (including banks, brokers, custodians and investment funds) located in jurisdictions that have not signed an intergovernmental agreement ("IGA") for implementation of FATCA, will be required to enter into an FFI agreement (an "FFI Agreement") with the IRS to be treated as a participating FFI ("Participating FFI"). Participating FFIs are required to identify all investors that are US persons and report certain information concerning such US persons to the IRS. Such information to be reported includes but not limited to their name, date and jurisdiction of birth, address, tax identification number, account details, account balance/value, and income or sale or redemption proceeds. The FFI Agreement will also generally require that a Participating FFI deduct and withhold 30% from certain payments made by the Participating FFI to investors who fail to cooperate with certain information requests made by the Participating FFI. Moreover, Participating FFIs may be required to deduct and withhold such payments made to investors that are themselves FFIs but that have not entered into an FFI Agreement with the IRS or that are not otherwise deemed compliant with FATCA (i.e. a "nonparticipating FFI").

FATCA withholding applies to (i) payments of US source income, including US source dividends and interest, made after 30 June 2014; and (ii) potentially in the future payments of gross proceeds of sale or other disposal of property that can produce US source income. The 30% withholding could also in the future apply to payments otherwise attributable to US source income (also known as "foreign passthru payments"), though the US tax rules on "foreign passthru payments" are currently pending. Withholding agents (which may include Participating FFIs) will generally be required to begin withholding on certain withholdable payments made after 30 June 2014. The first reporting deadline for FFIs that have entered into the FFI Agreement was 31 March 2015 with respect to information relating to the 2014 calendar year.

The US and a number of other jurisdictions have entered into IGAs. The US Department of the Treasury and Hong Kong have on 13 November 2014 signed a Model 2 IGA (the “HK IGA”). The HK IGA modifies the foregoing requirements but generally requires similar information to be disclosed to the IRS. Under the HK IGA, FFIs in Hong Kong (such as the Bosera SZSE ChiNext Daily (2x) Leveraged Product) would register with the IRS to be subject to the terms of an FFI Agreement with the IRS and comply with the terms of such FFI Agreement. Otherwise they will be subject to a 30% withholding tax on relevant US source payments to them.

Under the HK IGA, it is expected that FFIs in Hong Kong (such as the Bosera SZSE ChiNext Daily (2x) Leveraged Product) complying with an FFI Agreement will generally not be required to withhold tax on withholdable payments to non-consenting US accounts (i.e. certain accounts of which the holders do not consent to FATCA reporting and disclosure to the IRS) or close such non-consenting US accounts (provided that information regarding the non-consenting US accounts is reported to the IRS according to the terms of the HK IGA), but may be required to withhold tax on payments made to non-compliant FFIs.

Even though the HK IGA has now been signed between Hong Kong and the US, withholding may apply to withholdable payments covered by FATCA if a Product cannot satisfy the applicable requirements and is determined to be non-FATCA compliant or if the Hong Kong government is found in breach of the terms of the HK IGA.

Bosera SZSE ChiNext Daily (2x) Leveraged Product has been registered with the IRS as at the date of this Prospectus. In order to protect Unitholders and avoid being subject to withholding under FATCA, it is the Manager’s intention to endeavour to satisfy the requirements imposed under FATCA. Hence it is possible that this may require a Product (through its agents or service providers) as far as legally permitted, to report information on the holdings or investment returns of any Unitholder to the IRS or the local authorities (e.g. the IRD) pursuant to the terms of the HK IGA. It is also possible that a Product may be required to compulsorily redeem and/or apply withholdings to payments to Unitholders who fail to provide the information and documents required to identify their status, or who are nonparticipating FFIs or who fall within other categories specified in the FATCA provisions and regulations. Any such compulsory redemption and/or withholding will be done in accordance with applicable laws and regulations, and the discretion to do so will be exercised by the Manager acting in good faith and on reasonable grounds. In any event, the Manager shall comply with personal data protection principles, and requirements as set out in the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and all other applicable regulations and rules governing personal data use in Hong Kong from time to time.

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

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

### **FATCA in Mainland China**

On 26 June 2014, the US and China reached an agreement in substance to implement the FATCA through a Model 1 IGA. As China is one of the US largest trading partners, this is a substantial development in achieving overall tax compliance through information sharing agreements. However, an official mutual announcement continues to be absent until now, which means the agreement is

still not effective for China. As a result, there is no local implementation rules or guidance to follow at current stage in China regarding FATCA.



## **PART 2 – SPECIFIC INFORMATION RELATING TO EACH PRODUCT**

Part 2 of this Prospectus includes specific information relevant to each Product established under the Trust and listed on the SEHK. It is updated from time to time by the Manager. Information relating to each Product is set out in a separate Appendix.

The information presented in each Appendix in this Part 2 should be read in conjunction with the information presented in Part 1 of this Prospectus. Where the information in any Appendix in this Part 2 conflicts with the information presented in Part 1, the information in the relevant Appendix in the Part 2 prevails, however, is applicable to the specific Product of the relevant Appendix only.

Defined terms used in each of the Appendices and which are not defined in this Part 2, bear the same meanings as in Part 1 of this Prospectus. References in each Appendix to “Product” refer to the relevant Product which is the subject of that Appendix. References in each Appendix to “Index” refer to the relevant Index details of which are set out in that Appendix.

## APPENDIX 1: BOSERA SZSE CHINEXT DAILY (2X) LEVERAGED PRODUCT

### Key Information

Set out below is a summary of key information in respect of Bosera SZSE ChiNext Daily (2x) Leveraged Product (the “Product”) which should be read together with the full text of this Appendix and the Prospectus.

<b>Investment Objective</b>	To provide investment results that, before fees and expenses, closely correspond to <u>twice (2x)</u> the <u>Daily</u> performance of the Index
<b>Index</b>	ChiNext Index (HKD)(CNH) (the “Index”)
<b>Issue Price during the Initial Offer Period</b>	HKD 8
<b>Listing Date (SEHK)</b>	12 May 2022
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	7234
<b>Short Stock Name</b>	XL2 BOS CHINEXT
<b>Trading Board Lot Size</b>	100 Units
<b>Base Currency</b>	HKD
<b>Trading Currency</b>	HKD
<b>Distribution Policy</b>	<p>The Manager may, subject to its discretion, distribute income to Unitholders annually (in December) having regard to the Product’s net income after fees and costs. Further, the Manager may, at its discretion, pay distributions out of capital or out of gross income while all or part of the fees and expenses are charged to capital, resulting in an increase in distributable income for the payment of distributions and therefore, distributions may be paid effectively out of capital.</p> <p>All Units will receive distributions in the base currency (HKD) only*.</p>
<b>Creation/Redemption Policy</b>	Cash (HKD) only
<b>Application Unit Size (only by or through Participating Dealers)</b>	Minimum 100,000 Units (or multiples thereof)
<b>Dealing Deadline</b>	1:00 p.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager (with the

	approval of the Trustee) may determine
<b>Management Fee</b>	Currently 1.48% per year of the Net Asset Value
<b>Financial Year End</b>	31 December (The first annual financial report and the first half-yearly unaudited report for the Product will be for the year ending 31 December 2022 and for the half year ending 30 June 2023 respectively.)
<b>Website</b>	<a href="http://www.bosera.com.hk/en/products/funddetail/LI/overview?fundCode=ChiNextLI">www.bosera.com.hk/en/products/funddetail/LI/overview?fundCode=ChiNextLI</a> (this website has not been reviewed by the SFC)

### What is the Investment Objective?

The investment objective of the Product is to provide investment results, before fees and expenses closely correspond to twice (2x) the Daily performance of the Index. **The Product does not seek to achieve its stated investment objective over a period of time greater than one day.**

### What is the Investment Strategy?

The Manager intends to adopt a Swap-based synthetic replication strategy to achieve the investment objective of the Product, through entering into one or more partially-funded Swaps (which are over-the-counter FDIs entered into with more than one Swap Counterparty) whereby the Product will provide a portion of the net proceeds from subscription from the issue of the Units as initial margin (“Initial Amount”) to the Swap Counterparties which will be held by the custodian appointed by the Trustee in a segregated account and will only be transferred to the Swap Counterparties when the Product defaults and in return the Swap Counterparties will provide the Product with an exposure to the Index (net of transaction costs).

No more than 65% of the Net Asset Value of the Product from time to time will be used as Initial Amount by way of pure cash to acquire the Swaps. Under exceptional circumstances (e.g. increased Initial Amount requirement by the Swap Counterparty in extreme market turbulence), the Initial Amount requirement may increase substantially. The Initial Amount will be transferred to the Product’s custodian appointed by the Trustee who will hold the amount for the Product in a designated account, and the Swap Counterparty will have a security interest over the Initial Amount (and the relevant account) upon such transfer. There is no transfer of legal title, and the Initial Amount remains with the Product, but a security interest will be created thereupon in favour of the Swap Counterparty.

Not less than 25% of the Net Asset Value (this percentage may be reduced proportionately under exceptional circumstances where there is a higher Initial Amount requirement, as described above) will be invested in cash (HKD, RMB or USD), cash equivalents, HKD, RMB or USD denominated short term (i.e. maturity less than 3 years) investment grade government bonds. Cash equivalents will include deposits with banks in Hong Kong and SFC authorised money market funds in accordance with the requirements of the Code. Such SFC authorised money market funds may be managed by either a third-party manager or the Manager.

No more than 10% of the Net Asset Value may be invested in collective investment scheme which may be eligible schemes (as defined by the SFC) or authorised by the SFC, or non-eligible scheme and not authorised by the SFC in accordance with all the applicable requirements of the Code. The above investments may be made through the Manager’s status as RQFII. For the avoidance of doubt, the Product’s investment in the SFC authorised money market funds mentioned in the

preceding paragraph is not subject to this limit. All investments of the Product other than Swaps will comply with 7.36 to 7.38 of the Code.

For the avoidance of doubt, government and other public securities will be regarded as being of a different issue if, even though they are issued by the same person, they are issued on different terms whether as to repayment dates, interest rates, the identity of the guarantor, or otherwise.

The Product will not enter into securities lending, repurchase, reverse-repurchase transactions or other similar over-the-counter transactions.

The investment strategy of the Product is subject to the investment and borrowing restrictions set out in Part 1 of this Prospectus.

The Product will be rebalanced Daily, on each day when the SZSE and SEHK are open for trading (i.e. a Business Day), as further described below.

#### *Daily rebalancing of the Product*

The Product will rebalance its position on a day when the SZSE and SEHK is open for trading (i.e. a Business Day). At or around the close of the trading of the SZSE on each Business Day, the Product will seek to rebalance its portfolio, by increasing exposure in response to the Index's Daily gains or reducing exposure in response to the Index's Daily losses, so that its Daily leveraged exposure ratio to the Index is consistent with the Product's investment objective.

The table below illustrates how the Product as a leveraged product will rebalance its position following the movement of the Index by the end of trading of the SZSE. Assuming that the initial Net Asset Value of the Product is 100 on day 0, the Product will need to have an exposure of 200 to meet the objective of the Product. If the Index increases by 10% during the day, the Net Asset Value of the Product would have increased to 120, making the exposure of the Product 220. As the Product needs an exposure of 240, which is 2x the Product's Net Asset Value at closing, the Product will need to rebalance its position by an additional 20. Day 1 illustrates the rebalancing requirements if the Index falls by 5% on the subsequent day.

	<b>Calculation</b>	<b>Day 0</b>	<b>Day 1</b>	<b>Day 2</b>
(a) Initial Product NAV		100	120	108
(b) Initial exposure	$(b) = (a) \times 2$	200	240	216
(c) Daily Index change (%)		10%	-5%	5%
(d) Profit / loss on exposure	$(d) = (b) \times (c)$	20	-12	10.8
(e) Closing Product NAV	$(e) = (a) + (d)$	120	108	118.8
(f) Exposure	$(f) = (b) \times (1+(c))$	220	228	226.8
(g) Target exposure to maintain leverage ratio	$(g) = (e) \times 2$	240	216	237.6
(h) Required rebalancing amounts	$(h) = (g) - (f)$	20	-12	10.8

*The above figures are calculated before fees and expenses.*

#### *Counterparty Exposure*

Collateral arrangements will be taken in relation to these derivative transactions with a view that the percentage of the counterparty risk exposure (expressed as a percentage of net assets) is reduced to zero.

To collateralise the mark-to-market exposure under the relevant Swap, additional amounts will be transferred as variation margin (either by the Product to the Swap Counterparty or vice versa) on each business day during the Swap transaction. Such variation margin will be transferred by

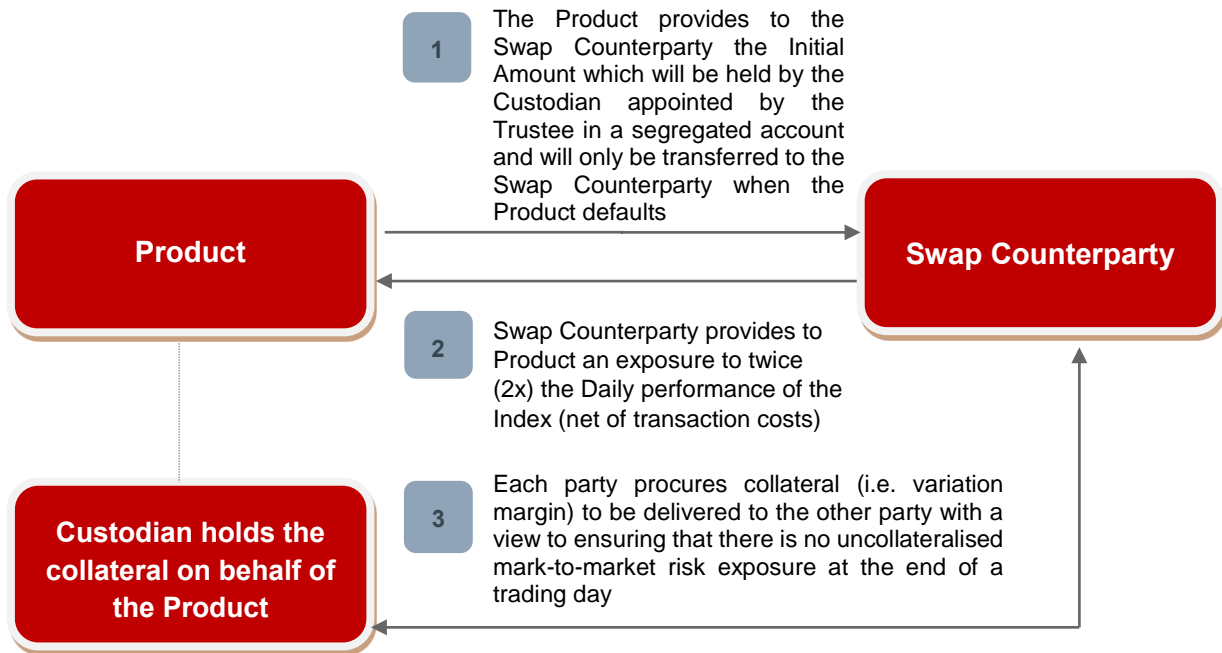
way of title transfer, or by way of a security interest with a right of use (analogous to title transfer) granted thereon. During this process, the Manager will manage the Product to ensure that the collateral held by the Product will represent at least 100% of the Product's gross total counterparty risk exposure and be maintained, marked-to-market on a daily basis, with a view to ensuring that there is no uncollateralised counterparty risk exposure at the end of a trading day (subject to intra-day price movements, market risk and settlement risk etc.). If the collateral held by the Product is not at least 100% of the Product's gross total counterparty risk exposure in respect of any trading day T, by the end of that trading day T, the Manager will generally require that each Swap Counterparty deliver additional collateral assets (i.e. variation margin) to make up for the difference in value, with the settlement of such delivery expected to occur on trading day T+1.

Each Swap Counterparty will deliver collateral with a view to reduce the net exposure of the Product to each counterparty to 0% (zero per cent), although a minimum transfer amount of up to HKD2,000,000 (or currency equivalent) will be applicable.

*Diagrammatic Illustration of Synthetic Replication Strategy*

Please see below a diagram illustrating the operation of the swap-based synthetic replication investment strategy above:

## Swaps



### Swap Transaction

Each Swap is documented by a confirmation which supplements, forms part of and is governed by a 2002 ISDA Master Agreement with schedule thereto (together with an ISDA Credit Support Annex and/or ISDA Credit Support Deed in respect thereof), in each case, entered into by the Trustee on behalf of the Product and the Swap Counterparty. ISDA documentation is published by the International Swaps and Derivatives Association, Inc.

Prior to commencing any transaction with a Swap Counterparty under a Swap, the Manager has obtained (if such Swap Counterparty is an existing swap counterparty) or will obtain (if such Swap Counterparty is a new swap counterparty) legal opinions or such other confirmations or assurances from the Swap Counterparties reasonably acceptable to the Product, confirming that (a) such Swap Counterparty has the capacity and authority to enter into the relevant Swap and (b) the obligations expressed to be assumed by such Swap Counterparty under the relevant Swap constitute legal, valid, binding obligations of the Swap Counterparty enforceable against it in accordance with their terms. The enforceability of the termination, bilateral close-out netting and multibranch netting provisions in the 2002 ISDA Master Agreement in the relevant jurisdictions in which enforcement action may be brought is covered by standard netting opinions commissioned by ISDA. In respect of each Swap, none of the "Events of Default" or the "Termination Events" contained in the 2002 ISDA Master Agreement has been disapplied in respect of the relevant Swap Counterparty (although some of them have been amended to reflect the nature of the Swap Counterparty, the Trustee and the Product and certain "Additional Termination Events" have also been inserted in respect of the Trustee and the Product). The Trustee (on behalf of the Product) has the right, in the event of insolvency or the occurrence of certain other "Events of Default" or "Termination Events" of the Swap Counterparty that are continuing at the relevant time, to terminate the Swap on behalf of the Product at any time (such termination may take effect immediately) and without any approval from the Swap Counterparty.

The actual termination events vary according to the negotiation between the Manager and each Swap Counterparty. The followings are some examples of "Termination Events":

- decline in the Net Asset Value of the Product to a prescribed triggering level;
- change in management of control of the Manager;

- (c) change of Manager of the Product or termination of the Product;
- (d) an event or circumstance rendering the relevant Swap transaction unlawful under any applicable law which affects the ability of the Swap Counterparty or the Product to perform its obligations under the Swap agreement; and
- (e) additional amount is required to be paid due to any action taken by a taxing authority or any change in tax law as a result of a Swap transaction.

*Criteria for Selection of Swap Counterparty*

In selecting a Swap Counterparty (or a replacement Swap Counterparty), the Manager will have regard to a number of criteria, including but not limited to the fact that the prospective Swap Counterparty or its guarantor is a substantial financial institution (as defined under the Code) subject to an on-going prudential and regulatory supervision, or such other entity acceptable to the SFC under the Code. The Manager may also impose such other selection criteria as it considers appropriate. A Swap Counterparty must be independent of the Manager.

As at the date of this Prospectus, the Swap Counterparties to the Product and their guarantors (where relevant) are:

<b>Swap Counterparty</b>	<b>Place of incorporation of the Swap Counterparty</b>	<b>Standard &amp; Poor's credit rating</b>
CICC Financial Trading Limited <sup>#</sup>	Hong Kong	BBB
CITIGROUP GLOBAL MARKETS LIMITED <sup>*</sup>	United Kingdom	BBB+
Goldman Sachs International	United Kingdom	A+

The Manager will publish, *inter alia*, the latest list of the identity of the Swap Counterparty of the Product, as well as the Product's gross and net exposure to each such Swap Counterparty, on the Manager's website at [www.bosera.com.hk/en/products/funddetail/LI/overview?fundCode=ChiNextLI](http://www.bosera.com.hk/en/products/funddetail/LI/overview?fundCode=ChiNextLI) (which has not been reviewed by the SFC).

<sup>#</sup> *The parent company of CICC Financial Trading Limited, China International Capital Corporation (Hong Kong) Limited, has provided an unconditional and irrevocable guarantee as the guarantor of CICC Financial Trading Limited to guarantee the performance of the obligations of CICC Financial Trading Limited under the Swap transactions. The guarantor currently maintains and will continue to maintain its net asset value for not less than HK\$2 billion at any time any Swap transaction is outstanding. Both CICC Financial Trading Limited and China International Capital Corporation (Hong Kong) Limited are wholly owned subsidiaries of China International Capital Corporation Limited, which is prudentially regulated and supervised by the CSRC.*

<sup>\*</sup> *An affiliate of the Trustee of the Product; please refer to the section "Conflicts of interest and soft dollars" in Part 1 of this Prospectus for further details on how the Manager and the Trustee would resolve any potential conflicts of interest.*

*Collateral Arrangements*

The Manager seeks the provision of collateral to mitigate potential counterparty risks, with a view to ensuring that there is no uncollateralized counterparty risk exposure subject to the minimum

transfer amounts described in the section headed “Counterparty Exposure” above. The collateral held by the Product should represent at least 100% of the Product’s gross total counterparty risk exposure towards the Swap Counterparties, with the value of the collateral marked to market by the end of each trading day. Where collateral taken is in the nature of cash and/or government bonds, the market value of such cash and/or government bond collateral should represent at least 100% of the related gross counterparty risk exposure towards the Swap Counterparties.

Collateral may take such form as the Manager considers appropriate, and currently it is in the form of cash. If a Swap Counterparty becomes insolvent, or if a Swap Counterparty fails to pay any sum payable under the Swap when due and after a demand has been made, or if other events of default specified in the relevant swap agreement occur, the Product, subject to the terms of the swap agreement, shall be entitled to enforce the relevant collateral and obtain full title thereof. In such instances, the Product’s obligations to return the collateral will be offset against the Swap Counterparty’s obligation to pay under the swap agreement.

The Manager has adopted measures to monitor the eligibility criteria and valuation of collateral provided to the Product on an ongoing basis.

Collaterals taken by the Product shall comply with all applicable requirements under the Code, including Chapter 8.8(e) of the Code as supplemented by such other guidance from the SFC from time to time.

The following criteria will be observed when accepting assets as collaterals for the Product: liquidity, daily valuation, credit quality, price volatility, diversification, correlation, management of operational and legal risks, enforceability, not being availability for secondary recourse and involving no structured product. Only cash collateral will be reinvested in accordance with the collateral policy set out in Part 1 of this Prospectus.

The details of the collateral requirements required under the UT Code and the collateral policy of the Trust and the Product are set out in Part 1 of this Prospectus.

Collateral provided to the Product must be held by the Trustee or any custodian duly appointed by the Trustee.

Details of the collateral management policy can be found at the Manager’s website at [www.bosera.com.hk/en/products/funddetail/LI/overview?fundCode=ChiNextLI](http://www.bosera.com.hk/en/products/funddetail/LI/overview?fundCode=ChiNextLI) (which has not been reviewed by the SFC).

Other than Swaps, the Manager may invest in financial derivative instruments for hedging purpose, but the Manager has no intention to use any financial derivative instruments for investment purposes.

The Product’s net derivative exposure may be more than 100% of its Net Asset Value.

### *Swap Fees*

The Product will bear the swap fees, which are subject to the discussion and consensus between the Manager and the Swap Counterparty based on the actual market circumstances on a case-by-case basis. Currently the total swap fees may range from -5.00% to 0.00% per annum of the Product’s Net Asset Value. Under normal circumstances, no unwinding fees will be charged for unwinding a Swap. In the event of an early termination of the Swap (as described under the section “Swap Transaction”), a maximum fee for unwinding a Swap will be 0.30% of the notional amount of the Swap unwound per Swap unwound which may be charged. During extreme market conditions, the Swap Counterparty’s costs of financing the underlying hedge may increase significantly and in return increase the swap fees, in which case the Manager will issue a notice to notify investors.



The Manager will disclose the swap costs in the semi-annual and annual financial reports of the Product. The swap fees will be borne by the Product and hence may have an adverse impact on the Net Asset Value and the performance of the Product, and may result in higher tracking error.

### **Borrowing Policy and Restriction**

Borrowing against the assets of the Product is allowed up to a maximum of 10% of its latest available Net Asset Value, only on a temporary basis for the purposes of meeting redemption requests or defraying operating expenses.

### **RQFII regime**

Under current regulations in the PRC, foreign investors can invest in the domestic securities market via various ways, including through certain foreign institutional investors that have obtained status as a QFII or a RQFII from the CSRC for the purpose of investing in the PRC's domestic securities markets, or via Bond Connect.

On 25 September 2020, the CSRC issued the Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors (in Chinese 《合格境外機構投資者和人民幣合格境外機構投資者境內證券期貨投資管理辦法》) and its implementing rules (collectively, the "New QFII Measures"), which, with effect from 1 November 2020, consolidated the current QFII and RQFII programs into one. As of the date of this Appendix, the RQFII regime is governed by (i) the "Regulations on Capital Management of Domestic Securities and Futures Investments by Foreign Institutional Investors" jointly issued by the PBOC and the SAFE and effective from 6 June 2020 (in Chinese 《境外機構投資者境內證券期貨投資資金管理規定》); (ii) the New QFII Measures; and (iii) any other applicable regulations promulgated by the relevant authorities (collectively, the "RQFII Regulations").

The Manager has obtained RQFII status pursuant to the RQFII Regulations. Starting from 1 November 2020 when the New QFII Measures took effect, the Manager is able to select whether to use foreign convertible currencies or RMB to make investment under the RQFII regime.

All of the Product's assets in the PRC (including onshore PRC cash deposits and other investments) will be held by the PRC sub-custodian. A securities account has been opened with the China Securities Depository and Clearing Co., Ltd (中國證券登記結算有限責任公司) (the "CSDCC") in the joint names of the Manager (as the RQFII holder) and the Product. A special RMB cash account has been established and maintained with the PRC sub-custodian in the joint names of the Manager (as the RQFII holder) and the Product. The PRC sub-custodian shall, in turn, have a cash clearing account with CSDCC for trade settlement according to applicable regulations.

### **The offshore RMB market**

#### ***What led to RMB internationalisation?***

RMB is the lawful currency of the PRC mainland. RMB is not a freely convertible currency and it is subject to foreign exchange control policies of and repatriation restrictions imposed by the PRC mainland government. Since July 2005, the PRC mainland government began to implement a controlled floating exchange rate system based on the supply and demand in the market and adjusted with reference to a portfolio of currencies. The exchange rate of RMB is no longer pegged to US dollars, resulting in a more flexible RMB exchange rate system.

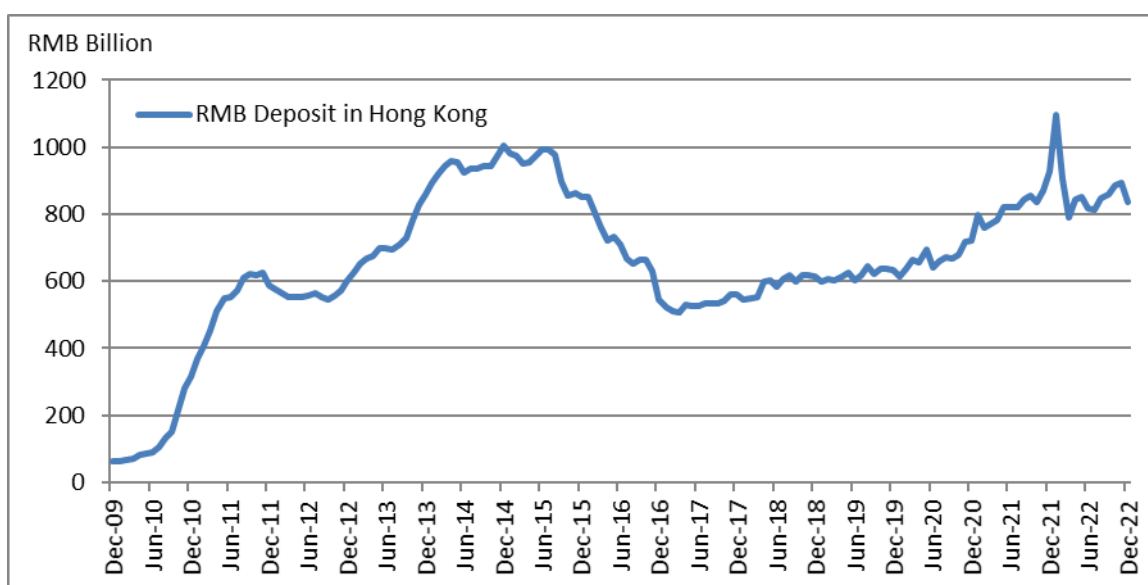
Over the past two decades, the PRC mainland's economy grew rapidly at an average annual rate of 10.5% in real terms. This enables it to overtake Japan to become the second largest economy and trading country in the world. Chinese government did not set a GDP growth goal for 2020 due to the COVID-19 pandemic. However, it was estimated that Chinese GDP growth would be around 2% in 2020, which will still be a top contributor to global growth if compared with the estimated -3%

recession of global economy. As the PRC mainland’s economy becomes increasingly integrated with the rest of the world, it is a natural trend for its currency – the RMB, to become more widely used in the trade and investment activities.

**Acceleration in the pace of the RMB internationalisation**

The PRC mainland has been taking gradual steps to increase the use of RMB outside its borders by setting up various pilot programmes in Hong Kong and neighbouring areas in recent years. For instance, banks in Hong Kong were the first permitted to provide RMB deposits, exchange, remittance and credit card services to personal customers in 2004. Further relaxation occurred in 2007 when the authorities allowed PRC mainland financial institutions to issue RMB bonds in Hong Kong. As of the end of December 2022, there are 142 banks in Hong Kong engaging in RMB business, with RMB deposits amounting to about RMB 835.9 billion, as compared to just RMB 62.7 billion in 2009.

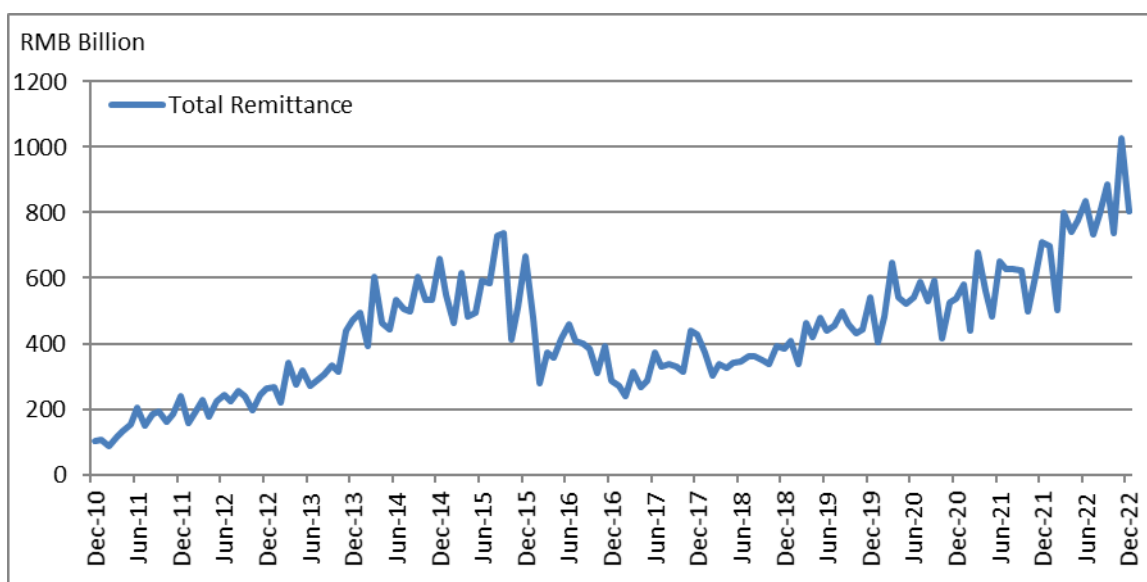
Chart 1. RMB deposits in Hong Kong



Data source: Bloomberg as of 31 December 2022

The pace of RMB internationalisation has accelerated since 2009 when the PRC mainland authorities permitted cross-border trade between Hong Kong/Macau and Shanghai/4 Guangdong cities, and between ASEAN and Yunnan/Guangxi, to be settled in RMB. In December 2017, the arrangement was expanded to 20 provinces/municipalities on the PRC mainland and to all countries/ regions overseas. In December 2022, nearly RMB 804.81 billion worth of cross-border trade was settled in Hong Kong with RMB.

Chart 2. Remittances for RMB cross-border trade settlement



Data source: Bloomberg as of 31 December 2022

### **Onshore versus offshore RMB market**

Following a series of policies introduced by the PRC mainland authorities, an RMB market outside the PRC mainland has gradually developed and started to expand rapidly since 2009. RMB traded outside the PRC mainland is often referred as “offshore RMB” with the denotation “CNH”, which distinguishes it from the “onshore RMB” or “CNY”.

Both onshore and offshore RMB are the same currency but are traded in different markets. Since the two RMB markets operate independently where the flow between them is highly restricted, onshore and offshore RMB are traded at different rates and their movement may not be in the same direction. Due to the strong demand for offshore RMB, CNH used to be traded at a premium to onshore RMB, although occasional discount may also be observed. The relative strength of onshore and offshore RMB may change significantly, and such change may occur within a very short period of time.

Notwithstanding that the offshore RMB market showed a meaningful growth during the past two years, it is still at an early stage of the development and is relatively sensitive to negative factors or market uncertainties. For instance, the value of offshore RMB had once dropped by 2% against the US dollars in the last week of September 2011 amidst the heavy selloff of the equities market. In general, the offshore RMB market is more volatile than the onshore one due to its relatively thin liquidity.

There have been talks on the potential convergence of the two RMB markets but that is believed to be driven by political decisions rather than just economics. It is widely expected that the onshore and offshore RMB markets would remain two segregated, but highly related, markets for the next few years.

### **Recent measures**

More measures to relax the conduct of offshore RMB business were announced in 2010. On 19 July 2010, with respect to the lifting of restrictions on interbank transfer of RMB funds and, as well as granting permission for companies in Hong Kong to exchange foreign currencies for RMB without limit. One month later, the PRC mainland authorities announced the partial opening up of the PRC mainland’s interbank bond market for foreign central banks, RMB clearing banks in Hong Kong and Macau and other foreign banks participating in the RMB offshore settlement programme.

The National Twelfth Five-Year Plan adopted in March 2011 explicitly supports the development of Hong Kong as an offshore RMB business centre. In August 2011, PRC mainland Vice-Premier Li Keqiang has announced more new initiatives during his visit, such as allowing investments on the PRC mainland equity market through the RQFII scheme and the launch of an ETF with Hong Kong stocks as the underlying constituents in the PRC mainland. Also the PRC mainland government

has given approval for the first non-financial PRC mainland firm to issue RMB-denominated bonds in Hong Kong.

Chinese bonds and stocks were included in international indexes since 2018. RMB assets are becoming more attractive since then. In 2019, RMB's share of global foreign exchange reserves hit record high, surpassing Australian dollar and Canadian dollar.

### ***RMB internationalisation is a long-term goal***

Given the PRC mainland's economic size and growing influence, RMB has the potential to become an international currency in the same ranks as US dollars and euro. But the PRC mainland has to first accelerate the development of its financial markets and gradually make RMB fully convertible on the capital account. Although the internationalisation of RMB will bring benefits such as increasing political influence and reduced exchange rate risks, it also entails risks including rising volatility of RMB exchange rate.

The process of RMB internationalisation is a long and gradual one. It took US dollars many decades to replace the British pound to become a dominant reserve currency. It will also take time for RMB to gain importance in coming years. RMB will not be in a position to challenge the US dollar's main reserve currency status for some time to come.

## **The A-Share market**

### ***Introduction***

China's A-Share market commenced in and has been developing since 1990, with three exchanges, Shanghai Stock Exchange, Shenzhen Stock Exchange and the Beijing Stock Exchange.

Shanghai Stock Exchange was established on 26 November 1990 and stocks are further divided into class A-Shares and class B-Shares, with A-Shares limited to domestic investors as well as QFIIs and RQFIIs only and B Shares available to both domestic and foreign investors. As of 31 December 2022, there are 2,169 A-Share listed companies in Shanghai Stock Exchange with total market capitalisation of RMB 46.29 trillion. Shanghai Stock Exchange's products cover equities, mutual funds and bonds. The product lines include A-Shares, B-Shares, indices, mutual funds (including exchange traded funds and listed open-end funds), fixed income products, and diversified financial derivative products (including warrants and repurchases).

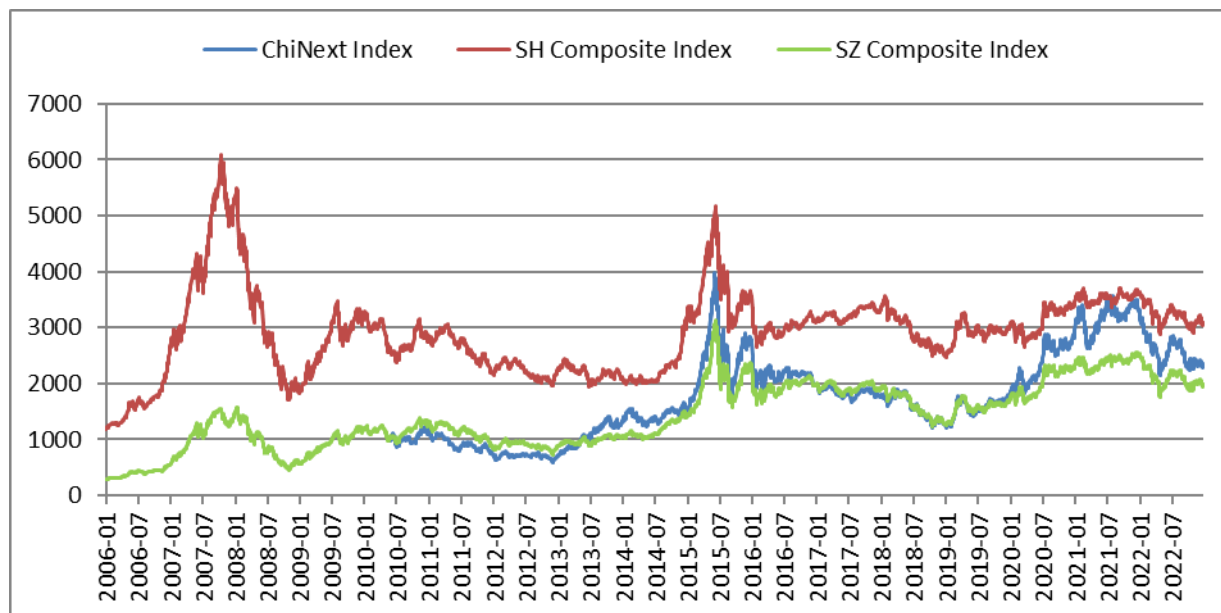
Shenzhen Stock Exchange was founded on 1 December 1990 and stocks are further divided into class A-Shares and class B-Shares, with A-Shares limited to domestic investors as well as QFIIs and RQFIIs only and B-Shares available to both domestic and foreign investors. As of 31 December 2022, there are 2,736 A-Share listed companies in Shenzhen Stock Exchange with total market capitalisation of RMB 32.37 trillion. Shenzhen Stock Exchange's products cover equities, mutual funds and bonds. The product lines include A-Shares, B-Shares, indices, mutual funds (including exchange traded funds and listed open-end funds), fixed income products, and diversified financial derivative products (including warrants and repurchases).

Beijing Stock Exchange was established on 3 September 2021 with current access to A-Shares limited to domestic investors as well as QFIIs and RQFIIs. As of 31 December 2022, there are 162 A-Share listed companies in Beijing Stock Exchange with total market capitalisation of RMB 211 billion.

The A-Share market has grown significantly in the past 20 years, with the latest total market capitalisation reaching RMB 78.87 trillion comprising 5,067 A-Share listed companies by 31 December 2022.

There is an increasing number of retail as well as institutional investors participating in the A-Shares market since the inception, which include securities investment funds, social pension funds, qualified foreign institutional investors, insurance companies, ordinary investment institutions.

Chart 1. Shanghai and Shenzhen Composite Index Price / ChiNext Index Price



Data source: Wind; As of 31 December 2022

**Differences with Hong Kong's stock market**

	PRC		Hong Kong
<b>Key indexes</b>	SHCOMP / SZCOMP	ChiNext / STAR 50	HSI / HSCEI
<b>Trading band limits</b>	10% ( 5% for ST/*ST stocks)* after first five trading days of the stock	20% after first five trading days of the stock	No Limit
<b>Trading lots</b>	One hundred (100) shares for BUY / one (1) share for SELL**		Each stock has its own individual board lot size (an online broker will usually display this along with the stock price when you get a quote); purchases in amounts which are not multiples of the board lot size are done in a separate "odd lot market".
<b>Trading hours</b>	pre-open: 0915-0925 morning session: 0930-1130 afternoon session: 1300-1500 (1457-1500)	pre-open: 0915-0925 morning session: 0930-1130 afternoon session: 1300-1500	pre-open order input: 0900-0915 pre-order matching 0915-0920 order matching: 0920-0928 morning session: 0930-

	is closing auction for the SZSE)	after-hours fixed-price trading: 1505-1530 (orders shall be placed between 0915 and 1130 (for morning session) and 1300 and 1530 (for afternoon session)	1200 afternoon session: 1300-1600
<b>Settlement</b>	T+1		T+2
<b>Earnings reporting requirements</b>	<p>Annual report:</p> <ul style="list-style-type: none"> <li>• Full annual report must be disclosed within four (4) months after the reporting period.</li> </ul> <p>Interim report:</p> <ul style="list-style-type: none"> <li>• Full report must be disclosed within two (2) months after the reporting period.</li> </ul> <p>Quarterly report:</p> <ul style="list-style-type: none"> <li>• Full report must be disclosed within one (1) month after the reporting period. The first quarterly report cannot be disclosed before last year's annual report.</li> </ul>		<p>Annual report:</p> <ul style="list-style-type: none"> <li>• Earnings must be disclosed within three (3) months after the reporting period;</li> <li>• Full annual report must be disclosed within four (4) months after the reporting period.</li> </ul> <p>Interim report:</p> <ul style="list-style-type: none"> <li>• Earnings must be disclosed within two (2) months after the reporting period;</li> <li>• Full report must be disclosed within three (3) months after the reporting period.</li> </ul>

Note:

\* ST/\*ST stocks refer to special treatment stocks, which means special treatment for companies with financial problems or other reasons. Stocks with ST/\*ST usually means they have a delisting risk.

\*\* Purchasing in an odd lot is not allowed while selling in an odd lot is allowed in the A-Share market, with no price difference between odd lot and round lot trading.

## Overview of the SZSE and the ChiNext Market

### Major statistics

The SZSE comprises the main board and the ChiNext. The table below summarises the market data of each board as of 31 December 2022:

	Main Board	ChiNext
No. of stocks	1,504	1,232

Market capitalisation (RMB million)	21,096,881	11,272,136
Average daily turnover for December 2022 (RMB million)	310,637	147,026
Average turnover ratio for December 2022	1.68%	1.85%

### **Listing requirements**

Generally, the requirements for companies seeking to list on the ChiNext are less stringent than the requirements for companies seeking to list on the main board.

The requirements for listing on the main board are set out under the Measures on the Administration of Initial Public Offerings and Listings of Shares, effective as of 18 May 2006. The listing requirements for listing on the ChiNext are set out under the Rules Governing the Listing of Shares on the ChiNext of Shenzhen Stock Exchange (Revised in 2020) (深圳證券交易所創業板股票上市規則 (2020 年修訂)). The key differences in the respective listing requirements are summarised below:

	<b>Main Board</b>	<b>ChiNext</b>
Profitability	<p>(a) Profitable in the last 3 consecutive financial years, with aggregate net profits more than RMB 30 million;</p> <p>(b) The aggregate operating cash flow for the last 3 consecutive financial years exceeds RMB 50 million; or the aggregate operating income over the last 3 financial years exceeds RMB 300 million.</p>	<p>For onshore companies without weighted voting rights structure:</p> <p>Profitable in the last 2 consecutive years, with aggregate net profits no less than RMB 50 million and in continued growth;</p> <p>Or</p> <p>If expected market value no less than RMB 1 billion, profitable in the latest year with revenue no less than RMB 100 million.</p> <p>Or</p> <p>If expected market value no less than RMB 5 billion, the revenue for the latest year is not less than RMB 300 million</p> <p>For onshore companies with leading technology against peer companies and rapid growth of revenue, or with weighted voting rights structure:</p> <p>If expected market value no less than RMB 10 billion, profitable in the latest year</p> <p>Or</p> <p>If expected market value no less than RMB 5 billion, profitable in the latest year with revenue no less than RMB 500 million</p>

Share capital	The pre-initial offer period (“ <b>IPO</b> ”) share capital is not less than RMB 30 million and the post-IPO share capital is not less than RMB 50 million.	The post-IPO share capital is not less than RMB 30 million.
Years for review of operation	In the last 3 years, there has been no significant change in the principal business, directors and senior management, nor any change of the de facto controller.	No specific requirement
Intangible assets as at the end of the last reporting period (after deducting land use rights, aquaculture rights, mining rights, etc.) as a percentage to the net assets	No more than 20%	No specific requirement

### ***Index compilation***

Major index compilers, such as MSCI, FTSE and HSI, when compiling their A-Share indices, usually exclude the stocks listed on the ChiNext market. As such, the performance of such other A-Shares indices may not reflect the performance of stocks listed on ChiNext.

### ***Price fluctuations***

A trading band limit is imposed by the stock exchanges in China on China A-Shares, where trading in any China A-Share security on the relevant stock exchange may be suspended if the trading price of the security has hit the trading band limit. Since the companies listed on the ChiNext market usually have a smaller scale and shorter operating history, the stock prices of the ChiNext-listed companies generally experience a higher fluctuation than that of the companies listed on the main board. The trading price of the ChiNext-listed companies may therefore be more prone to hitting the trading band limit compared with the companies listed on the main board.

### ***IPO underperformance***

Compared to the main board, the IPO long-run performance of the ChiNext market is generally lower. This underperformance is more significant during the first year of listing of the relevant stock on the ChiNext. This may be due to factors such as a decrease in the operating performance in the year following its listing. In this circumstance, the price of the stock listed on the ChiNext one year after its listing will generally be lower than the price at the IPO.

### **The Index**

*This section is a brief overview of the Index. It contains a summary of the principal features of the Index and is not a complete description of the Index. As at the date of this Prospectus, the summary of the Index in this section is accurate and consistent with the complete description of the Index. Complete information on the Index appears in the website identified below. Such information may change from time to time and details of the changes will appear on that website.*

### ***General Information on the Index***

The Index is an adjusted free-float market capitalisation weighted index and is designed to



represent the performance of the top 100 A-Share companies listed on the ChiNext board of the Shenzhen Stock Exchange ranked by total market capitalisation, free-float market capitalisation and turnovers. The Index is a price return index which means that it does not include the reinvestment of dividends from the Index Securities, such dividends being net of any withholding tax.

The Index covers about 51.48% of the total market value with good representatives of the entire ChiNext market as of 31 December 2022.

The Index is calculated and disseminated in HKD on a real-time basis. The Index is denominated and quoted in HKD.

The Index was launched on 26 April 2021 and had a base level of 1000 on 31 May 2010.

### ***Index Provider***

The Index is compiled and managed by Shenzhen Securities Information Co., Ltd. (“SSICL” or the “Index Provider”), which is a wholly-owned subsidiary of the SZSE. The SZSE has appointed SSICL to be its index business agency to perform services including index research and development, maintenance and operation as well as marketing and sales.

The Manager (and each of its Connected Persons) is independent of the Index Provider.

### **Index Methodology**

#### *Index Universe*

All A shares listed on the ChiNext Market of Shenzhen Stock Exchange satisfying the following criteria:

- (a) Not labelled as ‘special treatment’ (ST, \*ST);
- (b) Listed for more than 6 months, with the exception of ranking in the top 1% of Shenzhen markets (including SZSE Main Board, SME Board and ChiNext market) by A-share total market cap;
- (c) No major violations in laws and regulations, and no major problems in financial reports in the latest year;
- (d) No abnormal operation or substantial losses in the latest year;
- (e) No abnormal fluctuation in stock price during the review period.

#### *Selection Criteria*

Original constituents of ChiNext Index included all ChiNext stocks in Shenzhen Composite Index on the launch date of June 1, 2010.

After the number of constituents has reached 100, the number of constituents is fixed at 100. Index constituents are selected from the index universe as follows:

- (a) Calculate the A share daily average total market cap and A share daily average trading value within the latest 6 months in the index universe;
- (b) Rank the stocks by A share daily average trading value in descending order and remove bottom 10% stocks;
- (c) Rank remaining stocks by A share daily average total market cap in descending order and

select top 100 stocks as index constituents.

In case of similar rankings (i.e. stocks having the same A-share daily average total market cap), stocks with strong industry representativeness and good financial performance as determined by the Index Advisory Committee are preferred.

#### *Index calculation*

The Index is calculated according to the Paasche weighted method, the real-time calculation is carried out daily according to the following formula:

real time Index = last trading day closing Index

$$\times \frac{\sum (\text{constituents' real time stock price} \times \text{No. of shares})}{\sum (\text{constituents' last trading day closing price} \times \text{No. of shares})}$$

Where:

Constituents: stocks included in index calculation.

No. of shares: free-float shares of constituents, shares of the numerator and denominator are the same.

Free-float shares: the actual number of tradable shares of a listed company, which is the number of non-restricted shares after excluding 'the non-restricted shares held by the following three types of shareholders and the shareholders acting in concert with a shareholding ratio of more than 5%': ① state-owned (legal entities) shareholders; ② strategic investors; ③ company founders, families or senior executives.

Free-float market cap: stock price times free-float shares.

Numerator: the sum of constituents' real-time free-float market cap.

Denominator: the sum of constituents' last trading day closing free-float market cap.

Stock price selection: opening prices of constituents in call auction are used to calculate the opening index, real-time trading prices are used to calculate the real-time index, and closing prices are used to calculate the closing index. If there is no transaction on that day, the closing price of the previous trading day shall be taken. If a constituent is suspended from trading, its latest transaction price shall be taken.

#### *Multi-currency Index*

SSICL calculates multi-currency indexes for some indexes to satisfy investors' needs. The calculation formula of the multi-currency index is:

real time Index = last trading day closing Index

$$\times \sum (\text{constituents' real time stock price} \times \text{No. of shares} \times \text{foreign exchange rate})$$

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$\Sigma$  (constituents' last trading day closing price  $\times$  No. of shares  $\times$  foreign exchange rate)

Unless otherwise stated, here foreign exchange rate refers to the exchange rate sourced from the data providers as designated by SSICL from time to time. The real time foreign exchange rate is used to calculate the real time index; the foreign exchange rate at index closing time is used to calculate the closing index.

### *Periodic Review*

#### Review Period

The Index is reviewed semi-annually. Review in May is based on trading and fundamental data from November 1 of the previous year to April 30; review in November is based on trading and fundamental data from May 1 to October 31.

#### Implementation Date

Periodic reviews are implemented on the next trading day after market closing of the second Friday in June and December each year. Announcements of periodic reviews are published two weeks before implementation.

#### Number of New Constituents

The number of new Index constituents in each periodic review shall not exceed 10% of the total number of Index constituents.

#### Buffer Zone

In order to reduce the Index adjustment turnover effectively, when periodic review is conducted, the number of constituents will be adjusted and a buffer zone shall be set such that the number of Index constituents to be adjusted for each periodic review generally does not exceed a prescribed ratio.

New candidate stocks ranking top 70% in terms of daily average total market cap of the total number of Index constituents are selected in order, existing constituents ranking top 130% are remained in the Index with priority.

For details on buffer zone rules relating to periodic review, please refer to "Equity Index Calculation and Maintenance Methodology of Shenzhen Securities Information Company Limited" available on the website [www.cnindex.com.cn/eng/about/compliance\\_manage/index.html](http://www.cnindex.com.cn/eng/about/compliance_manage/index.html) (the contents of this website has not been reviewed by the SFC).

#### Reserved Stocks

After new Index constituents are determined, remaining stocks will be ranked by daily average total market cap in descending order and the top 5% of the total number of Index constituents will be selected as reserved constituents.

The reserved stock list will be created for non-periodic adjustments during the periodic review. Constituents subject to listing suspension or delisting will be replaced by the highest ranked reserved stocks.

Number of reserved stocks is set to cover 5% of the total number of Index constituents. Reserved stocks list will be refilled and announced in time when the number of reserved stocks is less than 50%.

## *Non-periodic Review*

### Fast Entry Rules

For a newly issued stock ranking top 10 in Shenzhen market by average daily A-share total market cap for the first 5 trading days, it will be added into the Index on the 15<sup>th</sup> trading day to replace the existing Index constituent with the smallest average A-share total market cap.

For a listed company ranking top 10 in Shenzhen market by the average A-share total market cap due to merger and acquisition and other corporate actions, the same rules shall be applied.

### Merger and Acquisition

*Two constituent companies merge:* the stock of the resulting company will remain as an Index constituent. The vacancy as a result of the company being merged will be filled by the highest ranked reserved stock.

*A constituent company acquires a non-constituent company:* the stock of the resulting company will remain as an Index constituent.

*A non-constituent company acquires a constituent company:* the stock of the resulting company becomes an Index constituent if it ranks above all reserved stocks in terms of daily average total market cap, otherwise the vacancy will be filled by the highest ranked reserved stock.

### Splits

When a constituent company splits into two or more companies, a vacancy will be created. Whether resulting companies will be included as Index constituents depends on their ranking.

If every resulting company ranks above the lowest constituent stocks in terms of daily average total market cap, then all resulting companies will be added to the Index, and the lowest constituent(s) will be removed to keep the number of Index constituents constant.

If every resulting company ranks below the lowest ranked constituent but some of them rank above all reserved stocks, then highest ranked resulting companies will be added to the Index.

If every resulting company ranks below the lowest ranked constituent and the highest ranked reserved stock, then the highest ranked reserved stock will be added to the Index.

### Suspension of Listing and Delisting

If a constituent is subject to suspension of listing, it will be replaced by the highest ranked reserved stock from the day of suspension.

If a constituent is subject to delisting, it will be replaced by the highest ranked reserved stock from the first trading day of its delisting preparing period.

If a constituent is subject to probability of suspension of listing or delisting due to substantial violations in regulation (such as fraud of financial reports), it will be replaced by the highest ranked reserved stock with permission of the Index Advisory Committee of the Index Provider.

### Risk Alert

A constituent subject to risk alert (ST or \*ST) by the exchange will be removed on the next trading day of the second Friday of the month following the implementation of risk alert, the highest ranked reserved stock shall be included.

## *Adjustment for Index Calculation*

### Adjustment for Previous Closing Price

For total return index, the closing price of a constituent on record date will be updated to the reference ex-right price on ex-date when dividend payment, bonus issue, rights issue, capital/surplus reserve issue or other ex-right actions implemented. The reference ex-right price shall be referred to Shenzhen Stock Exchange.

For price index such as the Index, the closing price of a constituent will not be adjusted for cash dividend. Adjustments for other ex-dividend or ex-right actions are the same as those for total return index.

### Adjustment for Free-float Shares

#### Real-time Adjustment

In the event of bonus issue, capital/surplus reserve issue or rights issue, free-float shares of constituents shall be adjusted on ex-date.

In the event of secondary offering or rights issue, free-float shares of constituents shall be adjusted on the listing date of new shares.

In the event of debt-equity conversion, shares repurchase or exercise of warrants, free-float shares of constituents shall be adjusted on the next trading day of the announcement.

#### Periodic Adjustment

Changes of free-float shares caused by non-corporate actions such as increase/decrease of major shareholders' holdings and listing of restricted shares shall be adjusted on the next trading day after market closing of the second Friday of June and December, according to the holding data from latest periodic and non-periodic announcements of the relevant Index constituents.

## **Information disclosure**

Copies of the ground rules of the Index are available from the website of SSICL at [www.cnindex.com.cn](http://www.cnindex.com.cn) (this website has not been reviewed by the SFC).

### *Index Codes*

CNI Code: 970006

Bloomberg Index Code: SZ988006

The Index is published daily through the websites of the SZSE [www.szse.cn](http://www.szse.cn) (this website has not been reviewed by the SFC) and the Index Department of the SSICL <http://www.cnindex.com.cn/eng/> (this website has not been reviewed by the SFC).

## **Index Securities of the Index**

The list of constituent stocks of the Index (with their respective weightings) and additional information of the Index (including its fact sheets, methodology, end of day index levels and index performance) is available on the website of Index Department of the SSICL <http://www.cnindex.com.cn/eng/> (this website has not been reviewed by the SFC).

## **Index Disclaimer**

The Index is compiled, maintained and operated by SSICL, delegated and authorized by the SZSE. The index department of SSICL periodically reviews constituents' representativeness and determines whether to change any constituent according to the review. The Index is an asset owned by the SZSE. The SZSE and the SSICL are independent of the Manager.

Bosera SZSE ChiNext Daily (2x) Leveraged Product is not in any way endorsed, sold, sponsored or promoted by the SZSE, SSICL or the SEHK. The SZSE, SSICL or the SEHK makes no warranty or representation whatsoever, expressly or impliedly, as to the results of the use of the Index. The Index is calculated by or on behalf of SSICL, which will adopt all necessary measures to ensure the accuracy of the Index. However, the SZSE, the SSICL and the SEHK shall not be liable (whether in negligence or otherwise) to any person for any error in the Index and shall not be under any obligation to advise any person or any error therein.

The above is a brief summary of the basic information, selection criteria, selection methodology and maintenance of the Index as at the date of this Prospectus. Such information is subject to revision from time to time by the SZSE and the SSICL. Before making investment decisions, investors should refer to the website of the SZSE ([www.szse.cn](http://www.szse.cn)) and the Index Department of SSICL ([www.cnindex.com.cn](http://www.cnindex.com.cn)) for the latest version of such information.

### **Comparison between the Index and the leveraged performance of the Index for a period longer than one day (i.e. comparison of the point-to-point performance)**

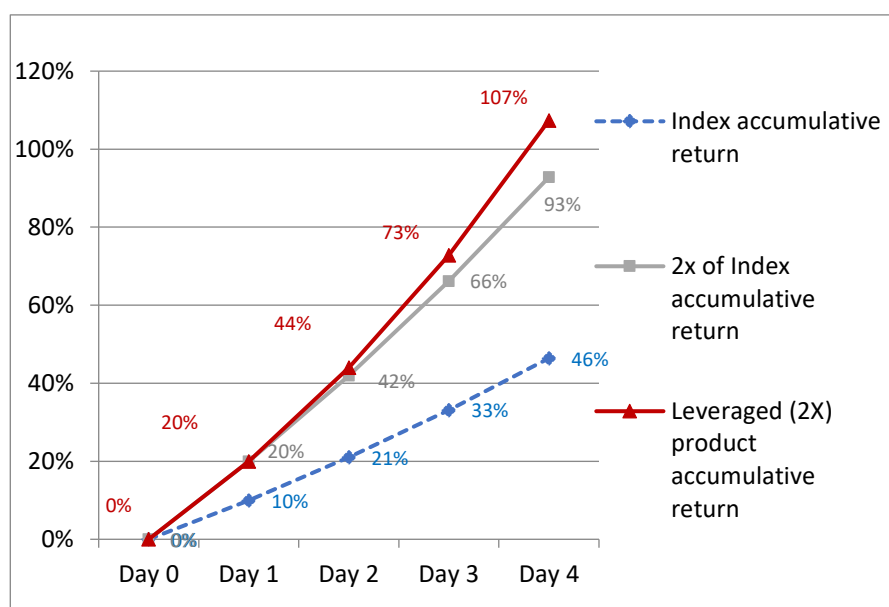
The Product's objective is to provide returns which are of a predetermined leverage factor (2x) of the Daily performance of the Index. As such, the Product's performance may not track twice the accumulative Index return over a period greater than 1 Business Day. This means that the return of the Index over a period of time greater than a single day multiplied by 200% generally will not equal 200% of the Product's performance over the same period. It is also expected that the Product will underperform the return of 200% of the Index in a trendless or flat market. This is caused by compounding, which is the accumulative effect of previous earnings generating earning or losses in addition to the principal amount, and will be amplified by the volatility of the market and the holding period of the Product. In addition, the effects of volatility are magnified in the Product due to leverage. The following scenarios illustrate how the Product's performance may deviate from that of the accumulative Index return (2x) over a longer period of time in various market conditions. All the scenarios are based on a hypothetical HKD100 investment in the Product.

### Scenario 1: Upward trending market

In a continuous upward trend, where the Index rises steadily for more than 1 Business Day, the Product's accumulated return will be greater than twice the accumulative Index gain. As illustrated in the scenario below, where an investor has invested in the Product on day 0 and the Index grows by 10% daily for 4 Business Days, by day 4 the Product would have an accumulated gain of 107%, compared with a 93% gain which is twice the accumulative Index return.

	Index Daily return	Index level	Index accumulative return	Leveraged (2X) product Daily return	Leveraged (2X) product NAV	Leveraged (2X) product accumulative return	2x of Index accumulative return	Difference
Day 0		100.00			100.00			
Day 1	10%	110.00	10%	20%	120.00	20%	20%	0%
Day 2	10%	121.00	21%	20%	144.00	44%	42%	2%
Day 3	10%	133.10	33%	20%	172.80	73%	66%	7%
Day 4	10%	146.41	46%	20%	207.36	107%	93%	15%

The chart below further illustrates the difference between (i) the Product's performance; (ii) twice the accumulative Index return and (iii) accumulative Index return, in a continuous upward market trend over a period greater than 1 Business Day.

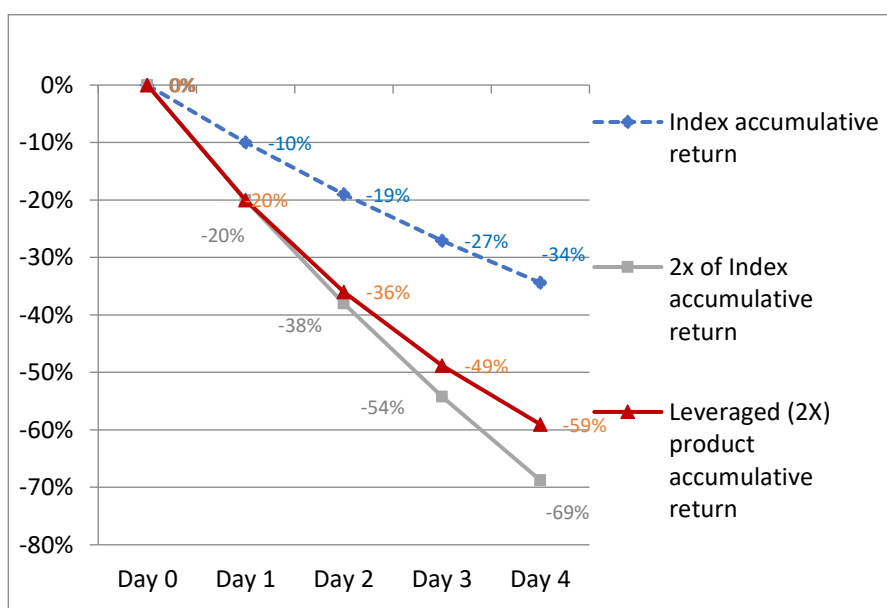


## Scenario 2: Downward trending market

In a continuous downward trend, where the Index falls steadily for more than 1 Business Day, the Product's accumulated loss will be less than twice the accumulative Index loss. As illustrated in the scenario below, where an investor has invested in the Product on day 0 and the Index falls by 10% daily for 4 Business Days, by day 4 the Product would have an accumulated loss of 59%, compared with a 69% loss which is twice the accumulative Index return.

	Index Daily return	Index level	Index accumulative return	Leveraged product Daily return	Leveraged product NAV	Leveraged product accumulative return	2x of Index accumulative return	Difference
Day 0		100.00			100.00			
Day 1	-10%	90.00	-10%	-20%	80.00	-20%	-20%	0%
Day 2	-10%	81.00	-19%	-20%	64.00	-36%	-38%	2%
Day 3	-10%	72.90	-27%	-20%	51.20	-49%	-54%	5%
Day 4	-10%	65.61	-34%	-20%	40.96	-59%	-69%	10%

The chart below further illustrates the difference between (i) the Product's performance; (ii) twice the accumulative Index return and (iii) accumulative Index return, in a continuous downward market trend over a period greater than 1 Business Day.



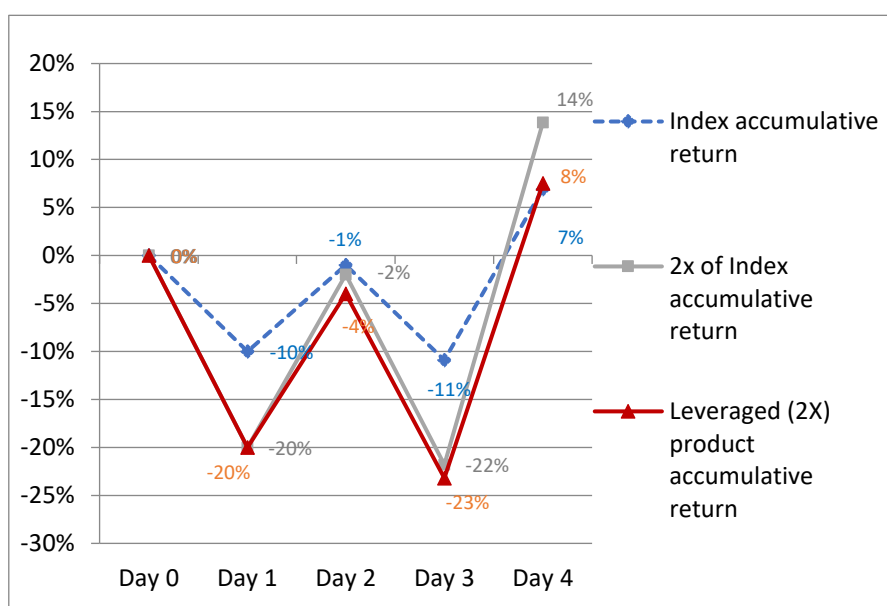


### Scenario 3: Volatile upward trend

In a volatile upward trend, where the Index generally moves upward over a period longer than 1 Business Day but with daily volatility, the Product's performance may be adversely affected in that the Product's performance may fall short of twice the accumulative Index return. As illustrated in the scenario below, where the Index grows by 7% over 5 Business Days but with daily volatility, the Product would have an accumulated gain of 8%, compared with a 14% gain which is twice the accumulative Index return.

	Index Daily return	Index level	Index accumulative return	Leveraged product Daily return	Leveraged product NAV	Leveraged product accumulative return	2x of Index accumulative return	Difference
Day 0		100.00			100.00			
Day 1	-10%	90.00	-10%	-20%	80.00	-20%	-20%	0%
Day 2	10%	99.00	-1%	20%	96.00	-4%	-2%	-2%
Day 3	-10%	89.10	-11%	-20%	76.80	-23%	-22%	-1%
Day 4	20%	106.92	7%	40%	107.52	8%	14%	-6%

The chart below further illustrates the difference between (i) the Product's performance; (ii) twice the accumulative Index return and (iii) accumulative Index return, in a volatile upward market trend over a period greater than 1 Business Day.

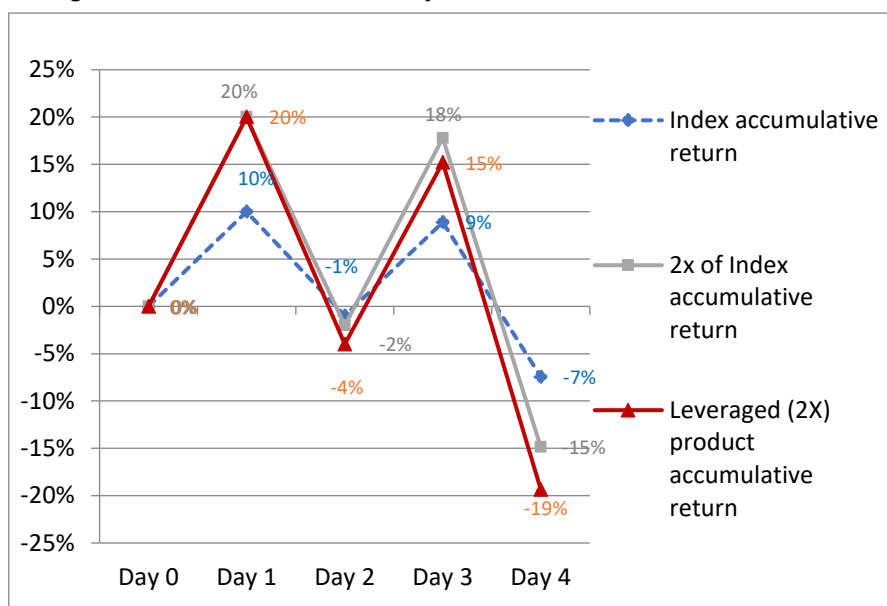


### Scenario 4: Volatile downward trend

In a volatile downward trend, where the Index generally moves downward over a period longer than 1 Business Day but with daily volatility, the Product's performance may be adversely affected in that the Product's performance may fall short of twice the accumulative Index return. As illustrated in the scenario below, where the Index falls by 7% over 5 Business Days but with daily volatility, the Product would have an accumulated loss of 19%, compared with a 15% loss which is twice the accumulative Index return.

	Index Daily return	Index level	Index accumulative return	Leveraged product Daily return	Leveraged product NAV	Leveraged product accumulative return	2x of Index accumulative return	Difference
Day 0		100.00			100.00			
Day 1	10%	110.00	10%	20%	120.00	20%	20%	0%
Day 2	-10%	99.00	-1%	-20%	96.00	-4%	-2%	-2%
Day 3	10%	108.90	9%	20%	115.20	15%	18%	-3%
Day 4	-15%	92.57	-7%	-30%	80.64	-19%	-15%	-4%

The chart below further illustrates the difference between (i) the Product's performance; (ii) twice the accumulative Index return and (iii) accumulative Index return, in a volatile downward market trend over a period greater than 1 Business Day.

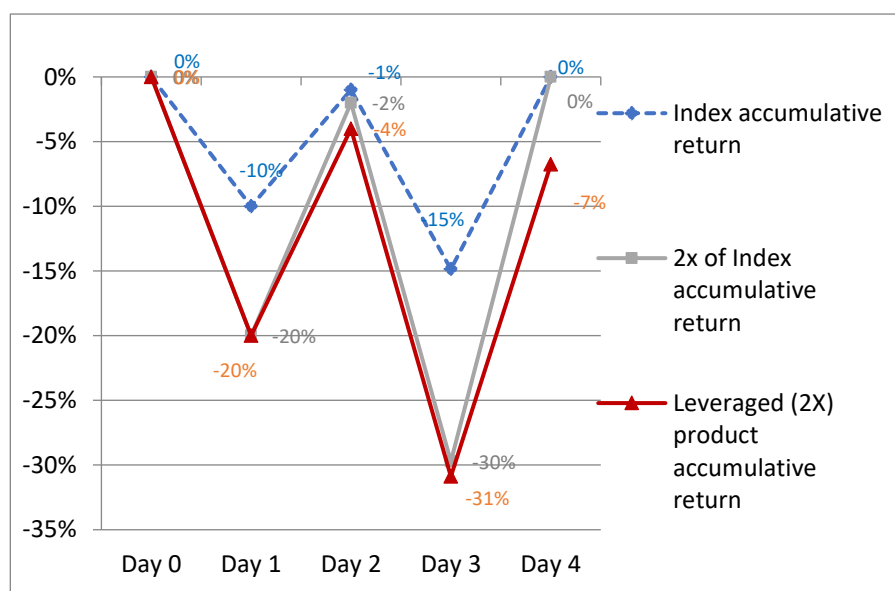


### Scenario 5: Volatile market with flat Index performance

In a volatile market with flat index performance, the aforementioned compounding can have an adverse effect on the performance of the Product. As illustrated below, even if the Index has returned to its previous level, the Product may lose value.

	Index Daily return	Index level	Index accumulative return	Leveraged product Daily return	Leveraged product NAV	Leveraged product accumulative return	2x of Index accumulative return	Difference
Day 0		100.00			100.00			
Day 1	-10%	90.00	-10%	-20%	80.00	-20%	-20%	0%
Day 2	10%	99.00	-1%	20%	96.00	-4%	-2%	-2%
Day 3	-14%	85.14	-15%	-28%	69.12	-31%	-30%	-1%
Day 4	17%	100.00	0%	35%	93.24	-7%	0%	-7%

The chart below further illustrates the difference between (i) the Product's performance; (ii) twice the accumulative Index return and (iii) accumulative Index return, in a volatile market with flat Index performance over a period greater than 1 Business Day.



As illustrated in the graphs and the tables, the accumulative performance of the Product is not equal to twice the accumulative performance of the Index over a period longer than 1 Business Day.

Investors should note that due to the effect of “path dependency” (as explained below) and compounding of the Daily returns of the Index, the performance of the Index multiplied by two (and as a result the performance of the Product before deduction of fees and expenses) for periods longer than a single day, especially in periods of market volatility which has a negative impact on the accumulative return of the Product, may not be twice the return of the Index and may be completely uncorrelated to the extent of change of the Index over the same period.

For further illustration of the Product's performance under different market conditions, investors may access the “performance simulator” on the Product's website at [www.bosera.com.hk/en/products/funddetail/LI/overview?fundCode=ChiNextLI](http://www.bosera.com.hk/en/products/funddetail/LI/overview?fundCode=ChiNextLI), which will show the Product's historical performance data during a selected time period since the launch of the Product.

## **Explanation on Path Dependency**

As explained above, the Product tracks the leveraged performance of the Index, if observed on a Daily basis. However, due to path dependency of the Index and the Daily leveraged performance of the Index, when comparing the Index and the leveraged performance of the Index for a period longer than one day (i.e. comparison of the point-to-point performance), the historical leveraged performance of the Index will not be equal to the simple leveraged performance of the Index over the same period of time.

Below is an example which illustrates the “path dependency” of the Index and the leveraged performance of the Index. *Please note that figures used are for illustration purposes only and are not indicative of the actual return likely to be achieved.*

	<b>Index</b>		<b>Product (Index with a leverage factor of two)</b>	
	<b>Daily movement (in %)</b>	<b>Closing level</b>	<b>Daily movement (in %)</b>	<b>Closing NAV</b>
Day 1		100.00		100.00
Day 2	+10.00%	110.00	+20.00%	120.00
Day 3	-9.09%	<u>100.00</u>	-18.18%	<u>98.18</u>

Assuming the Product tracks twice the performance of the Index perfectly on a Daily basis, the absolute percentage change in the Daily movement of the Product will be twice of the Index. That is, the Net Asset Value of the Product will rise by 20.00% if the Index rises by 10.00%, and the Net Asset Value of the Product will fall by 18.18% if the Index falls by 9.09%. On the basis of such Daily movements, the respective closing levels of the Index and closing Net Asset Value of the Product are as set out in the example above.

On day 3, the closing level of the Index is 100 which is the same as its closing level on day 1 but the closing Net Asset Value of the Product is 98.18 which is lower than its closing Net Asset Value on day 1. Hence, when comparing the performance of the Index and the Product from day 1 to day 3, it is clear that the performance of the Product is not a simple performance of the Index multiplied by two.

## **Index Licence Agreement**

The licence of the Index commenced on 17 November 2020 and should continue for 1 year (initial term). After the expiration of the initial term, the licence will be automatically renewed for successive terms of 1 year unless either party gives at least thirty days’ notice of termination prior to the end of the then current term to the other party. The licence agreement may otherwise be terminated in accordance with the provisions of the licence agreement.

## **The Offering Phases**

### *After Listing*

“After Listing” commences on the Listing Date and continues until the Trust is terminated.

Dealings in the Units on the SEHK will commence on the Listing Date, which is on 12 May 2022.

All investors may buy and sell Units in the secondary market on the SEHK and Participating Dealers (for themselves or for their clients) may apply for creation and redemption of Units in the primary market in Application Unit size, from 9:30 a.m. (Hong Kong time) to 1:00p.m. (Hong Kong time) on each Dealing Day. Please refer to the section on “The Offering Phases” for details. The following table summarises all key events and the Manager’s timetable (all references to times are to Hong

Kong time):

<p>After listing (period commences on the Listing Date)</p> <ul style="list-style-type: none"><li>• All investors may start trading Units on the SEHK through any designated brokers; and</li><li>• Participating Dealers may apply for creation and redemption (for themselves or for their clients) in Application Unit size</li></ul>	<ul style="list-style-type: none"><li>• Commence at 9:30 a.m. (Hong Kong time) on 12 May 2022</li><li>• 9:30 a.m. (Hong Kong time) to 1:00p.m. (Hong Kong time) on each Dealing Day</li></ul>
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## **Creations and Redemptions (Primary Market)**

### ***Deferred Redemption***

In the event that redemption requests are received for the redemption of Units representing in aggregate more than 10% (or such higher percentage as the Manager may determine in respect of the Product and as permitted by the SFC) of the total number of Units in a Product then in issue, the Manager may direct the Trustee to reduce such requests rateably and pro rata amongst all Unitholders seeking to redeem Units on the relevant Dealing Day and carry out only sufficient redemptions which, in aggregate, amount to 10% (or such higher percentage as the Manager may determine in respect of a Product) of the total number of Units in the relevant Product then in issue. Units which are not redeemed but which would otherwise have been redeemed will be redeemed on the next Dealing Day (subject to further deferral if the deferred requests in respect of the relevant Product themselves exceed 10% (or such higher percentage as the Manager may determine in respect of that Product) of the total number of Units in the relevant Product then in issue) in priority to any other Units in the relevant Product for which redemption requests have been received. Units will be redeemed at the Redemption Value prevailing on the Dealing Day on which they are redeemed.

### **Exchange Listing and Trading (Secondary Market)**

Application has been made to the Listing Committee of the SEHK for the listing of, and permission to deal in the Units traded in HKD.

Units are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Units on one or more other stock exchanges. Investors' attention is drawn to the section entitled "Exchange Listing and Trading (Secondary Market)" in Part 1 of this Prospectus for further information.

Dealings on the SEHK in Units traded in HKD are begin on 12 May 2022.

Participating Dealers should note that they will not be able to sell or otherwise deal in the Units on the SEHK until dealings begin on the SEHK.

### **Distribution Policy**

The Manager may, subject to its discretion, distribute income to Unitholders annually (in December) having regard to the Product's net income after fees and costs.

The Manager will also have the discretion to determine if and to what extent distributions (whether directly or effectively) will be paid out of capital of the Product.

The Manager may, at its discretion, pay distributions out of capital. The Manager may also, at its discretion, pay distributions out of gross income while all or part of the fees and expenses of the Product are charged to/paid out of the capital of the Product, resulting in an increase in distributable income for the payment of distributions by the Product and therefore, the Product may effectively pay distributions out of capital. Investors should note that payments of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment out of or effectively out of the Product's capital may result in an immediate reduction in the Net Asset Value per Unit and will reduce any capital appreciation for the Unitholders.

The composition of the distributions (i.e. the relative amounts paid out of net distributable income and capital) for the last 12 months are available by the Manager on request and also on the Manager's website [www.bosera.com.hk/en/products/funddetail/LI/overview?fundCode=ChiNextLI](http://www.bosera.com.hk/en/products/funddetail/LI/overview?fundCode=ChiNextLI) (this website has not been reviewed by the SFC).

The distribution policy may be amended subject to the SFC's prior approval and upon giving not less than one month's prior notice to Unitholders.

Distributions (if declared) will be declared in the base currency of the Product (i.e. HKD). The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in HKD only. The details of the distribution declaration dates, distribution amounts and ex-dividend payment dates will be published on the Manager's website [www.bosera.com.hk/en/products/funddetail/LI/overview?fundCode=ChiNextLI](http://www.bosera.com.hk/en/products/funddetail/LI/overview?fundCode=ChiNextLI) and on HKEX's website [http://www.hkexnews.hk/listedco/listconews/advancedsearch/search\\_active\\_main.aspx](http://www.hkexnews.hk/listedco/listconews/advancedsearch/search_active_main.aspx). The aforesaid websites have not been reviewed by the SFC.

There can be no assurance that distributions will be paid.

Distribution payment rates in respect of Units will depend on factors beyond the control of the Manager or Trustee including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions.

## **Fees and Expenses**

### ***Management Fee***

The current Management Fee percentage in respect of the Product is 1.48%. The Management Fee is calculated as at each Dealing Day and payable monthly in HKD in arrears out of the Product.

### ***Trustee's Fee***

The Trustee receives out of the assets of the Product a monthly trustee's fee, payable in arrears, accrued daily and calculated as at each Dealing Day at 0.1% per annum of the Net Asset Value of the Product, subject to a monthly minimum of USD3,000.

### ***Registrar's Fee***

The Registrar is entitled to receive from the Product a registrar fee of HKD5,000 per month for updating of the register record of the Product.

### ***Swap fees***

The Product shall bear all swap fees and indirect costs associated with entering into Swaps. Details of the swap fees and indirect costs are set out in the section "Swap fees" in this Appendix.

## **Risk Factors Specific to the Product**

In addition to the risk factors presented in Part 1 of this Prospectus, the risk factors set forth below are also specific risks, in the opinion of the Manager, considered to be relevant and presently applicable specifically to the Product.

### ***Long Term Holding Risk***

**The Product is not intended for holding longer than one day** as the performance of the Product over a period longer than one day will very likely differ in amount and possibly direction from the leveraged performance of the Index over that same period (e.g. the loss may be more than twice the fall in the Index). The effect of compounding becomes more pronounced on the Product's performance as the Index experiences volatility. The deviation of the Product's performance from the leveraged performance of the Index will increase, and the performance of the Product will generally be adversely affected with higher Index volatility. As a result of Daily rebalancing, the Index's volatility and the effects of compounding of each day's return over time, it is even possible that the Product will lose money over time while the Index's performance increases or is flat.

### ***Leverage Risk***

The Product will utilise leverage to achieve a Daily return equivalent to twice (2x) the return of the Index. Both gains and losses will be magnified. The risk of loss resulting from an investment in the Product in certain circumstances including a bear market will be substantially more than a fund that does not employ leverage.

### ***Volatility Risk***

Prices of the Product may be more volatile than conventional ETFs because of the use of leverage and the daily rebalancing activities.

### ***Rebalancing Activities Risk***

There is no assurance that the Product can rebalance their portfolio on a Daily basis to achieve their investment objectives. Market disruption, regulatory restrictions, counterparty capacity limits or extreme market volatility may adversely affect the Product's ability to rebalance its portfolio.

### ***Liquidity Risk***

The rebalancing activities of the Product typically take place at or around the close of trading of the Shenzhen Stock Exchange to minimise tracking difference. As a result, the Product may be more exposed to the market conditions during a shorter interval and may be more subject to liquidity risk and the swap counterparty's capability to execute also subject to liquidity risk.

### ***Intraday Investment Risk***

The Product is normally rebalanced at the end of trading of the Shenzhen Stock Exchange on a Business Day. As such, return for investors that invest for period less than a full Trading Day will generally be greater than or less than two times (2x) leveraged investment exposure to the Index, depending upon the movement of the Index from the end of one Trading Day until the time of purchase.

### ***Leveraged Performance of Index Risk***

Investors in the Product should note that the objective and the risks inherent in the Product are not typically encountered in traditional exchange traded funds which track the "long" performance rather than leveraged performance of an index or benchmark. Should the price of the Index decrease, the use of a leverage factor of 2 in the Product will trigger an accelerated decrease in the value of the Product's Net Asset Value compared to the Index (which has a leverage factor of 1, i.e. no leverage). As such, Unitholders could, in certain circumstances including a bear market, face minimal or no returns, or may even suffer a complete loss, on such investments. The negative effect of compounding is more pronounced when combined with leverage and Daily rebalancing in volatile markets.

The Product is designed as a trading tool for short-term market timing or hedging purposes, and is not intended for long term investment. It is only suitable for sophisticated trade-oriented investors who understand the potential consequences of seeking Daily leveraged results and the associated risks constantly monitor the performance of their holding on a daily basis.

### ***Path Dependency Risk***

The objective of the Product is to provide investment results that, before fees and expenses, closely correspond to twice the performance of the Index on a Daily basis only. Therefore the Product should not be equated with seeking a leveraged position for periods longer than a day. Investors in the Product should note that the point-to-point accumulated performance of the historical Daily leveraged performance of the Index over a certain period may not be twice the point-to-point performance of the Index over the same period of time due to the effect of "path dependency" and compounding of the Daily returns of the Index. Please refer to the section "Explanation on Path



Dependency” above.

Investors must exercise caution when holding the Product for longer than one Business Day. The performance of the Product, when held overnight, will likely deviate from the leveraged performance of the Index.

### ***New Product Risk***

The Product is a leveraged product tracking the performance of a PRC mainland index. Although there have been exchange traded funds tracking the performance of PRC mainland indices in Hong Kong, the Product is one of the first new products tracking the leveraged performance of a PRC mainland index in Hong Kong. The novelty and untested nature of such a leveraged product and the fact that the Product is the first of its kind in Hong Kong makes the Product riskier than traditional exchange traded funds or products tracking the leveraged or inverse performance of equity indices.

### ***Risks Associated with Investing in Swaps***

#### *Limited Availability of Swaps Risk*

The Manager’s ability to manage the Product in accordance with its stated investment objective will depend upon the willingness and ability of potential Swap Counterparties to engage in Swaps with the Product linked to the performance of the underlying Securities of the Index. A Swap Counterparty’s ability to continue to enter into Swaps or other derivative transactions with the Product may be reduced or eliminated, which could have a material adverse effect on the Product. Furthermore, Swaps are of limited duration and there is no guarantee that Swaps entered into with a Swap Counterparty will continue indefinitely. Accordingly, the duration of a Swap depends on, among other factors, the ability of the Product to renew the expiration period of the relevant Swap at agreed upon terms. If the Product is unable to obtain sufficient exposure to the performance, the leveraged performance of the Index because of the limited availability of Swaps linked to the performance, the leveraged performance of the underlying Securities of the Index, the Product could, among other alternatives, as a defensive measure, suspend creations until the Manager determines that the requisite swap exposure is obtainable. During the period that creations are suspended, the Product could trade at a significant premium or discount to the Net Asset Value and could experience substantial redemptions. To the extent that such events result in a termination event under the Product’s Swaps, the risks related to the limited availability of Swaps would be compounded and the Product may be adversely affected.

#### *Counterparty Risk*

Because a Swap is an obligation of the Swap Counterparty rather than a direct investment in the underlying index constituents, the Product may suffer losses potentially equal to, or greater than, the full value of the Swap if the Swap Counterparty fails to perform its obligations under the Swap as a result of its limitation of capacity, difficulty to hedge the underlying assets of a Swap on various market circumstances, bankruptcy or otherwise. Any loss would result in a reduction in the Net Asset Value of the Product and will likely impair the Product’s ability to achieve its investment objective. The counterparty risk associated with the Product’s investments is expected to be greater than that may be encountered by most other funds because the Product expects to use Swaps as the principal means to gain exposure to the Index.

The Manager manages the Product with the objective to reduce to nil the Product’s single counterparty net exposure on the basis where the Product’s net exposure to each Swap Counterparty exceed 0% at the end of a trading day T, on trading day T+1, the Manager will require that Swap Counterparty make cash payment to the Product so that the net exposure of the Product to each Swap Counterparty is limited to no more than 0% of its NAV. Despite the counterparty risk management measures in place, the management of the Product’s net exposure to each Swap Counterparty to zero is subject to settlement risks arising from settlement failures and market risks (including price movements prior to the required cash payment by the Swap Counterparty to the Product). Any delay in the cash payment by the Swap Counterparty to the Product prior to the end of the relevant trading day T+1 may cause the Product’s exposure to a Swap Counterparty to be larger than zero from time to time. This may result in significant losses for the Product in the event

of the insolvency or default of that Swap Counterparty. The extent of the Product's potential loss arising in this regard is likely to be the amount of the Product's net counterparty exposure.

During extreme market conditions, a Swap Counterparty's costs of financing the underlying hedge may increase significantly. A Swap Counterparty may in return increase the swap fees which may adversely impact on the Product's performance.

In some circumstances, a Swap may be terminated early under the terms of the relevant agreement which may result in the payment of unwinding fees by the Product and in turn may adversely impact the Product's performance. Such early termination can also impair the Product's ability to achieve its investment objective and may subject the Product to substantial loss. Also, the Product may face an increase in the cost to enter into a similar swap agreement with additional Swap Counterpart(ies).

The Product will bear the swap fees, which are subject to the discussion and consensus between the Manager and the Swap Counterparty based on the actual market circumstances on a case-by-case basis. The current swap fees are a best estimate only and may deviate from the actual market conditions. In extreme market conditions and exceptional circumstances, the Swap Counterparty's costs of financing the underlying hedge may increase significantly and in return increase the swap fees.

The Manager seeks to mitigate the counterparty risks by fully collateralising all Swap Counterparty exposures. There is a risk that the value of the collateral may be substantially lower than the amount secured and so the Product may suffer significant losses. Any loss would result in a reduction in the NAV of the Product and impair the ability of the Product to achieve its investment objective.

The Product may suffer significant losses if the Swap Counterparty fails to perform its obligations under the Swap. The value of the collateral assets may be affected by market events and may diverge substantially from the leveraged performance of the Index, which may cause the Product's exposure to the Swap Counterparty to be under-collateralised and therefore result in significant losses.

#### *Capacity Limit Risk*

The Swap Counterparties may be subject to a capacity limit representing the commitment of the Swap Counterparty to conduct the Swap transactions to provide the required exposure to the Index for the Product. Accordingly, the Product's exposure to the Index may be affected. This may cause a divergence between the trading price of a Unit on the SEHK and the Net Asset Value per Unit. The investment exposure could also deviate from the target exposure which adds tracking error to the Product. Whilst the Manager does not anticipate that this will have any immediate effect on the Product given the expected size of the Product, if any Swap Counterparty reaches its capacity limit or if the Net Asset Value of the Product grows significantly this may prevent creations of Units due to the inability of the Product to conduct Swap transactions.

#### *Liquidity Risk*

Swaps may be subject to liquidity risk, which exists when a particular Swap is difficult to purchase or sell. If a Swap transaction is particularly large or if the relevant market is illiquid, it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price, which may result in significant losses to the Product. In addition, a Swap may be subject to the Product's limitation on investments in illiquid Securities. Swaps may be subject to pricing risk, which exists when a particular Swap becomes extraordinarily expensive (or inexpensive) relative to historical prices or the prices of corresponding cash market instruments. The swaps market is largely unregulated. It is possible that developments in the swaps market, including potential government regulation, could adversely affect the Product's ability to terminate existing Swaps or to realise amounts to be received under such agreements. There is also no active market in derivative instruments and therefore investment in derivative instruments can be illiquid. In order to meet requests, the relevant Product relies upon the issuer of the derivative instruments to quote a market to unwind any part of the derivative instruments that will reflect the market liquidity conditions and the size of the transaction.

### *Valuation Risk*

The Product's assets, in particular Swaps entered into by the Product, involve derivative techniques that may be complex and specialised in nature. Valuations for such assets will only usually be available from a limited number of market professionals which frequently act as counterparties to the transactions to be valued. Such valuations are often subjective and there may be substantial differences between any available valuations. However the Manager will carry out an independent verification of this valuation on a daily basis as described under "Determination of Net Asset Value" section.

### *Legal Risk*

The characterisation of a transaction or a party's legal capacity to enter into it could render the Swap unenforceable. The insolvency or bankruptcy of a counterparty may also affect the enforceability of contractual rights.

### *Short Selling by Swap Counterparty Risk*

The Swap Counterparty to the Product may need to short sell the constituents of the Index or Securities relating to the Index for the purposes of hedging. Many regulators have banned "naked" short selling (a practice that has been prohibited in Hong Kong since short selling was first introduced) or completely suspended short selling for certain stocks. Any such bans with the effect of prohibiting the short selling of Securities, in particular Securities relating to the Index, may affect a Swap Counterparty's ability to hedge its position and may trigger an early termination of the OTC Swap Transaction. Such early termination could impair the Product's ability to achieve its investment objective and subject the Product to substantial loss.

### ***Mandatory Measures imposed by Relevant Parties Risk***

Regarding the Product's Swaps, relevant parties (such as Swap Counterparties, participating dealers and stock exchanges) may impose certain mandatory measures for risk management purpose under extreme market circumstances. These measures may include early termination of the Swaps, no further Swap contracts signed and having limited or no access to exposure. In response to such mandatory measures, the Manager may have to take corresponding actions in the best interest of the Product's Unitholders and in accordance with the Product's constitutive documents, including suspension of creation of the Product's units and/or secondary market trading, implementing alternative investment and/or hedging strategies and termination of the Product. These corresponding actions may have an adverse impact on the operation, secondary market trading, index-tracking ability and the Net Asset Value of the Product. While the Manager will endeavour to provide advance notice to investors regarding these actions to the extent possible, such advance notice may not be possible in some circumstances.

### ***Risks of investing in fixed income securities***

#### *Credit/counterparty Risk*

Investment in fixed income securities is subject to the credit risk of the security or its issuers, who may be unable or unwilling to make timely payments of principal and/or interest. In the event of a default or credit rating downgrading of the securities or the issuers of the fixed income securities held by the Product, the Product's value will be adversely affected and investors may suffer a substantial loss as a result. The Manager may or may not be able to dispose of the securities that are being downgraded. There may also be difficulties or delays in enforcing rights against the issuers who will generally be incorporated overseas and therefore not subject to the laws of Hong Kong.

#### *Interest Rate Risk*

Investment in fixed income securities is subject to interest rate risk. In general, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise.

### *Sovereign Debt Risk*

The Product's investment in securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the Product to participate in restructuring such debts. The Product may suffer significant losses when there is a default of sovereign debt issuers.

### *Credit Ratings Risks*

Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.

### ***Risks of investing in other collective investment schemes/funds***

The Product may invest in units in any unit trust or shares in any mutual fund corporation or any other collective investment scheme. The underlying collective investment schemes/funds in which the Product may invest may not be regulated by the SFC. There may be additional costs involved when investing into these underlying collective investment schemes/funds. There is also no guarantee that the underlying collective investment schemes/funds will always have sufficient liquidity to meet the Product's redemption requests as and when made.

### ***Distributions Out Of or Effectively Out Of Capital Risk***

The Manager may, at its discretion make distributions out of capital. The Manager may also, at its discretion, make distributions out of gross income while all or part of the fees and expenses of a Product are charged to/paid out of the capital of the Product, resulting in an increase in distributable income for the payment of distributions by the Product and therefore, the Product may effectively pay distributions out of the capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Product's capital may result in an immediate reduction of the Net Asset Value per Unit. The Manager may amend its distribution policy subject to the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

### ***Concentration Risk and PRC mainland Market Risk***

The Product is non-diversified and invests into single or concentrated derivative positions. The Product is subject to potential risk exposure associated with concentration that results from its investment strategy. The Product is also subject to concentration risks as a result of tracking the leveraged performance of the Index. The value of the Product may be more volatile than that of a fund having a more diverse portfolio of investments.

The Index constituents are companies listed on the Shenzhen Stock Exchange which is an emerging market. Investments of the Product may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

### ***RMB Currency Associated Risks***

The Product may invest in fixed income securities denominated in RMB and collective investment scheme through the Manager's status as RQFII where relevant transactions will be settled in RMB; the Swap Counterparties may hedge their Swap exposure by investing in A-Shares directly in the PRC mainland market and therefore the Product may also be subject to the following RMB currency associated risks:

*RMB is Not Freely Convertible and Subject to Exchange Controls and Restrictions Risk*

It should be noted that the RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies and repatriation restrictions imposed by the PRC mainland government. Since 1994, the conversion of RMB into USD has been based on rates set by the People's Bank of China (the "PBOC"), which are set daily based on the previous day's PRC mainland interbank foreign exchange market rate. On 21 July 2005, the PRC mainland government introduced a managed floating exchange rate system to allow the value of RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. In addition, a market maker system was introduced to the interbank spot foreign exchange market. In July 2008, the PRC mainland announced that its exchange rate regime was further transformed into a managed floating mechanism based on market supply and demand. Given the domestic and overseas economic developments, the PBOC decided to further improve the RMB exchange rate regime in June 2010 to enhance the flexibility of the RMB exchange rate. In April 2012, the PBOC decided to take a further step to increase the flexibility of the RMB exchange rate by expanding the daily trading band from +/-0.5% to +/-1%. Effective 11 August 2015 the RMB central parity is fixed against the USD by reference to the closing rate of the inter-bank foreign exchange market on the previous day (rather than the previous morning's official setting).

However it should be noted that the PRC mainland government's policies on exchange control and repatriation restrictions are subject to change, and any such change may adversely impact the Product. There can be no assurance that the RMB exchange rate will not fluctuate widely against the USD or any other foreign currency in the future.

Foreign exchange transactions under the capital account, including principal payments in respect of foreign currency-denominated obligations, currently continue to be subject to significant foreign exchange controls and require the approval of the SAFE. On the other hand, the existing PRC mainland foreign exchange regulations have significantly reduced government foreign exchange controls for transactions under the current account, including trade and service related foreign exchange transactions and payment of dividends. Nevertheless, the Manager cannot predict whether the PRC mainland government will continue its existing foreign exchange policy or when the PRC mainland government will allow free conversion of the RMB to foreign currency.

The Product may need to use currency other than the base currency as set out in the relevant ISDA Credit Support Annex for collateral and Initial Amount posting purpose. The Product may enter into currency contract to hedge the currency risk but the currency exposure is linked to marked-to-market value of the Swaps. This may bring additional cost and currency risk for the Product.

#### *Future Movements in RMB Exchange Rates Risk*

The exchange rate of RMB ceased to be pegged to US dollar on 21 July 2005, resulting in a more flexible RMB exchange rate system. China Foreign Exchange Trading System, authorised by the PBOC, promulgates the central parity rate of RMB against US dollar, Euro, Yen, British Pound and Hong Kong dollar at 9:15 a.m. on each business day, which will be the daily central parity rate for transactions on the Inter-bank Spot Foreign Exchange Market and OTC transactions of banks. The exchange rate of RMB against the above-mentioned currencies fluctuates within a range above or below such central parity rate. As the exchange rates are based primarily on market forces, the exchange rates for RMB against other currencies, including US dollar and Hong Kong dollar, are susceptible to movements based on external factors.

There can be no assurance that such exchange rates will not fluctuate widely against US dollar, Hong Kong dollar or any other foreign currency in the future. From 1994 to July 2005, the exchange rate for RMB against US dollar and the Hong Kong dollar was relatively stable. From 1994 to July 2005, the exchange rate for RMB against US dollar and the HK dollar was relatively stable. Since July 2005, the RMB has begun to appreciate until August 2015 when the PBOC introduced a one-off devaluation of RMB. There can be no assurance that RMB will not be subject to further devaluation. The future movements in RMB exchange rates are uncertain and the fluctuations may have a positive or negative impact on investors' investment in the Product.

## *Offshore RMB (“CNH”) Market Risk*

The onshore RMB (“CNY”) is the only official currency of the PRC mainland and is used in all financial transactions between individuals, state and corporations in the PRC mainland. Hong Kong is the first jurisdiction to allow accumulation of RMB deposits outside the PRC mainland. Since June 2010, the offshore RMB (“CNH”) is traded officially, regulated jointly by the Hong Kong Monetary Authority and the PBOC. While both CNY and CNH represent RMB, they are traded in different and separated markets. The two RMB markets operate independently where the flow between them is highly restricted. Though the CNH is a proxy of the CNY, they do not necessarily have the same exchange rate and their movement may not be in the same direction. This is because these currencies act in separate jurisdictions, which leads to separate supply and demand conditions for each, and therefore separate but related currency markets.

However, the current size of RMB-denominated financial assets outside the PRC mainland is limited. As at 31 March 2020, the total amount of RMB (CNH) deposits held by institutions authorised to engage in RMB banking business in Hong Kong amounted to approximately RMB664.15 billion. In addition, participating authorised institutions are also required by the Hong Kong Monetary Authority to maintain a total amount of RMB (in the form of cash and its settlement account balance with the Renminbi Clearing Bank) of no less than 25% of their RMB deposits, which further limits the availability of RMB that participating authorised institutions can utilise for conversion services for their customers. RMB business participating banks do not have direct RMB liquidity support from PBOC. The Renminbi Clearing Bank only has access to onshore liquidity support from PBOC (subject to annual and quarterly quotas imposed by PBOC) to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and for individual customers. The Renminbi Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source RMB from the offshore market to square such open positions. Although it is expected that the offshore RMB market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC mainland laws and regulations on foreign exchange. There is no assurance that new PRC mainland regulations will not be promulgated or the relevant settlement agreement between Hong Kong banks and the PBOC will not be terminated or amended in the future which will have the effect of restricting availability of RMB offshore. The limited availability of RMB outside the PRC mainland may affect the liquidity and therefore the trading price of the Units on the SEHK. To the extent the Manager is required to source RMB in the offshore market, there is no assurance that it will be able to source such RMB on satisfactory terms, if at all.

## ***PRC mainland Associated Risks***

### *PRC mainland Economic, Political and Social Risks*

The economy of the PRC mainland, which has been in a state of transition from a planned economy to a more market oriented economy, differs from the economies of most developed countries in many respects, including the level of government involvement, its state of development, its growth rate, control of foreign exchange, and allocation of resources.

Although the majority of productive assets in the PRC mainland are still owned by the PRC mainland government at various levels, in recent years, the PRC mainland government has implemented economic reform measures emphasising utilisation of market forces in the development of the economy of the PRC mainland and a high level of management autonomy. The economy of the PRC mainland has experienced significant growth in the past 25 years, but growth has been uneven both geographically and among various sectors of the economy. Economic growth has also been accompanied by periods of high inflation. The PRC mainland government has implemented various measures from time to time to control inflation and restrain the rate of economic growth.

For more than 25 years, the PRC mainland government has carried out economic reforms to achieve decentralisation and utilisation of market forces to develop the economy of the PRC mainland. These reforms have resulted in significant economic growth and social progress. There can, however, be no assurance that the PRC mainland government will continue to pursue such economic policies or, if it does, that those policies will continue to be successful. Any such adjustment and modification of those economic policies may have an adverse impact on the securities market in the PRC mainland as well as the underlying Securities of the Product. Further, the PRC mainland government may from time to time adopt corrective measures to control the growth of the PRC mainland economy which may also have an adverse impact on the capital growth and performance of the Product.

Political changes, social instability and adverse diplomatic developments in the PRC mainland could result in the imposition of additional government restrictions including expropriation of assets, confiscatory taxes or nationalisation of some or all of the property held by the constituent companies of the Index, which could have an impact on the performance of the Index.

#### *PRC mainland Laws and Regulations Risk*

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 markets are relatively new and evolving, and because of the limited volume of published cases and judicial interpretation and their non-binding nature, interpretation and enforcement of these regulations involve significant uncertainties. In addition, as the PRC mainland legal system develops, no assurance can be given that changes in such laws and regulations, their interpretation or their enforcement will not have a material adverse effect on their business operations.

#### *Restricted Market Risk*

The Product may be exposed to Securities in respect of which the PRC mainland imposes limitations or restrictions on foreign ownership or holdings. Such legal and regulatory restrictions or limitations may have adverse effects on the Product as compared to the leveraged performance of the Index. This may increase the risk of tracking error and, at the worst, the Product may not be able to achieve its investment objective.

#### *Accounting and Reporting Standards Risk*

Accounting, auditing and financial reporting standards and practices applicable to PRC mainland companies may be different to those standards and practices applicable to countries that have more developed financial markets. For example, there are differences in the valuation methods of properties and assets and in the requirements for disclosure of information to investors.

#### *Changes in PRC mainland Taxation Risk*

The PRC mainland Government has implemented a number of tax reform policies in recent years. The current tax laws and regulations may be revised or amended in the future. Any revision or amendment in tax laws and regulations may affect the after-taxation profit of PRC mainland companies and foreign investors in such companies. Please refer to the sub-section entitled "PRC mainland taxation" under the section headed "Taxation" in Part 1 of this Prospectus for further information.

### ***Risks associated with the ChiNext market***

#### *Risk relating to overvaluation of stocks*

Currently, stocks listed on ChiNext are generally considered overvalued. The ChiNext market has a price-earnings ratio of 59.99 (compared to the price-earnings ratio of 26.52 in the main board of the SZSE) as at 31 December 2021. Such exceptionally high valuation may not be sustainable.

#### *Higher fluctuation on stock prices*

Listed companies on the ChiNext market are usually of emerging nature with smaller operating scale. Hence, they are subject to higher fluctuation in stock prices and liquidity and have higher risks and turnover ratios than companies listed on the main board.

#### *Risk relating to the differences in regulations*

The rules and regulations in relation to the issuance and listing of the securities in the ChiNext market are less stringent in terms of profitability and share capital than those in the main board market of the SZSE. For example, a company seeking listing on the main board of the SZSE must have been profitable in the last three consecutive years with net profits no less than RMB 30 million in aggregate whereas for a company seeking listing on the ChiNext market, it is only required to be profitable in the most recent two consecutive years, with accumulated profits no less than RMB 10 million and in continued growth; or the issuer must have been profitable in the most recent year with net profits of no less than RMB 5 million and revenues of no less than RMB 50 million, and its revenue growth rate for either of the most recent two years must have been no less than 30%. Companies listed on the ChiNext market thus, have less track record of profitability than companies listed on the main board of the SZSE. At present, major index compilers such as MSCI, FTSE and HSI exclude ChiNext stocks from their index universe of A-Share indices. Given the emerging nature of companies listed on the ChiNext market, there is a risk that the securities traded on ChiNext market may be susceptible to higher market volatility compared to securities traded on the main board market of the SZSE.

#### *Risk of delisting*

Since ChiNext companies are subject to operational risks and risks associated with stock price fluctuation and technical failure (as discussed below), the companies listed in the ChiNext market are generally less resistant to market risks and may experience more fluctuations in their performance. Hence, in more extreme circumstances, they are more susceptible to falling within one of the scenarios for delisting and consequently being de-listed by the SZSE. It may be more common and faster for companies listed on the ChiNext market to delist. This may increase the risk of tracking error and, at the worst, the Product may not be able to achieve its investment objective.

#### *Operational risk*

Listed companies in the ChiNext market (e.g. innovative or small and medium enterprises) are usually in their preliminary stage of development with smaller operating scale and shorter operating history, less mature business model and weaker risk management capacity, and their businesses are usually subject to higher uncertainty and more fluctuations in their performance. Therefore its stability and resistance to market risks may be lower. These instability and uncertainties may have an adverse impact on the Product which aims to track the leveraged (2x) performance of the companies that are listed on the ChiNext market.

#### *Risk associated with the fluctuation in stock prices*

Since the companies listed on the ChiNext market usually have a smaller scale and shorter operating history, their ability to resist market risks is lower, and hence their stock prices may experience a higher fluctuation as the performance of these companies changes. In extreme circumstances where the trading price of the stock has hit the trading band limit, trading of the stock will be suspended. A suspension will render it impossible for the Product to achieve its investment objective and will therefore expose the Product to significant losses. Conventional valuation methods may not be entirely applicable to companies listed on the ChiNext market due to the risky nature of the industries that these companies operate in. There are fewer circulating shares on the ChiNext market, hence stock prices may be relatively more easily manipulated and may experience higher fluctuation upon market speculation.

#### *Risk associated with the technical failures*



The companies listed on the ChiNext market have an industries focus on scientific development, innovation and media industries. Since this is an area with rapid development, if there are failures in the process of the scientific development which such companies are involved in and/or any major adverse events happening in the industries or their development, this may result in losses in such companies and hence may have an adverse impact on the Product.

### ***A-Shares Associated Risks***

#### *A-Share Market Trading Difference Risk*

Differences in trading hours between the Shenzhen Stock Exchange and the SEHK may increase the level of premium/discount of the Unit price to its Net Asset Value because if a PRC mainland stock exchange is closed while the SEHK is open, the Index level may not be available. Shares listed on PRC mainland stock exchanges may be subject to trading bands which restrict increases and decreases in the trading price. Units listed on the SEHK are not. The prices quoted by the SEHK market maker would therefore be adjusted to take into account any accrued market risk that arises from such unavailability of the Index level and as a result, the level of premium or discount of the Unit price of the Product to its Net Asset Value may be higher.

#### *A-Shares Market Suspension and Volatility Risk*

The Index consists of A-Shares which may only be bought from, or sold to, a QFII or a RQFII from time to time where the relevant A-Shares may be sold or purchased on the Shenzhen Stock Exchange, as appropriate. Given that the A-Shares market is considered volatile and unstable (with the risk of suspension of a particular stock or government intervention), the creation and realisation of Units may be disrupted. A Participating Dealer is unlikely to realise or create Units if it considers that A-Shares may not be available. High market volatility and potential settlement difficulties in the A-Shares market may also result in significant fluctuations in the prices of the securities traded on the A-Shares market and thereby may adversely affect the value of the relevant Product.

#### *PRC mainland Taxation Risk*

In light of a recent announcement jointly promulgated by the Ministry of Finance, the State Taxation Administration and the CSRC under Caishui [2014] No.79 which stipulate that trading of China A-Shares through QFIIs, RQFIIs (without an establishment or place of business in the PRC mainland or having an establishment in the PRC mainland but the income so derived in China is not effectively connected with such establishment) will be temporarily exempted from corporate income tax on gains derived from the transfer of PRC mainland equity investment assets (including PRC mainland A-Shares) effective from 17 November 2014, the Manager does not intend to make any WIT provision on the gross unrealised and realised capital gains derived from trading of China A-Shares which may in turn be charged to the relevant Products.

However, dividends will be subject to 10% withholding tax and the company distributing the dividend has the withholding obligation. If the recipient of the dividend is entitled to a lower treaty rate, it can apply to the in-charge tax bureau of the payor for a refund. The Product's exposure to investments in PRC mainland may be subject to the risks associated with changes in the PRC mainland tax laws and such changes may have retrospective effect and may adversely affect the Product.

Please refer to the sub-section entitled "PRC mainland taxation" under the section headed "Taxation" in Part 1 of this Prospectus for further information in this regard.

### ***QFII and RQFII Regime Associated Risks***

The Product may invest in collective investment schemes in PRC mainland through the Manager's QFII/RQFII status. The Swap Counterparties may hedge their Swap exposure by investing in A-Shares through QFII/ RQFII of itself or a third party/affiliate. Investments through QFII/RQFII will also be subject to the following risks:

#### *QFII System Risk*

The QFII system was introduced in 2002. Although the CSRC may in due course relax QFII eligibility requirements, making investment in A-Shares easier and more widespread, this cannot be guaranteed. It is not possible to predict the future development of the QFII system and the CSRC may even impose restrictions on QFII's operations. Such restrictions may adversely affect the ability of a Swap Counterparty to increase the size of a Swap which may in turn affect the Product's ability to achieve its investment objective.

#### *RQFII Systems Risk*

The RQFII system was introduced in 2011. Similar to QFII, it is not possible to predict the future development of the RQFII system and the CSRC may even impose restrictions on RQFII's operations. Such restrictions may adversely affect the ability of a Swap Counterparty to increase the size of a Swap which may in turn affect the Product's ability to achieve its investment objective.

#### *Repatriation Risk*

Repatriation of capital is subject to SAFE's approval and there are restrictions imposed on the repatriation amount and interval. While restrictions on or suspension of the ability of QFIIs or RQFIIs in general to repatriate funds should not affect the operation of the Product. However, where a Swap Counterparty is also a QFII or RQFII or where the Swap Counterparty hedges the Swaps with an affiliate which is a QFII or RQFII, the inability to repatriate funds may give rise to liquidity problems for that Swap Counterparty, which may impact the Product if that Swap Counterparty is unable to perform its obligations under the relevant Swap transaction.

#### **Appendix dated May 2023**