

Hang Seng Investment Index Funds Series

Hang Seng H-Share Index ETF
(HKD Counter Stock Code: 02828 / RMB Counter Stock Code: 82828)
(the “Fund”)

This document is important and requires your immediate attention. If you are in doubt about the contents of this document, you should seek independent professional financial advice.

Capitalised terms used herein but not otherwise defined will have the same meanings as defined in the Hong Kong Offering Document of the Fund.

Investors should note that all investments involve risks (including the possibility of loss of the capital invested), prices of fund units may go up as well as down and past performance is not indicative of future performance. Investors should read the relevant fund’s offering documents (including the full text of the risk factors stated therein) in detail before making any investment decision.

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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.

Dear Unitholders,

Supplement to the Hong Kong Offering Document of the Fund

This supplement forms part of and should be read in conjunction with the Hong Kong Offering Document of the Fund.

Appendix 2 – Information about the Hang Seng China Enterprises Index (the “H-Share Index”)

As at 24 July 2017, the respective weightings of the top 10 largest constituent stocks of the H-Share Index were:

Stock Code	Stock Name	Weighting (%)
2318	Ping An Insurance (Group) Co. of China Ltd. - H Share	10.47
1398	Industrial and Commercial Bank of China Ltd. - H Share	9.89
939	China Construction Bank Corporation - H Share	9.55
3988	Bank of China Ltd. - H Share	9.40
2628	China Life Insurance Co. Ltd. - H Share	6.56
386	China Petroleum & Chemical Corporation - H Share	5.30
857	PetroChina Co. Ltd. - H Share	3.59
3968	China Merchants Bank Co., Ltd. - H Share	3.37
1288	Agricultural Bank of China Ltd. - H Share	3.31
2601	China Pacific Insurance (Group) Co., Ltd. - H Share	2.80

If you have any queries concerning the above, please contact us at (852) 2198 3379 during office hours.

We accept full responsibility for the accuracy of the contents of this document as at the date of its publication.

Hang Seng Investment Management Limited
26 July 2017

Hang Seng Investment Index Fund Series

**Hang Seng H-Share Index ETF
(HKD Counter Stock Code: 02828 / RMB Counter Stock Code: 82828)
(the "Fund")**

Notice to Unitholders

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Dear Unitholders,

Amendments to the Hong Kong Offering Document of the Fund

We, as the Manager of the Fund, are writing to inform you that with effect from the date of this document, certain amendments are made to the Hong Kong Offering Document of the Fund. The amendments are in respect of the following: (i) disclosures regarding the Automatic Exchange of Financial Account Information implemented in Hong Kong; and (ii) the resignations of Mr. Pang Yiu Hung, Victor, and Mr. Fung Hau Chung, Andrew, as directors of the Manager which took effect from 11 June 2017 and 30 June 2017 respectively. Please refer to the "Amendments to the Hong Kong Offering Document of the Fund" enclosed for details.

If you have any queries concerning the above, please contact us at (852) 2198 3379 during office hours.

We accept full responsibility for the accuracy of the contents of this document.

Hang Seng Investment Management Limited
24 July 2017

Hang Seng Investment Index Fund Series

Hang Seng H-Share Index ETF (HKD Counter Stock Code: 02828 / RMB Counter Stock Code: 82828) (the "Fund")

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Amendments to the Hong Kong Offering Document of the Fund

The following amendments are made to the Hong Kong Offering Document of the Fund with effect from the date of this document. These amendments form part of and should be read in conjunction with the Hong Kong Offering Document of the Fund.

(1) Taxes and Duties Payable by Investors

The following new sub-section is inserted immediately after the sub-section headed "Hong Kong":

"Automatic Exchange of Financial Account Information"

The Inland Revenue (Amendment) (No.3) Ordinance 2016 (the "Amendment Ordinance"), which is the legislative framework for the implementation of Automatic Exchange of Financial Account Information (the "AEOI") in Hong Kong, came into force on 30 June 2016.

The AEOI is a new system that involves the transmission of financial account information from Hong Kong to an overseas tax jurisdiction with which Hong Kong has entered into an AEOI agreement⁴. Under the Amendment Ordinance, reporting financial institutions in Hong Kong are required to apply due diligence procedures to identify the tax residency of the account holders and controlling persons for the purpose of AEOI⁵ and collect the specified information. The financial institution is required to report to the Inland Revenue Department ("IRD") the required information collected in respect of the reportable accounts on an annual basis. IRD will then transmit the information to the tax administration of the relevant jurisdiction of which the account holder is tax resident⁶. Under the Amendment Ordinance, information that may be reported to the IRD includes

⁴ FAQ1 of the Frequently Asked Questions regarding the Automatic Exchange of Financial Account Information available at the website of the Inland Revenue Department (Last revision date: 7 June 2017) http://www.ird.gov.hk/eng/faq/dta_aeoi.htm

⁵ FAQ6 of the Frequently Asked Questions regarding the Automatic Exchange of Financial Account Information available at the website of the Inland Revenue Department (Last revision date: 7 June 2017) http://www.ird.gov.hk/eng/faq/dta_aeoi.htm

⁶ FAQ3 of the Frequently Asked Questions regarding the Automatic Exchange of Financial Account Information available at the website of the Inland Revenue Department (Last revision date: 7 June 2017) http://www.ird.gov.hk/eng/faq/dta_aeoi.htm

details of account holders, including but not limited to their name, date of birth, place of birth (if any), address, jurisdiction of tax residence, tax identification number (if any), account number, account balance/value, distribution income and sales/redemption proceeds.

The H-Share ETF, as a reporting financial institution, is required to, amongst other things:

- (i) conduct due diligence on its financial accounts to identify whether any such accounts are considered as “Reportable Accounts” for AEOI purpose; and
- (ii) report to the IRD the required information on such Reportable Accounts.

By investing and/or continuing to invest in the H-Share ETF, Unitholders acknowledge that:

- (i) the IRD may automatically exchange information of the Unitholders (and information on controlling persons including beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such Unitholders that are passive non-financial entities) as outlined above with relevant tax authorities in other jurisdictions;
- (ii) Unitholders may be required to provide additional information and/or documentation for AEOI purpose; and
- (iii) in the event that an Unitholder fails to provide the requested information and/or documentation, irrespective of whether or not that actually leads to non-compliance on the part of the H-Share ETF and/or the Manager, the Manager reserves the right to take remedial actions including, without limitation, to require the Unitholder to transfer the Unitholder’s Units or, failing such transfer, redeem such Units in accordance with the Trust Deed, and to the extent permitted by applicable laws and regulations.

Unitholders and prospective investors should consult their professional advisers and obtain independent professional advice on the implications of AEOI on their current and/or proposed investment in the H-Share ETF.”

(2) Directors of the Manager and Listing Agent

This section is deleted in its entirety and replaced by the following:

“DIRECTORS OF THE MANAGER AND LISTING AGENT

Kwan Wing Han, Margaret
Lee Pui Shan
Luk Sai Lung
Ngan Man Kit
Leung Wing Lok, Andrew
Sridhar Chandrasekharan”

If you have any queries concerning the above, please contact us at (852) 2198 3379 during office hours.

We accept full responsibility for the accuracy of the contents of this document.

Hang Seng Investment Management Limited
24 July 2017

Hang Seng Investment Index Funds Series

Hang Seng H-Share Index ETF (HKD Counter Stock Code: 02828 / RMB Counter Stock Code: 82828) (the “Fund”)

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Amendments to the Hong Kong Offering Document of the Fund

The following amendments are made to the Hong Kong Offering Document of the Fund with effect from the date of this document. These amendments form part of and should be read in conjunction with the Hong Kong Offering Document of the Fund.

1. Summary

In the table under “Key Information in respect of the H-Share ETF”, the row for “Dividend Policy” and footnotes 1 and 2 are deleted in their entirety and replaced by the following:

“

Dividend Policy	Semi-annually (if any). The Manager currently intends to make declaration of distribution in June and September of each year. Dividends on all Units (RMB counter Units and HKD counter Units) will be in HKD only ¹
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¹ Both HKD traded Units and RMB traded Units will receive dividends in HKD only. In the event that the relevant Unitholder has no HKD account, the Unitholder may have to bear the fees and charges associated with the conversion of such dividend from HKD into RMB or any other currency. Unitholders should check with their brokers for arrangements concerning dividends and to consider the risk factor entitled “HKD Dividends Risk” below.

² This is only a rough approximation and is for reference only (brokerage and other transaction fee not included). The actual proportion may vary due to market demand and supply for the Units, as well as other factors.”

2. Is an investment in the H-Share ETF suitable for me?

The first paragraph of this section is deleted in its entirety and replaced by the following:

“The answer really depends on an assessment of your own circumstances. You should satisfy yourself that the H-Share ETF is suitable for you having regard to your own circumstances, including your financial situation, investment experience and investment objectives, before making any decision to invest in the H-Share ETF. Please note that the decision whether or not to invest remains with you. If you have any doubt as to whether or not the H-Share ETF is suitable for you, you should consult your investment adviser and obtain independent professional advice.”

3. Are there any Special RMB Payment or Account Procedures?

The seventh paragraph of this section is deleted in its entirety and replaced by the following:

“Where payment in RMB is to be made by cheque investors should consult the bank at which their respective RMB bank accounts are opened in advance as to whether there are any specific requirements in relation to the issue of RMB cheques. In particular, investors should note that some banks have imposed an internal limit (usually RMB80,000) on the balance of RMB cheque account of their clients or the amount of cheques that their clients can issue in a day and such limit may affect an investor’s arrangement of funding for purchase of Units traded in RMB.”

4. What are the Risks of Investing in the H-Share ETF?

- (a) The second paragraph of this section is deleted in its entirety and replaced by the following:

“Investors should carefully consider the risks involved in investing in the H-Share ETF together with all other information included in this offering document and satisfy themselves that the H-Share ETF is suitable for them having regard to their own circumstances, including their financial situation, investment experience and investment objectives before making an investment decision. Investors should note that the decision whether or not to invest remains with them. If investors have any doubt as to whether or not the H-Share ETF is suitable for them, they should consult their investment adviser and obtain independent professional advice.”

- (b) The following risk factor is inserted after the risk factor headed “Risk of reliance on Participating Dealers”:

“Reliance on the same group risk

Both the Manager and the Index Provider are presently subsidiaries of Hang Seng Bank Limited (the “**Hang Seng Bank Group**”). Nonetheless, the Manager does not consider this will be a risk for the following reasons:

- (a) The Index Provider’s operations and the Manager’s investment management operations are under the responsibility of different staff and management teams. There are no common directors between the Index Provider and the Manager.
- (b) The Hang Seng Bank Group has internal policies and procedures in place which ensure that effective “Chinese Walls” are created and maintained between different legal entities of the Hang Seng Bank Group and their operations and which impose strict obligations of confidentiality on such legal entities’ staff. Information is disclosed between different operations within the same legal entity and between different legal entities of the Hang Seng Bank Group on a “need to know” basis only.
- (c) The Hang Seng Bank Group has procedures in place restricting access to important systems to authorised personnel. All of the Hang Seng Bank Group’s staff are required to comply with the Hang Seng Bank Group’s internal policies and procedures and the IT security standards of the Hang Seng Bank Group.
- (d) As indicated in Appendix 2 – Information about the H-Share Index, the H-Share Index has clear and well documented methodology and rules by which the H-Share Index is calculated.

Apart from the above, each of the Trustee (also acting as the Registrar), the Manager (also acting as the Listing Agent), the Index Provider and two of the Participating Dealers are members of the HSBC Group (the “**Group**”). Whilst these are separate legal entities and operationally independent, in the event of a financial catastrophe or the insolvency of any member of the Group, there may be adverse implications for the business of the Group as a whole or other members of the Group which could affect the provision of services to the H-Share ETF. In such event the Net Asset Value of the H-Share ETF may be adversely affected and its operation disrupted.

It should be noted that the Trustee, the Manager, two of the Participating Dealers and the Index Provider are presently all members of the Group. As such, although all transactions will be at arm’s length, conflicts of interest in respect of the H-Share ETF may arise from time to time amongst any of them whilst they belong to the Group. In particular, the Manager and the Trustee may be in dispute with the present Index Provider if it terminates the licence to use the H-Share Index. The Manager and each of its Connected Persons will have regard to its obligations to the H-Share ETF and Unitholders and will endeavour to ensure such conflicts are resolved fairly. The attention of investors is drawn to the section headed “Conflicts of Interest that may apply to the H-Share ETF”.

- (c) The risk factor headed “HKD Dividends Risk” is deleted in its entirety and replaced by the following:

“HKD Dividends Risk

Investors should note that where a Unitholder holds Units traded under the RMB counter, the relevant Unitholder will only receive dividends in HKD and not RMB. In the event the relevant Unitholder has no HKD account, the Unitholder may have to bear the fees and charges associated with the conversion of such dividend from HKD into RMB or any other currency. Unitholders should check with their brokers concerning arrangements for dividends.”

5. Purchase and Sale of Units on the SEHK and Creation and Redemption of Units

- (a) The third paragraph of the sub-section headed "*In-kind Creation and In-kind Redemption*" is deleted in its entirety and replaced by the following:

"The cut-off time (the "Dealing Deadline") for making an in-kind creation application and an in-kind redemption application by a Participating Dealer is 15 minutes after the official closing time of the SEHK on each Dealing Day, or such other time prior to the calculation of the Net Asset Value of the H-Share ETF on that Dealing Day as the Manager may determine and agree with the Trustee."

- (b) The second paragraph of the sub-section headed "*Special creation and redemption*" is deleted in its entirety and replaced by the following:

"The Dealing Deadline for making a special creation application and a special redemption application by the Feeder Funds is the official closing time of the SEHK on the relevant Dealing Day, or such other time prior to the calculation of the Net Asset Value of the H-Share ETF on that Dealing Day as the Manager may determine and agree with the Trustee."

6. Dividend Policy

- (a) The first paragraph of this section is deleted in its entirety and replaced by the following:

"The Manager may, at its discretion, distribute semi-annual cash dividends (if any), which are expected to be in respect of the first half and the second half of each calendar year respectively. The Manager currently intends to make declaration of dividends in June and September of each year. Each Unitholder will receive dividends in HKD only (whether holding HKD traded Units or RMB traded Units). There is no guarantee of regular distribution of dividends and if dividend is paid, the amount being distributed."

- (b) The last paragraph of this section is deleted in its entirety and replaced by the following:

"The compositions of the dividends (i.e. the percentages of dividends being paid out of (i) net distributable income and (ii) capital) for a rolling 12-month period are available from the Manager on request and on the website www.hangsenginvestment.com. Details of ex-dividend dates and dividend payment dates shall also be published on the website www.hangsenginvestment.com and via the SEHK's website www.hkex.com.hk. The Manager may amend the policy regarding paying dividends out of capital or effectively out of capital subject to the SFC's prior approval and by giving not less than 1 month's advance notice to Unitholders."

7. Taxes and Duties Payable by Investors

The second paragraph of this section is deleted in its entirety and replaced by the following:

"The information below regarding taxation and duties is based on the law and practice in force in Hong Kong at the date of this offering document. You should be aware that levels and bases of taxation are subject to change and that the value of any relief from taxation depends upon your personal circumstances. The following statements are intended as a general guide only and do not necessarily describe the tax consequences for all types of investors in the H-Share ETF."

8. Directors of The Manager and Listing Agent

This section is deleted in its entirety and replaced by the following:

"DIRECTORS OF THE MANAGER AND LISTING AGENT

Fung Hau Chung, Andrew
Kwan Wing Han, Margaret
Lee Pui Shan
Luk Sai Lung
Ngan Man Kit
Leung Wing Lok, Andrew
Pang Yiu Hung, Victor
Sridhar Chandrasekharan"

9. Updated Index Information

Appendix 2 – Information about the Hang Seng China Enterprises Index (the “H-Share Index”)

As at 19 May 2017, the respective weightings of the top 10 largest constituent stocks of the H-Share Index were:

Stock Code	Stock Name	Weighting (%)
1398	Industrial and Commercial Bank of China Ltd. - H Share	9.99
939	China Construction Bank Corporation - H Share	9.92
3988	Bank of China Ltd. - H Share	9.82
2318	Ping An Insurance (Group) Co. of China Ltd. - H Share	8.86
2628	China Life Insurance Co. Ltd. - H Share	6.62
386	China Petroleum & Chemical Corporation - H Share	5.86
857	PetroChina Co. Ltd. - H Share	4.07
1288	Agricultural Bank of China Ltd. - H Share	3.49
3968	China Merchants Bank Co., Ltd. - H Share	3.07
2601	China Pacific Insurance (Group) Co., Ltd. - H Share	2.62

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We accept full responsibility for the accuracy of the contents of this document.

Hang Seng Investment Management Limited

29 May 2017

Hang Seng Investment Index Funds Series

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Dear Unitholders,

Supplement to the Hong Kong Offering Document of the Fund

This supplement forms part of and should be read in conjunction with the Hong Kong Offering Document of the Fund.

Appendix 2 – Information about the Hang Seng China Enterprises Index (the “H-Share Index”)

As at 10 April 2017, the respective weightings of the top 10 largest constituent stocks of the H-Share Index were:

Stock Code	Stock Name	Weighting (%)
1398	Industrial and Commercial Bank of China Ltd. - H Share	9.94
939	China Construction Bank Corporation - H Share	9.85
3988	Bank of China Ltd. - H Share	9.53
2318	Ping An Insurance (Group) Co. of China Ltd. - H Share	8.14
2628	China Life Insurance Co. Ltd. - H Share	6.37
386	China Petroleum & Chemical Corporation - H Share	6.08
857	PetroChina Co. Ltd. - H Share	4.47
1288	Agricultural Bank of China Ltd. - H Share	3.44
3968	China Merchants Bank Co., Ltd. - H Share	2.95
2601	China Pacific Insurance (Group) Co., Ltd. - H Share	2.64

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Hang Seng Investment Management Limited
28 April 2017

Hang Seng Investment Index Funds Series
Hang Seng H-Share Index ETF
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Dear Unitholders,

Amendments to the Hong Kong Offering Document of the Fund

We, as the Manager of the Fund, are writing to inform you that with effect from the date of this document, certain amendments are made to the Hong Kong Offering Document of the Fund. The amendments are in respect of the following: (i) update of the relevant risk disclosures relating to liquidity risks under “What are the Risks of Investing in the H-Share ETF?”; (ii) addition of a new section headed “Liquidity Risk Management”; and (iii) addition of a director of the Manager, which took effect on 28 November 2016. Please refer to the “Amendments to the Hong Kong Offering Document of the Fund” enclosed for details. The updated Product Key Facts Statement of the Fund is also available at www.hangsenginvestment.com from the date of this document.

If you have any queries concerning the above, please contact us at (852) 2198 3379 during office hours.

We accept full responsibility for the accuracy of the contents of this document.

Hang Seng Investment Management Limited
30 December 2016

Hang Seng Investment Index Funds Series
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(1) What are the Risks of Investing in the H-Share ETF?

- (i) The last paragraph of the risk factor headed “*Net Asset Value and Price Fluctuations*” is deleted in its entirety and replaced by the following:

“As with any ETF, the market price of Units will be subject to a “bid/ask” spread – being the difference between the prices being bid by potential purchasers and the prices being asked by potential sellers. In times of severe market disruption or when there is an insufficient number of buyers and sellers of Units, the bid/ask spread may increase significantly. When the market price of Units is falling rapidly, Units are most likely to be traded at a discount to the Net Asset Value per Unit, which may be the time that you most want to sell your Units. However, the Manager believes that, under normal market conditions, large discounts to or premiums in the market price of a Unit over the Net Asset Value per Unit will not be sustained because of arbitrage opportunities. In the case of suspension of 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 per Unit.”

- (ii) The second last paragraph of the risk factor headed “*Trading and Listing Issues*” is deleted in its entirety.

- (iii) The following risk factors are inserted after the risk factor headed “*Trading and Listing Issues*”:

“Risks of absence of active market and liquidity

Although Units of the H-Share ETF 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 which comprise the H-Share ETF's assets 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 its Units at a time when no active market for them exists, the price it receives for its Units (assuming it is able to sell them) is likely to be lower than the price received if an active market did exist.

Risk of no trading market in the Units

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.

Risk of suspension of trading

Investors and potential investors will not be able to buy, nor will investors be able to 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 in the interests of a fair and orderly market to protect investors. The creation and redemption of Units may also be suspended if the trading of Units is suspended."

- (iv) The following risk factor is inserted after the risk factor headed "*Stock Market Volatility*":

"Liquidity Risk

In respect of the underlying investments of the H-Share ETF, liquidity risk exists. It is possible that a particular investment or position cannot be easily unwound or offset in a timely manner and/or at a reasonable price due to insufficient market depth or market disruption. Liquid investments may become illiquid or less liquid in particular during period of market turmoil or economic uncertainty. The liquidity of the underlying investments of the H-Share ETF would have an impact on the ability of H-Share ETF to meet the redemption requests of its Unitholders. Absence of liquidity of the underlying investments may have an adverse impact on the H-Share ETF and the value of its underlying investments.

In addition, securities exchanges normally have the right to suspend or limit trading in any securities traded on the relevant exchanges under certain circumstances. A suspension or limitation on trading means liquidation of such securities is impossible or trading such securities is limited during the relevant period and where the H-Share ETF invests in these securities, it may be subject to losses. In case of low trading volume in respect of an underlying security, the liquidity of such security may be adversely affected. Accordingly, the ability of the H-Share ETF to meet the redemption requests of its Unitholders may be adversely affected."

- (v) The following risk factor is inserted after the risk factor headed "*Reliance on Market Makers*":

"Risk of reliance on Participating Dealers

The in-kind creation and in-kind 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 relevant securities through the CCASS is disrupted or the H-Share 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 H-Share ETF or disposal of the H-Share ETF's securities cannot be effected. 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 have in-kind creation or redemption of Units freely."

(2) Liquidity Risk Management

The following new section is inserted after the section headed “**What are the Risks of Investing in the H-Share ETF?**” and the table of contents of the Hong Kong Offering Document is updated accordingly:

“Liquidity Risk Management

Liquidity Risk Management Process

Liquidity risk management process is in place for the Manager to manage and monitor liquidity profile of the H-Share ETF in a prudent manner under both normal and adverse market situations.

When managing the H-Share ETF, in addition to risk factors such as market risk, credit risk, exchange rate risk, interest rate risk, etc., the portfolio management team of the Manager considers the liquidity of the H-Share ETF’s investments and the corresponding impact on the liquidity profile of the H-Share ETF as well as the H-Share ETF’s potential liquidity requirement, in a manner which shall facilitate the H-Share ETF to meet its redemption obligations.

An investment liquidity risk monitoring framework is employed by the Manager to assess and manage liquidity risk of the H-Share ETF. Ongoing liquidity risk assessments and monitoring are performed, taking into account the potential liquidity requirements of the H-Share ETF and the market liquidity under normal and stressed circumstances.

In assessing the potential liquidity requirements of the H-Share ETF, the Manager considers the historical and expected redemption patterns of the H-Share ETF to the extent practicable and how concentration of holding of Units of the H-Share ETF (if any) might impact the redemption profile and hence the level of liquidity risk of the H-Share ETF.

Mechanism is in place for the Manager to assess, review and decide on the actions which may be required at short notice to meet liquidity demands of the H-Share ETF under unexpected stressed conditions.

Independent control monitoring is put in place by the Manager to ensure the ongoing implementation of the liquidity risk management process for the H-Share ETF. Liquidity risk management for the H-Share ETF is also subject to oversight by an internal committee of the Manager.

Liquidity Risk Management Tools

The following liquidity risk management tools are in place for the Manager to manage the liquidity risk of the H-Share ETF and to ensure that unitholders are treated fairly:

Suspension of the Determination of Net Asset Value and the Right to Redeem Units

There are circumstances in which the Net Asset Value of the H-Share ETF may not be ascertained or it is not reasonably practicable to realise any investments of the H-Share ETF. In such cases, the Manager may, after giving notice to the Trustee, declare a suspension of the determination of the Net Asset Value of the H-Share ETF and the right to redeem Units of the H-Share ETF. No Units will be issued or redeemed during such a period of suspension. For details of such circumstances and the relevant notification arrangement by the Manager, please refer to the section headed “**Suspension of the Determination of Net Asset Value and the Right to Redeem Units**” of this offering document.

Borrowings

There may be circumstances in which sufficient cash is not readily available for payment of redemption proceeds of the H-Share ETF, e.g. redemption payment is due to be settled before proceeds from disposal of underlying investments of the H-Share ETF is received. Borrowing can be used as a liquidity risk management tool for the H-Share ETF to meet redemption obligations, subject to the restrictions as set out in the sub-section headed “*Borrowing Restrictions*” under “**Are there any Investment or other Restrictions Applicable**

to the H-Share ETF?” of this offering document.

Adjustments to the Net Asset Value of the H-Share ETF

Where there is net cash inflow to the H-Share ETF, the Manager will generally invest for the H-Share ETF; where there is net cash outflow to the H-Share ETF, investments may need to be sold to fulfill the redemption obligations of the H-Share ETF. Duties (such as stamp duties) and charges so incurred, if significant, will adversely affect the interest of the remaining investors of the H-Share ETF. As such, for cash subscriptions and redemptions, the Manager may make adjustments to the Net Asset Value as set out in the section headed “**Calculation of Issue Price and Redemption Price**” of this offering document. This, in effect, is to allocate the costs of subscription to subscribing investors and the costs of redemption to redeeming investors.

Impact of the Use of the Liquidity Risk Management Tools on the H-Share ETF and Investors

The liquidity risk management tools aim to protect the interests of investors of the H-Share ETF under circumstances as stated above and determined by the Manager from time to time. Investors should pay attention to the impact of the use of liquidity risk management tools on the H-Share ETF and the investors:

- *Suspension of the Determination of Net Asset Value and the Right to Redeem Units:*
 - (1) Any such suspension shall take effect forthwith upon the declaration thereof and thereafter there shall be no determination of the Net Asset Value until the Manager shall declare the suspension at an end. No Units will be issued or redeemed during such a period of suspension.
 - (2) In the case of suspension of 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 NAV per Unit.
- *Borrowings:* While borrowings may provide liquidity for the H-Share ETF, it will increase its operating expenses and hence would affect the performance of the H-Share ETF.
- *Adjustments to the Net Asset Value of the H-Share ETF:* Adjustments to the Net Asset Value of the H-Share ETF in determining the redemption price aim to allocate the costs of redemption to redeeming investors. Investors should note that such costs of redemption charged to the redeeming investors and so received by the H-Share ETF may be greater than or less than the actual costs of redemption incurred by the H-Share ETF.”

(3) Directors of The Manager and Listing Agent

This section is deleted in its entirety and replaced by the following:

**“DIRECTORS OF THE MANAGER
AND LISTING AGENT**

Fung Hau Chung, Andrew
Lee Pui Shan
Luk Sai Lung
Ngan Man Kit
Leung Wing Lok, Andrew
Pang Yiu Hung, Victor
Sridhar Chandrasekharan”

(4) Updated Index Information

Appendix 2 – Information about the Hang Seng China Enterprises Index (the “H-Share Index”)

As at 16 December 2016, the respective weightings of the top 10 largest constituent stocks of the H-Share Index were:

Stock Code	Stock Name	Weighting (%)
3988	Bank of China Ltd. - H Share	10.26
1398	Industrial and Commercial Bank of China Ltd. - H Share	9.95
939	China Construction Bank Corporation - H Share	9.91
2318	Ping An Insurance (Group) Co. of China Ltd. - H Share	8.34
2628	China Life Insurance Co. Ltd. - H Share	6.04
386	China Petroleum & Chemical Corporation - H Share	5.73
857	PetroChina Co. Ltd. - H Share	4.91
1288	Agricultural Bank of China Ltd. - H Share	3.09
3968	China Merchants Bank Co., Ltd. - H Share	2.87
2601	China Pacific Insurance (Group) Co., Ltd. - H Share	2.66

If you have any queries concerning the above, please contact us at (852) 2198 3379 during office hours.

We accept full responsibility for the accuracy of the contents of this document as at the date of its publication.

Hang Seng Investment Management Limited
30 December 2016

Hang Seng Investment Index Funds Series

Hang Seng H-Share Index ETF
(HKD Counter Stock Code: 02828 / RMB Counter Stock Code: 82828)
(the "Fund")

Notice to Unitholders

This document is important and requires your immediate attention. If you are in doubt about the contents of this document, you should seek independent professional financial advice.

Capitalised terms used herein but not otherwise defined will have the same meanings as defined in the Hong Kong Offering Document of the Fund.

Investors should note that all investments involve risks (including the possibility of loss of the capital invested), prices of fund units may go up as well as down and past performance is not indicative of future performance. Investors should read the relevant fund's offering documents (including the full text of the risk factors stated therein) in detail before making any investment decision.

The Stock Exchange of Hong Kong Limited, Hong Kong Securities Clearing Company Limited and the Securities and Futures Commission ("SFC") take no responsibility for the contents of this document, 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 document.

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.

Dear Unitholders,

Amendments to the Hong Kong Offering Document of the Fund

We, as the Manager of the Fund, are writing to inform you that with effect from the date of this document, certain amendments are made to the Hong Kong Offering Document of the Fund. The amendments are in respect of (i) the risk factor headed "*Stock Market Volatility*" under "**What are the Risks of Investing in the H-Share ETF?**"; and (ii) the Dealing Deadline for in-kind/special creation and in-kind/special redemption under the section headed "**Purchase and Sale of Units on the SEHK and Creation and Redemption of Units**". For details of the amendments, please refer to the "Amendments to the Hong Kong Offering Document of the Fund" enclosed. The updated Product Key Facts Statement of the Fund is also available at www.hangsenginvestment.com from the date of this document.

If you have any queries concerning the above, please contact us at (852) 2198 3379 during office hours.

We accept full responsibility for the accuracy of the contents of this document.

Hang Seng Investment Management Limited

30 November 2016

Hang Seng Investment Index Funds Series

Hang Seng H-Share Index ETF (HKD Counter Stock Code: 02828 / RMB Counter Stock Code: 82828) (the "Fund")

Investors should note that all investments involve risks (including the possibility of loss of the capital invested), prices of fund units may go up as well as down and past performance is not indicative of future performance. Investors should read the relevant fund's offering documents (including the full text of the risk factors stated therein) in detail before making any investment decision.

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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.

Amendments to the Hong Kong Offering Document of the Fund

The following amendments are made to the Hong Kong Offering Document of the Fund with effect from the date of this document. These amendments form part of and should be read in conjunction with the Hong Kong Offering Document of the Fund.

1. What are the Risks of Investing in the H-Share ETF?

The sub-section headed "*Stock Market Volatility*" is deleted in its entirety and replaced by the following:

Stock Market Volatility

The value of equity securities, including H-Shares, fluctuates in response to issuer, political, market, and economic developments. In the short term, equity prices can fluctuate dramatically in response to these developments. Different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Securities exchanges normally have the right to suspend or limit trading in any securities traded on the relevant exchanges under certain circumstances. A suspension or limitation on trading means liquidation of such securities is impossible or trading of such securities is limited during the relevant period and where the H-Share ETF invests in these securities, the H-Share ETF may be subject to losses."

2. Purchase and Sale of Units on the SEHK and Creation and Redemption of Units

(a) The third paragraph of the sub-section headed "*In-kind Creation and In-kind Redemption*" is deleted in its entirety and replaced by the following:

"The cut-off time (the "Dealing Deadline") for making an in-kind creation application and an in-kind redemption application by a Participating Dealer is 15 minutes after the official closing time of the SEHK on each Dealing Day, or such other time prior to the calculation of the Net Asset Value of the H-Share ETF on that Dealing Day as the Manager may determine and agree with the Trustee. The current Dealing Deadline is 4:25 p.m. (Hong Kong time) if it is a full trading day on the SEHK or if the SEHK opens for normal trading only in the afternoon, or 12:25 p.m. (Hong Kong time) if the SEHK opens for normal trading only in the morning of the relevant Dealing Day."

(b) The second paragraph of the sub-section headed "*Special creation and redemption*" is deleted in its entirety and replaced by the following:

"The Dealing Deadline for making a special creation application and a special redemption application by the Feeder Funds is the official closing time of the SEHK on the relevant Dealing Day, or such other time prior to the calculation of the Net Asset Value of the H-Share ETF on that Dealing Day as the Manager may determine and agree with the Trustee. The current Dealing Deadline is 4:10 p.m. (Hong Kong time) if it is a full trading day on the SEHK or if the SEHK opens for normal trading only in the afternoon, or 12:10 p.m. (Hong Kong time) if the SEHK opens for normal trading only in the morning of the relevant Dealing Day."

3. Updated Index Information

Appendix 2 – Information about the Hang Seng China Enterprises Index (the “H-Share Index”)

As at 31 October 2016, the respective weightings of the top 10 largest constituent stocks of the H-Share Index were:

Stock Code	Stock Name	Weighting (%)
3988	Bank of China Ltd. - H Share	10.12
939	China Construction Bank Corporation - H Share	9.81
1398	Industrial and Commercial Bank of China Ltd. - H Share	9.39
2318	Ping An Insurance (Group) Co. of China Ltd. - H Share	8.53
386	China Petroleum & Chemical Corporation - H Share	5.76
2628	China Life Insurance Co. Ltd. - H Share	5.73
857	PetroChina Co. Ltd. - H Share	4.50
1288	Agricultural Bank of China Ltd. - H Share	3.21
3968	China Merchants Bank Co., Ltd. - H Share	2.95
2601	China Pacific Insurance (Group) Co., Ltd. - H Share	2.64

If you have any queries concerning the above, please contact us at (852) 2198 3379 during office hours.

We accept full responsibility for the accuracy of the contents of this document.

Hang Seng Investment Management Limited
30 November 2016

Hang Seng Investment Index Funds Series
Hang Seng H-Share Index ETF
(HKD Counter Stock Code: 02828 / RMB Counter Stock Code: 82828)
(the "Fund")

This document is important and requires your immediate attention. If you are in doubt about the contents of this document, you should seek independent professional financial advice.

Capitalised terms used herein but not otherwise defined will have the same meanings as defined in the Hong Kong Offering Document of the Fund.

Investors should note that all investments involve risks (including the possibility of loss of the capital invested), prices of fund units may go up as well as down and past performance is not indicative of future performance. Investors should read the relevant fund's offering documents (including the full text of the risk factors stated therein) in detail before making any investment decision.

The Stock Exchange of Hong Kong Limited ("SEHK"), Hong Kong Securities Clearing Company Limited and the Securities and Futures Commission ("SFC") take no responsibility for the contents of this document, 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 document.

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

Dear Unitholders,

**Update on the withdrawal of the listing of the Fund from Taiwan Stock Exchange
and Amendments to the Hong Kong Offering Document of the Fund**

Further to our Notice to Unitholders dated 10 November 2015, we, as the Manager of the Fund, are writing to inform you that the withdrawal of the listing of the Fund from the Taiwan Stock Exchange (the "TWSE") (the "Withdrawal") became effective on 9 December 2015 and the Withdrawal was ratified by the board of the TWSE on 15 December 2015.

An announcement on the ratification of the Withdrawal by the board of the TWSE to the Taiwan investors was made on the date of this Notice in Taiwan (the "Announcement") by HSBC Global Asset Management (Taiwan) Limited (the "Master Agent"), the master agent of the Fund in Taiwan. A copy of the Announcement is available from the Master Agent's website at: http://www.assetmanagement.hsbc.com.tw/HSBC_WCTS_FE/feBulletin/fe009-03.asp?SN=613&Kind=1 (this website has not been reviewed by the SFC).

Certain amendments (which took effect from 9 December 2015) have been made to the Hong Kong Offering Document of the Fund as a result of the Withdrawal. Please refer to the enclosed "Amendments to the Hong Kong Offering Document of the Fund" for details of these amendments.

The Withdrawal will not affect the existing operation or dealing arrangement of the Fund, including the listing and trading of the Units on SEHK. Therefore, you can continue to buy or sell Units through your broker or bank securities account anytime during trading hours of the SEHK.

Investors should exercise caution and consult with their professional financial advisers before dealing in the Units or otherwise deciding on a course of action to be taken in relation to the Units.

If you have any queries concerning the above, please contact us at (852) 2198 3379 during office hours.

We accept full responsibility for the accuracy of the contents of this document as at the date of its publication.

Hang Seng Investment Management Limited
16 December 2015

Hang Seng Investment Index Funds Series

Hang Seng H-Share Index ETF (HKD Counter Stock Code: 02828 / RMB Counter Stock Code: 82828) (the “Fund”)

Investors should note that all investments involve risks (including the possibility of loss of the capital invested), prices of fund units may go up as well as down and past performance is not indicative of future performance. Investors should read the relevant fund’s offering documents (including the full text of the risk factors stated therein) in detail before making any investment decision.

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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

Amendments to the Hong Kong Offering Document of the Fund

The following amendments have been made to the Hong Kong Offering Document of the Fund with effect from 9 December 2015. These amendments form part of and should be read in conjunction with the Hong Kong Offering Document of the Fund.

(1) Cover Page

The first paragraph under the paragraph headed “Important” on the cover page of the Hong Kong Offering Document has been deleted in its entirety and replaced by the following:

“Units of the Hang Seng H-Share Index ETF (the “**H-Share ETF**”) are listed and can be dealt with on The Stock Exchange of Hong Kong Limited. Units of the H-Share ETF may also be listed on other stock exchanges in the future.”

(2) Selling and Holding Restrictions

The first paragraph under this section has been deleted in its entirety and replaced by the following:

“Permission for the offering of any units (“**Units**”) of the H-Share ETF in Hong Kong and the distribution of this offering document (including the Product Key Facts Statement for the H-Share ETF) in Hong Kong has been obtained. Units may also be listed on other stock exchanges in the future. For the authorisation/listing status of the H-Share ETF in the relevant jurisdiction(s), investors may contact the authorised agent(s) in the relevant jurisdiction(s) or the Manager.”

(3) What are the Risks of Investing in the H-Share ETF?

The fourth paragraph under the paragraph headed “*Trading and Listing Issues*” of this section has been deleted in its entirety and replaced by the following:

“In the event the Units of the H-Share ETF are also listed on stock exchange(s) other than the SEHK, it is possible that such Units are still listed on the stock exchange on which they are primarily listed (i.e. the SEHK) whilst they are no longer listed or dealt with on other stock exchange(s). The Manager may apply for withdrawal of listing on such other stock exchange(s) in accordance with the relevant provisions of the Trust Deed, whilst maintaining the listing status on the SEHK. In such case, the prior approval from the relevant stock exchange(s) and regulatory authority(ies) shall be sought and notification of the delisting arrangement (the details of which shall be available at the authorised agent(s) in such jurisdiction(s)) will be sent to the relevant investors. Please note that Units which are listed on such other stock exchange(s) but are not redeemed as of the “de-list day” may be sold with the proceeds, after deducting the necessary transaction costs and currency conversion (if applicable), paid to the relevant investors in compliance with the requirements under all applicable laws and regulations (if any). Such net amount may be higher or lower than the amount of the capital invested, thus such investors may suffer losses.”

If you have any queries concerning the above, please contact us at (852) 2198 3379 during office hours.
We accept full responsibility for the accuracy of the contents of this document as at the date of its publication.

Hang Seng Investment Management Limited
16 December 2015

Hang Seng Investment Index Funds Series
Hang Seng H-Share Index ETF
(HKD Counter Stock Code: 02828 / RMB Counter Stock Code: 82828)
(the “Fund”)

Investors should note that all investments involve risks (including the possibility of loss of the capital invested), prices of fund units may go up as well as down and past performance is not indicative of future performance. Investors should read the relevant fund’s offering documents (including the full text of the risk factors stated therein) in detail before making any investment decision.

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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.

Amendments to the Hong Kong Offering Document of the Fund

The following amendments are made to the Hong Kong Offering Document of the Fund with effect from the date of this document. These amendments form part of and should be read in conjunction with the Hong Kong Offering Document of the Fund.

(1) DIRECTORS OF THE MANAGER AND LISTING AGENT

This section has been deleted in its entirety and replaced by the following:

**“DIRECTORS OF THE MANAGER
AND LISTING AGENT**

Fung Hau Chung, Andrew
Lee Pui Shan
Luk Sai Lung
Ngan Man Kit
Leung Wing Lok, Andrew
Pang Yiu Hung, Victor”

(2) The United States of America – Foreign Account Tax Compliance Act (FATCA)

i. The second paragraph under this section has been deleted in its entirety and replaced by the following:

“This withholding tax applies to payments to the H-Share ETF that constitute interest, dividends and other types of income from U.S. sources (such as dividends paid by a U.S. corporation) and beginning on 1 January 2019, this withholding tax is extended to the proceeds received from the sale or disposition of assets that give rise to U.S. source dividend or interest payments.”

ii. The eighth paragraph under this section has been deleted in its entirety and replaced by the following:

“The disclosure in this section is based on advice received by the H-Share ETF regarding the law and practice in force in the U.S. as at 30 September 2015. Unitholders/Investors should consult their own tax advisors regarding the FATCA requirements with respect to their own situation. In particular, investors who invest in the H-Share ETF through intermediaries should confirm the FATCA compliance status of those intermediaries to ensure that they do not suffer FATCA withholding tax on their investment returns.”

(3) Updated Index Information

Appendix 2 – Information about the Hang Seng China Enterprises Index (the “H-Share Index”)

As at 10 December 2015, the respective weightings of the top 10 largest constituent stocks of the H-Share Index were:

Stock Code	Stock Name	Weighting (%)
939	China Construction Bank Corporation – H Share	10.17
1398	Industrial and Commercial Bank of China Ltd. – H Share	10.08
3988	Bank of China Ltd. – H Share	10.01
2318	Ping An Insurance (Group) Co. of China Ltd. – H Share	8.70
2628	China Life Insurance Co. Ltd. – H Share	7.37
386	China Petroleum & Chemical Corporation – H Share	4.50
857	PetroChina Co. Ltd. – H Share	4.31
2601	China Pacific Insurance (Group) Co., Ltd. – H Share	3.00
3968	China Merchants Bank Co., Ltd. – H Share	2.86
1288	Agricultural Bank of China Ltd. – H Share	2.82

If you have any queries concerning the above, please contact us at (852) 2198 3379 during office hours.

We accept full responsibility for the accuracy of the contents of this document.

Hang Seng Investment Management Limited
11 December 2015

Hang Seng H-Share Index ETF

(HKD Counter Stock Code: 02828)

(RMB Counter Stock Code: 82828)

Hong Kong Offering Document

Important – If you are in any doubt about the contents of this document, you should consult your broker, bank manager, solicitor or accountant or other independent professional financial adviser.

Units of the Hang Seng H-Share Index ETF (the “**H-Share ETF**”) are listed and can be dealt with on The Stock Exchange of Hong Kong Limited and Taiwan Stock Exchange. Units of the H-Share ETF may also be listed on other stock exchanges in the future.

The Stock Exchange of Hong Kong Limited, the Securities and Futures Commission in Hong Kong (the “**SFC**”) and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this document (including the Product Key Facts Statement for the H-Share ETF), 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 document.

The H-Share ETF has been authorised as a collective investment scheme by the SFC. SFC authorization is not a recommendation or endorsement of the H-Share ETF nor does it guarantee the commercial merits of the H-Share ETF or its performance. It does not mean the H-Share ETF is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

Hang Seng Investment Management Limited

4 September 2015

Selling and Holding Restrictions

Permission for the offering of any units (“Units”) of the H-Share ETF in Hong Kong and Taiwan and the distribution of this offering document (including the Product Key Facts Statement for the H-Share ETF) in Hong Kong has been obtained. Units may also be listed on other stock exchanges in the future. For the authorization/listing status of the H-Share ETF in the relevant jurisdiction(s), investors may contact the authorised agent(s) in the relevant jurisdiction(s) or the Manager.

The HKD traded Units are listed on The Stock Exchange of Hong Kong Limited (the “SEHK”). The HKD traded Units have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“HKSCC”) for deposit, clearing and settlement in the Central Clearing and Settlement System (“CCASS”). Subject to compliance with the stock admission requirements of HKSCC, the RMB traded Units will be accepted as eligible securities by HKSCC for deposit, clearing and settlement in CCASS with effect from the date of commencement of dealings in the RMB traded Units 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. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The distribution of this offering document and the offering of the Units may be restricted in certain jurisdictions. This offering document does not constitute and should not be regarded as an offer or solicitation by anyone in any jurisdiction where such offer or solicitation is not authorised or may be unlawful, where the person making such offer or solicitation is not authorised to make it or where the person receiving such offer or solicitation may not lawfully receive it.

In particular:-

- (A) Units have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or under the securities laws of any state and Units have not been and will not be registered under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”).

Units may not be offered or sold to, transferred to or acquired by any “U.S. Person” (a “**US Person**”) and may not be directly or indirectly offered or sold in the U.S. or for the benefit of a US Person. For the purposes of this restriction, the term US Person shall mean the following:

1. An individual who is deemed a resident of the U.S. under any U.S. law or regulation.
2. An entity:
 - i. that is a corporation, partnership, limited liability company or other business entity:
 - a. that was created or organized under U.S. federal or state law including any non-U.S. agency or branch of such entity; or
 - b. where regardless of place of formation or organization, was organized principally for passive investment (such as an investment company or fund or similar entity other than an employee benefit plan or employee pension scheme for the employees, officers, or principals of a non-U.S. entity having its principal place of business outside the United States);
 - and owned directly or indirectly by one or more US Persons, with respect to which such US Persons (unless defined as a Qualified Eligible Person under CFTC Regulation 4.7(a)) directly or indirectly hold in the aggregate 10% or greater beneficial interest; or
 - where a US Person is the general partner, managing member, managing director or other position with authority for directing the entity's activities; or
 - was formed by or for a US Person principally for the purpose of investing in securities not registered with the Securities and Exchange Commission (“**SEC**”); or
 - where more than 50% of its voting ownership interests or non-voting ownership interests are directly or indirectly owned by US Persons; or
 - c. that is any agency or branch of a non-U.S. entity located in the U.S.; or
 - d. has its principal place of business in the U.S.; or
 - ii. that is a trust created or organized under U.S. federal or state law or regardless of the place of creation or organization:
 - a. where one or more US Persons has the authority to control all substantial decisions of the trust;
or

- b. where the administration of the trust or its formation documents are subject to the supervision of one or more U.S. courts; or
 - c. where any settlor, founder, trustee, or other person responsible for decisions related to the trust is a US Person; or
 - iii. that is an estate of a deceased person regardless of where the person resided while alive where an executor or administrator is a US Person.
3. An employee benefit plan established and administered in accordance with the laws of the U.S.
 4. A discretionary or non-discretionary investment account or similar account (other than an estate or trust) held by a non-U.S. or U.S. dealer or other fiduciary for the benefit or account of a US Person (as defined above).

Units may not, except pursuant to a relevant exemption, be acquired or owned by, or acquired with the assets of an ERISA Plan. An "ERISA Plan" is any retirement plan subject to Title 1 of the United States Employee Retirement Income Securities Act of 1974, as amended; or any individual retirement account or plan subject to section 4975 of the United States Internal Revenue Code of 1986, as amended.

For the purpose of this definition, the "**United States**" and "**U.S.**" means the United States of America (including the States and the District of Columbia), its territories, possessions and other areas of subject to its jurisdiction.

If, subsequent to a unitholder's investment in the H-Share ETF, the unitholder becomes a US Person, such unitholder (i) will be restricted from making any additional investments in the H-Share ETF and (ii) as soon as practicable have its Units compulsorily redeemed by the H-Share ETF (subject to the requirements of applicable law).

The Manager may, from time to time, waive or modify the above restrictions subject to the provisions of the Trust Deed.

- (B) Units will not be offered for sale in Canada. In addition, no offer or invitation to subscribe for Units may be made to, and no Units may be held by or transferred to Canadian residents or for the benefit of any Canadian resident. A distribution or solicitation may be deemed to occur in Canada where a distribution or solicitation is made to a person (including an individual, corporation, trust, partnership or other entity, or other legal person) resident or otherwise located in Canada at the applicable time. For these purposes, the following persons will generally be considered to be a Canadian resident:
1. An individual, if
 - i. the individual's primary principal residence is located in Canada; or
 - ii. the individual is physically located in Canada at the time of the offer, sale or other relevant activity.
 2. A corporation, if
 - i. the corporation's head office or principal office is located in Canada; or
 - ii. securities of the corporation that entitle the holder to elect a majority of the directors are held by Canadian Resident individuals (as described above) or by legal persons resident or otherwise located in Canada; or
 - iii. the individuals that make investment decisions or provide instructions on behalf of the corporation are Canadian Resident individuals (as described above).
 3. A trust, if
 - i. the principal office of the trust (if any) is located in Canada; or
 - ii. the trustee (or in the case of multiple trustees, the majority of trustees) are Canadian Resident individuals (as described above) or are legal persons resident or otherwise located in Canada; or
 - iii. the individuals that make investment decisions or provide instructions on behalf of the trust are Canadian Resident individuals (as described above).
 4. A partnership, if
 - i. the partnership's head office or principal office (if any) is located in Canada; or
 - ii. the holders of the majority of the interests of or in the partnership are held by Canadian Residents (as described above); or
 - iii. the general partner (if any) is a Canadian Resident (as described above); or

- iv. the individuals that make investment decisions or provide instructions on behalf of the partnership are Canadian Resident individuals (as described above).

In addition and without prejudice to the above, the Manager has the power to impose such restrictions as the Manager may think necessary for the purpose of ensuring that no Units are acquired or held by:

- (a) any person in breach of the law or requirements of any country or governmental authority or the SEHK in circumstances which, in the opinion of the Manager, might result in the H-Share ETF suffering an adverse effect; or
- (b) any person or persons in circumstances (whether directly or indirectly affecting such person or persons and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager to be relevant) which, in the opinion of the Manager, might result in the H-Share ETF incurring any liability to taxation or suffering any other pecuniary disadvantage.

If the Manager becomes aware that any Units are owned directly or beneficially by any person in contravention of any restrictions applied by the Manager, the Manager may require such person to transfer or redeem such Units.

Enquiries and Complaints to the Manager

All investors' enquiries and complaints directed to the Manager should be made in writing and sent to the following address:

Hang Seng Investment Management Limited
83 Des Voeux Road Central
Hong Kong

The Manager will respond to investors' enquiries or complaints in writing as soon as practicable.

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Summary

Set out below is a summary of the H-Share ETF. The summary information is derived from, and should be read in conjunction with, the full text of this offering document. **Your attention is drawn to the section headed “What are the Risks of Investing in the H-Share ETF?”.**

Key Information in respect of the H-Share ETF

Instrument Type	Exchange Traded Fund
Tracked Index	Hang Seng China Enterprises Index
Listing Date	10 December 2003
Exchange Listing in Hong Kong	The Stock Exchange of Hong Kong Limited (“SEHK”) – Main Board
Stock Code	HKD Counter – 02828 RMB Counter – 82828
Stock Short Name	HKD Counter – HS H ETF RMB Counter – HS H ETF-R
Dealing Commencement Date	HKD Counter – 10 December 2003 RMB Counter – 4 September 2015
Trading Board Lot Size	HKD Counter – 200 Units RMB Counter – 200 Units
Trading Currency	HKD Counter – Hong Kong dollars (HKD) RMB Counter – Renminbi (RMB)
Base Currency	Hong Kong dollars (HKD)
Dividend Policy	Semi-annually (if any). Dividends on all Units (RMB counter Units and HKD counter Units) will be in HKD only ¹
Market price per Unit in Proportion to H-Share Index	Approximately 1/100 ²
In-kind Creation/ Redemption (via Participating Dealers only)	Minimum 100,000 Units (or multiples thereof)
Ongoing charges³	0.65%
Manager	Hang Seng Investment Management Limited
Trustee	HSBC Provident Fund Trustee (Hong Kong) Limited
Registrar	HSBC Provident Fund Trustee (Hong Kong) Limited
Website	www.hangsenginvestment.com

What is the H-Share ETF?

The H-Share ETF is part of the Hang Seng Investment Index Funds Series (the “**Index Funds Series**”), a unit trust established as an umbrella fund under the laws of Hong Kong on 18 November 2003 to facilitate the establishment of various index-tracking funds including exchange traded funds. The H-Share ETF is the first sub-fund of the Index Funds Series and was established on 19 November 2003.

The H-Share ETF is an index-tracking fund that seeks to provide investment returns for investors that match the performance of the H-Share Index as closely as practicable. Hang Seng Investment Management Limited (the “**Manager**”), the manager of the H-Share ETF, intends to adopt a replication strategy to pursue this objective.

The H-Share Index tracks the performance of mainland China (the “**Mainland**”) incorporated enterprises listed in Hong Kong in the form of H Shares.

¹ Both HKD traded Units and RMB traded Units will receive dividends in HKD only. In the event that the relevant Unitholder has no HKD account, the Unitholder may have to bear the fees and charges associated with the conversion of such dividend from HKD into RMB or any other currency. Unitholders are advised to check with their brokers for arrangements concerning dividends and to consider the risk factor entitled “HKD Dividends Risk” below.

² This is only a rough approximation and is for reference only (brokerage and other transaction fee not included). The actual proportion may vary due to market demand and supply for the Units, as well as other factors. The Manager shall not be liable for such rough approximation.

³ The ongoing charges figure is based on ongoing expenses for the year ended 31 December 2014 expressed as a percentage of the H-Share ETF’s average Net Asset Value for the same period. It includes the fees of the Manager and the Trustee. Please refer to the “Fees and Expenses Payable by the H-Share ETF” section for details. This figure may vary from year to year.

Trading of Units

Units in the H-Share ETF are denominated in HKD. Investors may:

- (1) purchase and sell Units in the secondary market on the SEHK in board lot of 200 Units (or multiples thereof) either in HKD in respect of HKD traded Units or in RMB in respect of RMB traded Units under the Dual Counter; and/or
- (2) apply for in-kind creation and redemption through authorised participants (the “**Participating Dealers**”) in a minimum number of 100,000 Units (or multiples thereof).

For the Feeder Funds, special creations and redemptions for the Units (both in cash and in-kind) through the Manager are available.

Is an investment in the H-Share ETF suitable for me?

The answer really depends on an assessment of your own circumstances. You should satisfy yourself that the H-Share ETF is suitable for you having regard to your own circumstances, including your financial situation, investment experience and investment objectives, before making any decision to invest in the H-Share ETF. Please note that the decision whether or not to invest remains with you. If you have any doubt as to whether or not the H-Share ETF is suitable for you, you should obtain independent professional advice.

By way of background, the H-Share ETF has been established for investors seeking a relatively inexpensive and passive means of investing in a portfolio of H-Shares. In tracking the H-Share Index, the H-Share ETF will be investing in Mainland companies which have substantial business exposure to growth opportunities in the Mainland.

You should carefully consider the risks involved in investing in the H-Share ETF together with all other information included in this offering document before making an investment decision. Please specifically see the section headed “What are the Risks of Investing in the H-Share ETF?”.

In addition, you should avoid excessive investment in any single type of investment (in terms of its proportion of your overall portfolio) including any proposed investment in Units so as to avoid having your investment portfolio being over-exposed to any particular investment risk.

What is the Investment Objective of the H-Share ETF?

The H-Share ETF is an index-tracking fund tracking the performance of the H-Share Index, as more fully described below.

The investment objective of an index-tracking fund is to match, before expenses, as closely as practicable, the performance of an underlying index against which the index-tracking fund is benchmarked.

A stock index tracks the performance of a group of stocks (the “**Index Securities**”) which an index provider selects as representative of a market, specific industry sector or market segment.

The index provider determines the relative weightings of the group of Index Securities in an index and publishes the information regarding the market value of the index.

The H-Share ETF seeks to provide investment returns that match as closely as practicable the performance of the H-Share Index. For more information about the H-Share Index and its constituent stocks (the “**H-Share Index Constituent Stocks**”), please see Appendix 2 “Information about the H-Share Index”.

What Investment Strategy is used by the H-Share ETF?

A replication strategy, as more fully described below.

Index-tracking funds are not managed according to traditional methods of active investment management, which involve the buying and selling of securities based on the fund manager’s economic, financial and market analysis and investment judgement.

Unlike an actively managed investment fund, an index-tracking fund does not attempt to outperform any particular stock market or sector thereof nor any underlying benchmark or stock index.

Instead, using a passive approach or indexing investment strategy, the fund manager attempts to match, as closely as practicable, the performance of the underlying index relevant to the index-tracking fund.

What are indexing investment strategies?

Indexing investment strategies are used by fund managers to fulfil an index-tracking fund's investment objective. Replication and representative sampling are the two most common strategies.

Replication Strategy

Using a replication strategy, an index-tracking fund invests in substantially all the Index Securities in substantially the same weightings (i.e. proportions) as these stocks have in the underlying index. When a stock ceases to be an Index Security rebalancing occurs which involves selling the outgoing Index Security and using the proceeds to acquire the incoming Index Security. The downside of using a replication strategy is that transaction costs may be higher than when a representative sampling strategy is being used.

Representative Sampling Strategy

Using a representative sampling strategy, an index-tracking fund invests in a representative sample of Index Securities selected by the fund manager using quantitative analytical models in a technique known as portfolio sampling. Under this technique, each stock is considered for inclusion in the fund based on its contribution to certain capitalization, industry and fundamental investment characteristics. The fund manager seeks to construct the portfolio of the fund so that, in the aggregate, its capitalization, industry and fundamental investment characteristics perform like those of its underlying index. The risk of using a representative sampling strategy is that it may not track the underlying index as closely as a replication strategy would allow, but a representative sampling strategy does provide for a close correlation to the underlying index in a cost-efficient manner.

What Strategy is Used for the H-Share ETF?

The Manager primarily adopts a replication strategy.

In order to maximise portfolio management efficiency, minimise transaction costs and tracking error, exposure to the H-Share Index may also be obtained through other index-tracking strategies or financial instruments from which the return to the H-Share ETF substantially reflects the performance of the H-Share Index. Such strategies and instruments are chosen based on their correlation to the H-Share Index and cost efficiency in order to reflect the characteristics of the H-Share Index. Hence, the Manager may decide to utilise a representative sampling strategy or another investment strategy from time to time to achieve the H-Share ETF's investment objective.

If a representative sampling strategy is implemented by the Manager, the Manager will apply such strategy in accordance with the H-Share ETF's investment restrictions (please see the section headed "Are there any Investment or other Restrictions applicable to the H-Share ETF?") thereby enabling the Manager to overweight the H-Share Index Constituent Stocks relative to their respective weightings in the H-Share Index in accordance with the below limits.

Stock's weight in the H-Share Index	Maximum extra weighting to be allocated
Below 10%	4% ⁽¹⁾
10% - 30%	4%
30% - 50%	3%
Above 50%	2%

Note:

⁽¹⁾ Where the weighting of a constituent stock in the H-Share Index is below 10% and if the total allocation to this constituent stock is still below 10% after allocating the maximum extra weighting of 4%, the total allocation to it may be adjusted up to a maximum of 10%.

Disclosures will be made in the H-Share ETF's reports and accounts whether the above limits have been complied in full.

Are there any Investment or other Restrictions Applicable to the H-Share ETF?

Yes. The H-Share ETF is a collective investment scheme authorised by the SFC for sale to investors in Hong Kong pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (an "**Authorised Fund**"), SFC authorization is not a recommendation or endorsement of the H-Share ETF nor does it guarantee the commercial merits of the H-Share ETF or its performance. It does not mean the H-Share ETF is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. The SFC has the right to withdraw such authorization of the H-Share ETF if it no longer considers the H-Share Index is acceptable. In addition, as an Authorised Fund, the H-Share ETF is not permitted to make certain investments or to engage in certain borrowing or lending activities. These investment, borrowing and lending restrictions are summarised below.

Investment restrictions

- (1) Not more than 10% of the Net Asset Value of the H-Share ETF may consist of securities (other than government securities) issued by a single issuer, except that this 10% limitation may be exceeded provided that:
 - (i) it is limited to an H-Share Index Constituent Stock that each accounts for more than 10% of the weighting of the H-Share Index Constituent Stock; and the H-Share ETF's holding of any such H-Share Index Constituent Stock does not exceed its weightings in the H-Share Index (except where such weighting is exceeded as a result of changes in the composition of the H-Share Index and the excess is only transitional and temporary in nature); or
 - (ii) the H-Share ETF has adopted a representative sampling strategy; and
 - (A) the strategy is clearly disclosed in this offering document, as amended from time to time;
 - (B) the excess of the weighting of the H-Share Index Constituent Stock held by the H-Share ETF over its weighting in the H-Share Index is caused by the implementation of the representative sampling strategy;
 - (C) any excess in weighting of the H-Share Index Constituent Stock over its weighting in the H-Share Index is subject to a maximum limit reasonably determined by the Manager after consultation with the SFC and having had regard to the characteristics of the H-Share Index Constituent Stock, its weighting and the investment objective of the H-Share Index and any other suitable factors (the maximum limits applicable to the H-Share ETF are disclosed above under the sub-section headed "What Strategy is Used for the H-Share ETF?");
 - (D) the limits laid down by the H-Share ETF pursuant to paragraph (C) above are disclosed in this offering document as amended from time to time; and
 - (E) disclosure is made in the H-Share ETF's semi-annual and annual financial reports whether the limits in paragraph (C) have been complied with in full.
- (2) The H-Share ETF may not hold more than 10% of any ordinary shares issued by any single issuer.
- (3) Not more than 15% of the Net Asset Value of the H-Share ETF may consist of securities of any company not listed or quoted on a recognised securities market or recognised commodities market (as the case may be) on which such securities are regularly traded.
- (4) Not more than 30% of the Net Asset Value of the H-Share ETF may consist of government securities of a single issue, except that this 30% limitation may be exceeded provided that (1)(ii) is complied with or if the

excess is limited to any government securities that are constituent securities of the H-Share Index that each accounts for more than 30% of the weighting of the H-Share Index and the H-Share ETF's holding of any such constituent securities does not exceed their respective weightings in the H-Share Index (except where weightings are exceeded as a result of changes in the composition of the H-Share Index and the excess is only transitional and temporary in nature).

- (5) Not more than 15% (in terms of the total amount of premium paid) of the Net Asset Value of the H-Share ETF may consist of warrants and options, other than warrants and options held for hedging purposes.
- (6) The net aggregate value of the contract prices, whether payable to or by the H-Share ETF, under all outstanding futures contracts entered into for the account of the H-Share ETF (other than futures contracts entered into for hedging purposes), together with the aggregate value of physical commodities (including gold, silver, platinum or other bullion) and commodity based investments (other than securities issued by companies engaged in producing, processing or trading in commodities) held by the H-Share ETF may, not exceed 20% of the Net Asset Value of the H-Share ETF.
- (7) Not more than 10% of the Net Asset Value of the H-Share ETF may consist of shares or units in collective investment schemes (and the Manager may not obtain a rebate on any fees or charges levied by such collective investment scheme(s) or their management companies).
- (8) Where the H-Share ETF invests in any collective investment scheme(s) managed by the Manager or persons connected to it, all preliminary or initial charges on such collective investment scheme(s) must be waived.
- (9) The H-Share ETF may not invest in any share where a call is to be made for any sum unpaid on that share unless that call could be met in full out of cash or near cash by the assets of the H-Share ETF, the amount of which has not already been taken into account for the purposes of paragraph (10)(e) below.
- (10) The Manager shall not, on behalf of the H-Share ETF:
 - (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 collectively the directors and officers of the Manager 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);
 - (c) make short sales if as a result the H-Share ETF would be required to deliver securities having a value exceeding 10% of the Net Asset Value of the H-Share ETF and also the securities sold short must be actively traded on a stock exchange, over-the-counter market or other organized securities market which is open to the international public where short selling is permitted;
 - (d) write uncovered options;
 - (e) write a call option on securities if the aggregate exercise prices of all such call option and of all other options written for the account of the H-Share ETF would exceed 25% of the Net Asset Value of the H-Share ETF;
 - (f) make a loan out of the assets of the H-Share ETF without the prior written consent of the Trustee except to the extent that the acquisition of a security or the making of a deposit might constitute a loan;
 - (g) assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person in respect of borrowed money without the prior written consent of the Trustee; or

- (h) enter into any obligation on behalf of the H-Share ETF or acquire any asset for the account of the H-Share ETF which involves the assumption of any liability by the H-Share ETF which is unlimited.

Borrowing restrictions

The H-Share ETF is permitted to borrow an amount up to a maximum of 25% of its Net Asset Value except that back-to-back loans will not be taken into account when determining whether or not such limit has been breached. The Trustee may at the request of the Manager borrow for the account of the H-Share ETF any currency for the following purposes:

- (1) facilitating the subscriptions or redemption of Units or defraying operating expenses;
- (2) enabling the Manager to acquire investments for the account of the H-Share ETF;
- (3) enabling the Manager to realise Units or to pay expenses of the H-Share ETF; or
- (4) for any other proper purpose, as the Manager and the Trustee may agree to.

The assets of the H-Share ETF may be charged or pledged to secure such borrowing for the account of the H-Share ETF.

If any of the investment or borrowing restrictions applicable to the H-Share ETF are breached, the Manager will take all steps necessary within a reasonable period of time to remedy the situation.

Securities lending

The Manager may, as provided in the Trust Deed, request the Trustee to enter into securities lending transactions for the account of the H-Share ETF pursuant to which some or all of the assets of the H-Share ETF may be lent to one or more third party borrowers. Securities lending transactions will only be entered into:

- (1) if both the Trustee and the Manager are satisfied that the borrower will provide sufficient assets as collateral for the borrowed securities of a value equivalent to or in excess of the borrowed securities and such collateral to be quality, liquid collateral; and
- (2) through the agency of a recognised clearing system or a financial institution acceptable to the Trustee and the Manager which engages in this type of transaction.

Both the Trustee and the Manager shall take reasonable measures to ensure that such collateral is maintained at adequate levels, after prudent haircut and daily marked-to-market, to ensure that the exposure of the H-Share ETF is adequately covered including any possible event of counterparty default.

Further, details of the arrangements are as follows:

- (a) the income received from such securities lending after deduction of any fees or commission payable will be credited to the account of the H-Share ETF and such income will be disclosed in its annual financial reports;
- (b) each borrower is expected to have a minimum credit rating of A2 assigned by Moody's or equivalent, or deemed to have an implied rating of A2; alternatively, an unrated borrower will be acceptable where the H-Share ETF is indemnified against losses caused by the borrower, by an entity which has a minimum credit rating of A2;
- (c) the Trustee, upon the request of the Manager, will take collateral and the collateral agent (to be appointed by the Trustee at the direction of the Manager or the Manager as they may between them agree) will review its value on a daily basis to ensure that it is at least of a value equivalent to the borrowed securities; such collateral may include cash, securities issued or guaranteed by any Organization for Economic Co-operation and Development ("OECD") or European Union government, government agencies or any other public or supranational bodies or organizations

or any other issuer which is, in the opinion of the Trustee and the Manager, of similar standing and certificates of deposit with maturity of no more than one year;

- (d) up to 100% of the assets of the H-Share ETF may be lent to one or more borrowers; 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 (the securities lending fee will be disclosed in the connected party transaction section of the annual financial report of the H-Share ETF).

Currently, the Manager has no intention to have any securities lending, repurchase or similar over-the-counter transactions entered into for the account of the H-Share ETF. In the future, where the Manager intends to have any securities lending, repurchase or similar over-the-counter transactions entered into for the account of the H-Share ETF, subject to SFC's prior approval, 1 month's prior notice will be given to the relevant Unitholders.

Has the H-Share ETF adopted any Dual Counter arrangement?

With effect from 4 September 2015, the Manager has arranged for the Units to be available for trading on the secondary market on the SEHK under a Dual Counter arrangement. There will be two trading counters on the SEHK (i.e. HKD counter and RMB counter), Units traded in HKD counter will be settled in HKD and Units traded in RMB counter will be settled in RMB. Apart from settlement in different currencies, the trading prices of Units in the two counters may be different as the HKD counter and RMB counter are two distinct and separate markets.

In the primary market, under the Dual Counter arrangement, a Participating Dealer may subject to arrangement with the Manager elect to CCASS to have Units which it creates deposited in either HKD counter or RMB counter. Both HKD traded Units and RMB traded Units may be redeemed by way of a Redemption Application through a Participating Dealer. However, the cash creation of new Units in a special creation application and cash redemption of Units in a special redemption application are in HKD only. Furthermore, the Units created in a special creation application can be deposited in HKD counter only and only Units in the HKD counter can be withdrawn directly in a special redemption application.

Units traded on both counters are of the same class and all Unitholders of both counters are treated equally. The two counters will have different stock codes, different stock short names and different ISIN numbers as follows: HKD counter and traded Units have a SEHK stock code 02828 and a stock short name "HS H ETF" whilst the RMB counter and traded Units have a SEHK stock code 82828 and a stock short name "HS H ETF-R". The ISIN for HKD counter and traded Units is HK2828013055 and the ISIN number for RMB counter and traded Units is HK0000251360.

Normally, investors can buy and sell Units traded in the same counter or alternatively buy in one counter and sell in the other counter provided their brokers provide both HKD and RMB trading services at the same time and offer inter-counter transfer services to support Dual Counter trading. Inter-counter buy and sell is permissible even if the trades take place within the same trading day provided the relevant broker can provide such a service. However, investors should note that the trading price of Units traded in the HKD counter and that of RMB counter may be different and may not always maintain a close relationship depending on factors such as market demand and supply and liquidity in each counter.

More information with regard to the Dual Counter is available in the frequently asked questions in respect of the Dual Counter published on HKEx's website http://www.hkex.com.hk/eng/market/sec_tradinfra/rmbequity/faqrmbequity.htm.

Investors should consult their brokers if they have any questions concerning fees, timing, procedures and the operation of the Dual Counter, including inter-counter transfers. Investors' attention is also drawn to the risk factor below entitled "Dual Counter Risks".

What is Renminbi Equity Trading Support Facility?

The Renminbi Equity Trading Support Facility (“**TSF**”) was launched on 24 October 2011 by HKEx to provide a facility to enable investors who wish to buy RMB-traded shares in the secondary market with HKD if they do not have sufficient RMB or have difficulty in obtaining RMB from other channels. With effect from 6 August 2012, the coverage of TSF was extended and the H-Share ETF is eligible for the TSF. As such the TSF is currently available to investors who wish to invest in the H-Share ETF by purchasing Units trading in RMB on the SEHK. Investors should consult their financial advisers if they have any questions concerning the TSF. More information with regard to the TSF is available on HKEx’s website http://www.hkex.com.hk/eng/market/sec_tradinfra/TSF/TSF.htm.

Are there any Special RMB Payment or Account Procedures?

Investors should note that RMB is the only official currency of the PRC. While both onshore RMB (“**CNY**”) and offshore RMB (“**CNH**”) are the same currency, they are traded in different and separate markets. Since the two RMB markets operate independently where the flow between them is highly restricted, CNY and CNH are traded at different rates and their movement may not be in the same direction. Although there is a significant amount of RMB held offshore (i.e. outside the PRC), CNH cannot be freely remitted into the PRC and is subject to certain restrictions, and vice versa. As such, whilst CNH and CNY are both the same currency, certain special restrictions do apply to RMB outside the PRC. The liquidity and trading price of the Units may be adversely affected by the limited availability of, and restrictions applicable to, RMB outside the PRC.

If any investors wish to buy or sell Units in RMB on the secondary market, they should contact their brokers and they are reminded to confirm with their brokers in respect of Units traded in RMB on such brokers’ readiness for dealing and/or clearing transactions in RMB securities and to check other relevant information published by the SEHK regarding readiness of its participants for dealing in RMB securities from time to time. CCASS Investor Participants who wish to settle the payment in relation to their trades in the Units traded in RMB using their CCASS Investor Participant account should make sure that they have set up an RMB designated bank account with CCASS.

Investors intending to purchase Units traded in RMB from the secondary market should consult their brokers as to the RMB funding requirement and settlement method for such purchase. Investors may need to open and maintain securities dealing accounts with the broker first before any dealing in Units traded in either HKD or RMB can be effected.

Investors should ensure they have sufficient RMB to settle trades of Units traded in RMB. Investors should consult the banks for the account opening procedures as well as terms and conditions of the RMB bank account. Some banks may impose restrictions on their RMB cheque account and fund transfers to third party accounts. For non-bank financial institutions (e.g. brokers), however, such restriction may not be applicable and investors should consult their brokers as to the currency exchange service arrangement if required.

The transaction costs of dealings in the Units on the SEHK include the SEHK trading fee and SFC transaction levy. All these secondary trading related fees and charges will be collected in HKD and, in respect of Units traded in RMB, calculated based on an exchange rate as determined by the Hong Kong Monetary Authority on the date of the trade which will be published on HKEx’s website by 11:00 a.m. or earlier on each trading day.

Investors should consult their own brokers or custodians as to how and in what currency the trading related fees and charges and brokerage commission should be paid by the investors.

Where payment in RMB is to be made by cheque investors are advised to consult the bank at which their respective RMB bank accounts are opened in advance as to whether there are any specific requirements in relation to the issue of RMB cheques. In particular, investors should note that some banks have imposed an internal limits (usually RMB80,000) on the balance of RMB cheque account of their clients or the amount of cheques that their clients can issue in a day and such limit may affect an investor’s arrangement of funding for purchase of Units traded in RMB.

When an individual investor opens an RMB bank account or settle RMB payments, he or she will be subject to a number of restrictions, including the daily maximum remittance amount to the PRC is RMB80,000 and a remittance service is only available to an RMB deposit account-holder who remits from his or her RMB deposit account to the

PRC and provided that the account name of the account in the PRC is identical with that of the RMB bank account with the bank in Hong Kong.

Please also refer to the Sub-section headed "General risks of investments associated with RMB currency" in the section headed "What are the Risks of Investing in the H-Share ETF?" for further details.

What are the Risks of Investing in the H-Share ETF?

Investors should note that the risk factors mentioned below are general risks associated with investments in the H-Share ETF and investors should consider the information included in this offering document before investing in the H-Share ETF. Whilst to the best of knowledge of the Manager, this offering document includes the information necessary for investors to be able to make an informed judgment of their investments and in particular the risks attached thereto, investors should however not solely rely upon such information for any investment in the H-Share ETF. Investors should note that there may be various other risks or considerations arising from the then prevailing political, economic, social and other conditions which may also need to be taken into account before making any decision to invest in the H-Share ETF.

Investors should carefully consider the risks involved in investing in the H-Share ETF together with all other information included in this offering document and satisfy themselves that the H-Share ETF is suitable for them having regard to their own circumstances, including their financial situation, investment experience and investment objectives before making an investment decision. Investors should note that the decision whether or not to invest remains with them. If investors have any doubt as to whether or not the H-Share ETF is suitable for them, they should obtain independent professional advice.

The Net Asset Value per Unit may fall or rise. There can be no assurance that an investor will achieve any return on an investment in the Units or a return on the capital invested. Investors should not invest in the H-Share ETF unless they fully understand and are willing to take the various risks associated with the underlying investments of the H-Share ETF (which may expose the H-Share ETF to significant losses in terms of income as well as principal), and have the financial resources necessary to bear the substantial, or even total, loss of the capital invested.

In addition, investors should avoid excessive investment in any single type of investment (in terms of its proportion in the overall investment portfolio) including any proposed investment in the H-Share ETF so as to avoid having the investment portfolio being over-exposed to any particular investment risk.

Many factors will affect the performance of the H-Share ETF.

The H-Share ETF's Net Asset Value will change based on changes in market conditions in response to other economic, political, monetary and financial developments. The H-Share ETF's reaction to these developments will be affected by the types of securities in which the H-Share ETF invests, the financial condition, industry and economic sector, and geographic location of an issuer, and the H-Share ETF's level of investment in the securities of that issuer.

To the extent that the H-Share Index concentrates in the securities of a particular industry or group of industries, the Manager may similarly concentrate the H-Share ETF's investments. The H-Share ETF's performance could depend heavily on the performance of that industry or group of industries and could be more volatile than the performance of less concentrated funds.

In addition, because the Manager may invest a significant percentage of the H-Share ETF's assets in a single issuer, the H-Share ETF's performance could be closely tied to that one issuer and could be more volatile than the performance of more diversified funds.

Index-tracking funds like the H-Share ETF are not actively managed. The Manager does not have the discretion to select stocks individually or to take defensive positions in declining markets. Hence, any fall in the H-Share Index will result in a corresponding fall in the value of the H-Share ETF.

When you redeem or sell your Units they may be worth more or less than what you paid for them, which means that you could lose money.

The following additional factors should be borne in mind when deciding to invest in Units.

Net Asset Value and Price Fluctuations

The Net Asset Value per Unit of the H-Share ETF will generally fluctuate with changes in the H-Share Index. Intra-day highs and lows of the H-Share Index may be significantly different from its level at the end of the trading day. Units may be bought and sold in the secondary market through the SEHK at market prices which will fluctuate during the trading day. Although the market price of a Unit is expected to approximate its Net Asset Value, it is possible that the market price of a Unit and the Net Asset Value per Unit will vary due to, market demand and supply, liquidity and the “bid/ask” spread in the secondary market (as explained further below). As a result, the market price of a Unit in the secondary market could be higher or lower than the Net Asset Value per Unit.

As with any ETF, the market price of Units will be subject to a “bid/ask” spread – being the difference between the prices being bid by potential purchasers and the prices being asked by potential sellers. In times of severe market disruption or when there is an insufficient number of buyers and sellers of Units, the bid/ask spread may increase significantly. When the market price of Units is falling rapidly, Units are most likely to be traded at a discount to the Net Asset Value per Unit, which may be the time that you most want to sell your Units. However, the Manager believes that, under normal market conditions, large discounts to or premiums in the market price of a Unit over the Net Asset Value per Unit will not be sustained because of arbitrage opportunities.

Correlation to H-Share Index

No assurance can be given that the performance of the H-Share ETF will be identical to the performance of the H-Share Index due to circumstances such as the fees and expenses of the H-Share ETF, any adjustment made to the Net Asset Value per Unit which is considered to be an appropriate allowance to reflect duties (such as stamp duties) and charges which would be incurred if the investments of the H-Share ETF were to be acquired or sold in certain circumstances as referred to in the section headed “Calculation of Issue Price and Redemption Price”, imperfect correlation between the H-Share ETF’s securities and those in the H-Share Index, timing differences associated with additions to and deletions from the H-Share Index, and changes in the number of shares outstanding of the constituent stocks in the H-Share Index. The assets of the H-Share ETF may not be fully invested in H-Share Index Constituent Stocks at times. Finally, the use of sampling techniques or futures or other derivative positions may affect the H-Share ETF’s ability, for a particular Dealing Day or otherwise, to achieve close correlation with the H-Share Index.

Trading and Listing Issues

If the H-Share Index is discontinued or the Manager’s licence with the Index Proprietor and Index Provider is terminated, the Manager may, in consultation with the Trustee, seek the relevant regulators’ prior approval to replace the H-Share Index with an index that is tradable and has similar objectives to the H-Share Index. For the avoidance of doubt, the index-tracking element of the H-Share ETF’s investment objective would remain unchanged.

If the Units are delisted from the SEHK, the Manager may, in consultation with the Trustee, seek the relevant regulators’ prior approval to operate the H-Share ETF as a traditional index fund and will notify investors accordingly. In this case, investors in the H-Share ETF would not be subject to any redemption fee should they wish to redeem their Units for cash. Alternatively, in such circumstances, the Manager may liquidate the H-Share ETF if the Trustee deems it to be in the best interests of investors and will notify the investors accordingly. Investors would then receive Net Asset Value per Unit (which may be higher or lower than the amount paid by the investors per Unit at the time of original investment) as of the date of liquidation as a result of the Manager having to liquidate all of the H-Share ETF’s investments.

If Units deposited with CCASS become non-eligible securities for deposit with CCASS, Units will be transferred out of CCASS to the respective CCASS Participants (the nominee holders of Units). CCASS and HKSCC Nominees Limited (“**HKSCC Nominees**”) will inform the CCASS Participants about the “de-list day”. Any expenses arising from such transfer and registration shall be borne by the H-Share ETF. In such circumstances, the Manager, the Trustee, CCASS and the CCASS Participants will use their best efforts to ensure that the transfer and registration of Units will be done in a timely manner. However, you should be aware that there could be a delay in transferring and registering the Units.

It is possible that Units of the H-Share ETF are still listed on the stock exchange on which they are primarily listed

(i.e. the SEHK) whilst they are no longer listed or dealt with on other stock exchange(s). The Manager may apply for withdrawal of listing on such other stock exchange(s) in accordance with the relevant provisions of the Trust Deed, whilst maintaining the listing status on the SEHK. In such case, the prior approval from the relevant stock exchange(s) and regulatory authority(ies) shall be sought and notification of the delisting arrangement (the details of which shall be available at the authorised agent(s) in such jurisdiction(s)) will be sent to the relevant investors. Please note that Units which are listed on such other stock exchange(s) but are not redeemed as of the “de-list day” may be sold with the proceeds, after deducting the necessary transaction costs and currency conversion (if applicable), paid to the relevant investors in compliance with the requirements under all applicable laws and regulations (if any). Such net amount may be higher or lower than the amount of the capital invested, thus such investors may suffer losses.

Although the Units are listed on the SEHK, there can be no assurance that an active trading market for the Units will be maintained.

The composition of the H-Share Index may change and H-Share Index Constituent Stocks may be delisted.

Dual Counter Risk

The SEHK’s Dual Counter model in Hong Kong is relatively recent. The H-Share ETF is an exchange traded fund with Dual Counter traded Units which means that Units are traded and settled in RMB under the RMB counter and traded and settled in HKD under the HKD counter. The nature of the Dual Counter for exchange traded funds may make investment in the Units riskier than in single counter units or shares of an SEHK listed issuer, for example where for some reason there is a settlement failure on an inter-counter transfer if the Units of one counter are delivered to CCASS at the last settlement on a trading day, leaving insufficient time to transfer the Units to the other counter for settlement on the same day.

In addition, where there is a suspension of the inter-counter transfers of Units between the HKD counter and the RMB counter due to, for example, operational or systems interruption, Unitholders will only be able to trade their Units in the currency of the relevant counter. Accordingly it should be noted that the inter-counter transfers may not always be available.

There is a risk that the market price on the SEHK of Units traded in HKD may deviate significantly from the market price on the SEHK of Units traded in RMB due to market liquidity, supply and demand in each counter and the exchange rate between the RMB and the HKD (in both the onshore and the offshore markets). The trading price of HKD traded Units or RMB traded Units is determined by market forces and so will not be the same as the trading price of Units multiplied by the prevailing rate of foreign exchange. Accordingly when selling Units traded in HKD or buying Units traded in HKD, an investor may receive less or pay more than the equivalent amount in RMB if the trade of the relevant Units is in RMB and vice versa. There can be no assurance that the price of Units in each counter will be equivalent.

Investors without RMB accounts may buy and sell HKD traded Units only. Such investors will not be able to buy or sell RMB traded Units.

It is possible that some brokers and CCASS Participants may not be familiar with and may not be able to (i) buy Units in one counter and to sell Units in the other, (ii) carry out inter-counter transfers of Units, or (iii) trade Units in both counters at the same time. In such a case another broker or CCASS Participant may need to be used. Accordingly this may inhibit or delay an investor dealing in both HKD traded and RMB traded Units and may mean investors may only be able to sell their Units in one currency. Investors are recommended to check the readiness of their brokers in respect of the Dual Counter trading and inter-counter transfer.

Stock Market Volatility

The value of equity securities, including H-Shares, fluctuates in response to issuer, political, market, and economic developments. In the short term, equity prices can fluctuate dramatically in response to these developments. Different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and “growth” stocks can react differently from “value” stocks. Issuer, political or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole.

Securities lending

There are various risks from the H-Share ETF entering into securities lending transactions which include counterparty risk such as the possibility of a default by the counterparty, for example, if the counterparty fails to return the securities lent, regulatory risk where applicable laws or regulations make the transaction void or unenforceable and market risk from price volatility, market liquidity and exchange rate fluctuations.

Short selling

The H-Share ETF may make short sales in the expectation of covering the short sale with securities purchased in the open market at a price lower than that received in the short sale. However, the possible losses to the H-Share ETF from short selling a security differ from losses that could be incurred from a cash investment in the same security. Such losses are unlimited due to the lack of an upper limit on the price to which a security may rise, whereas the maximum potential loss from a cash investment is a finite amount i.e. the total amount of the cash investment.

Issuer-Specific Changes

Changes in the financial condition of an issuer, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can affect the value of an issuer's securities. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Such issuer-specific changes may have an impact on the H-Share Index Constituent Stocks.

Reliance on Market Makers

Although the Manager will ensure that at least one market maker will maintain a market for the Units traded in each counter, it should be noted that liquidity in the secondary market for the Units may be adversely affected if there is no market maker for the HKD traded Units or no market maker for the RMB traded Units. The Manager will seek to mitigate this risk by ensuring at least one market maker for the Units traded in each counter gives not less than 3 months' notice prior to terminating the relevant market making arrangement(s). There may also be less interest by potential market makers in making a market in Units traded in RMB. Further, any disruption to the availability of RMB may adversely affect the capability of market makers in providing liquidity for RMB traded Units. It is possible that there is only one market maker to a counter or to the H-Share ETF or the Manager may not be able to engage a substitute market maker within the termination notice period of a market maker, and there is also no guarantee that any market making activity will be effective.

Risk of Termination of the H-Share ETF

The H-Share ETF may be terminated by the Trustee under certain circumstances as specified in the section headed "Termination of the H-Share ETF". It is possible that, at the time of such termination, investors have to realize their investment loss and will not be able to receive an amount equal to their capital originally invested.

FATCA Related Risk

Although the H-Share ETF will attempt to satisfy any obligations imposed on it to avoid the imposition of the FATCA withholding tax, no assurance can be given that the H-Share ETF will be able to satisfy these obligations. If the H-Share ETF become subject to a withholding tax as a result of the FATCA regime, the value of the Units held by Unitholders may suffer material losses. Please refer to the section "The United States of America - Foreign Account Tax Compliance Act (FATCA)".

Risks associated with distribution of dividend out of capital or effectively out of capital

The Manager may, at its discretion, pay dividend out of capital or effectively out of capital. Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions of dividends involving payment of dividends out of the capital of the H-Share ETF or effectively out of the capital of the H-Share ETF may result in an immediate reduction of the Net Asset Value per Unit of the H-Share ETF. Please refer to the section "Dividend Policy".

General risks of investments associated with mainland China

Political and economic considerations

The H-Share ETF tracks the H-Share Index and its investments include shares in Mainland incorporated enterprises which are listed on the SEHK and primarily traded in Hong Kong (“**H-Shares**”). Such enterprises have substantial business exposure to growth opportunities in mainland China (the “**Mainland**”). However, investors should be aware that the economy of the Mainland differs from the economies of most developed countries in many respects, including with respect to government involvement in its economy, level of development, growth rate and control of foreign exchange. The regulatory and legal framework for capital markets and companies in the Mainland is not well developed when compared with those of developed countries.

By investing in H-Shares, the H-Share ETF is subject to the risks of investing in emerging markets generally and the risks specific to the Mainland market in particular, which are not typically associated with investing in those of developed countries. General risks of investing in emerging markets include but are not limited to:

- less liquid and less efficient securities markets;
- greater price volatility;
- exchange rate fluctuations and exchange controls;
- less publicly available information about issuers;
- the imposition of restrictions on the repatriation of funds or other assets out of the country;
- higher transaction and custody costs and higher settlement risks;
- difficulties in enforcing contractual obligations;
- lesser levels of regulation of the securities markets;
- different accounting, disclosure and reporting requirements;
- more substantial government involvement in the economy;
- higher rates of inflation;
- social, political and economic instability; and
- risk of nationalization or expropriation of assets and risk of war or terrorism.

The above may affect the ability of the H-Share ETF to fully implement or pursue the investment objective and strategy of the H-Share ETF.

Investors should be aware that, for more than 50 years, the PRC government has adopted a planned economic system. Since 1978, the PRC government has implemented economic reform measures which emphasize decentralization and the utilization of market forces in the development of the Mainland economy. Such reforms have resulted in significant economic growth and social progress. However, many of the economic reforms in the Mainland are unprecedented or experimental and are subject to adjustment and modification, and such adjustment and modification may not always have a positive effect on securities markets. Also, many laws and regulations in the Mainland are new and therefore untested and there is no certainty as to how they will be applied. They may also be varied in the future.

The Mainland economy has experienced significant growth in the past few years, but such growth has been uneven both geographically and among the various sectors of the economy. Moreover, there can be no assurance that such growth can be sustained.

Investments associated with the Mainland will be sensitive to any significant change in political, social or economic policy in the Mainland. Such sensitivity may, for the reasons specified above, adversely affect the capital growth and thus the performance of these investments.

Accounting, auditing and financial reporting standards and practices

Accounting, auditing and financial reporting standards and practices applicable to companies in the Mainland 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 for properties and assets and in the requirements for disclosure of information to investors.

Legal system

The legal system of the Mainland in general and for securities markets in particular have been undergoing a period of rapid change over recent years which may lead to difficulties in interpreting and applying newly evolving regulations. The revised Securities Law which came into force on 1 January 2006 has made a comprehensive

revision to the old Securities Law relating to the issuing, listing and trading system etc. of securities, and the revised Securities Law was amended on 29 June 2013.

The PRC government has implemented a number of tax reform policies in recent years. There can be no assurance that the current tax laws and regulations will not be revised or amended in the future. Any revision or amendment in tax laws and regulations may affect the after-taxation profit of companies in the Mainland.

PRC Tax Risk

Investors should note that where the H-Share ETF invests in shares (e.g. H-Shares) of which the incomes (such as dividends) are derived from the PRC, if any, the H-Share ETF is subject to withholding of PRC Enterprise Income Tax imposed in the PRC. The H-Share ETF may also be subject to other taxes imposed in the PRC.

Under the PRC Enterprise Income Tax Law and its implementation rules, incomes derived from the PRC by non-PRC tax enterprises which have no establishment or place of business in the PRC are subject to withholding of PRC Enterprise Income Tax at the rate of 10% (such rate may however be subject to change from time to time). As such, in respect of the H-Share ETF's investments in shares of which the incomes (such as dividends) are derived from the PRC, if any, the H-Share ETF is subject to withholding of PRC Enterprise Income Tax and such withholding tax will reduce the income from the H-Share ETF and/or adversely affect the performance of the H-Share ETF.

However, there are still uncertainties as to the application of the PRC Enterprise Income Tax Law and its implementation rules (e.g. it is not clear as to whether gains realized on disposal of the H-Share ETF's investments in H-Shares would be subject to withholding of PRC Enterprise Income Tax and if so, whether such withholding will apply retrospectively). It is also uncertain as to whether the H-Share ETF may be subject to other taxes imposed in the PRC in respect of its investments in H-Shares. Currently, the Manager has not made any provision for taxes. However, the Manager reserves the right to make any provision for taxes or to deduct or to withhold an amount on account of taxes from assets of the H-Share ETF according to the relevant PRC Tax laws and regulations.

Further, there is a possibility that the current tax laws, rules, regulations and practice in the PRC and/or the current interpretation or understanding thereof may change in the future and such change(s) may have retrospective effect. The H-Share ETF could become subject to additional taxation that is not anticipated as at the date hereof or when the relevant investments are made, held, valued or disposed of. Any of those changes may reduce the income from, and/or the value of, the relevant investments by the H-Share ETF.

Once the uncertainties regarding the application of the PRC Enterprise Income Tax Law and its implementation rules are clarified, the Manager may make such provision for taxes or such adjustments to the amount of provision for taxes (if any) as it considers necessary as soon as practicable. If provision for taxes is to be made, the Manager will notify the relevant Unitholders of the same as soon as practicable. The amount of such provision/deduction/withholding for taxes will be disclosed in the financial reports of the H-Share ETF.

In case of a difference between the H-Share ETF's provision for taxes (if any) and its actual PRC tax liabilities, the relevant amounts shall be credited to or debited from the H-Share ETF's assets (as the case may be). As a result, the income from, and/or the performance of, the H-Share ETF may be adversely affected and the impact/degree of impact on individual Unitholders of the H-Share ETF may vary, depending on factors such as the level of the H-Share ETF's provision for taxes (if any) and the amount of the difference at the relevant time and when the relevant Unitholders subscribed for and/or redeemed their Units in the H-Share ETF. If the H-Share ETF's actual PRC tax liabilities are higher than the provision for taxes (if any) made by the Manager so that there is a shortfall in the amount of provision for taxes, investors should note that the Net Asset Value of the H-Share ETF may suffer more than the amount of provision for taxes as the H-Share ETF will ultimately have to bear the additional tax liabilities. In this case, the then existing and new Unitholders will be disadvantaged. On the other hand, if the H-Share ETF's actual PRC tax liabilities are lower than the provision for taxes (if any) made by the Manager so that there is an excess in the amount of provision for taxes, Unitholders who have redeemed their Units before the PRC tax authority's ruling, decision or guidance in this respect are issued will be disadvantaged as they would have suffered from the Manager's over-provision for taxes. In this case, the then existing and new Unitholders may benefit if the excess between the provision for taxes and the actual PRC tax liabilities can be returned to the account of the H-Share ETF as assets thereof. Notwithstanding the above, Unitholders who have already redeemed their Units in the H-Share ETF before the return of any over-provision for taxes to the account of the H-Share ETF will not be entitled or have any right to claim any part of such over-provision for taxes.

General risks of investments associated with RMB currency

RMB is Not Freely Convertible and Subject to Exchange Controls and Restrictions Risk

It should be noted that RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies and repatriation restrictions imposed by the PRC government. Since 1994, the conversion of RMB into US dollar has been based on rates set by the PBOC, which are set daily based on the previous day's PRC interbank foreign exchange market rate. On 21 July 2005, the PRC 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 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 increase the flexibility of the onshore RMB exchange rate by expanding the daily trading band from +/- 0.5% to +/- 1%. And since March 2014, the daily trading band has been further widen from +/- 1% to +/- 2%. However it should be noted that the PRC government's policies on exchange control and repatriation restrictions are subject to change, and any such change may adversely impact the H-Share ETF. There can be no assurance that the RMB exchange rate will not fluctuate widely against the US dollar 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 State Administration of Foreign Exchange. On the other hand, the existing PRC 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 government will continue its existing foreign exchange policy or when the PRC government will allow free conversion of the RMB to foreign currency.

RMB Trading and Settlement of Units Risk

The trading and settlement of RMB traded securities are recent developments in Hong Kong and there is no assurance that there will not be problem with the systems or that other logistical problems will not arise. Although end-to-end simulation trading and clearing of listed RMB products testing sessions and payment pilot runs for participants of the SEHK were held by the SEHK in March, September and October 2011, some brokers may not have participated in such testing sessions and pilot runs and for those who have, not all of them may be able to successfully complete such testing sessions and pilot runs, there is no assurance of their readiness for dealing in RMB traded securities. Investors should note that not all brokers may be ready and able to carry out trading and settlement of RMB traded Units and thus they may not be able to deal in the RMB traded Units through some brokers. Investors should check with their brokers in advance if they intend to engage Dual Counter trading or in inter-counter transfers and should fully understand the services which the relevant broker is able to provide (as well as any associated fees). Some exchange participants may not provide inter-counter transfer or Dual Counter trading services.

Exchange Rates Movement Between the RMB and Other Currencies Risk

Investors in RMB traded Units whose assets and liabilities are predominantly in HKD or in currencies other than RMB should take into account the potential risk of loss arising from fluctuations in value between such currencies and RMB. In addition, investors in RMB traded Units should note that dividends on RMB traded Units will only be paid in HKD. Accordingly, foreign exchange risk will also apply to investors in RMB traded Units. There is no guarantee that RMB will appreciate in value against HKD or any other currency, or that the strength of RMB may not weaken. In such case an investor may enjoy a gain in RMB terms but suffer a loss when converting funds from RMB back into HKD (or any other currency).

Future Movements in RMB Exchange Rates Risk

The exchange rate of RMB ceased to be pegged to US dollars 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 dollars, Euro, Yen, pound sterling 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 dollars and Hong Kong dollars, are susceptible to movements based on external factors. There can be no assurance that such exchange rates will

not fluctuate widely against US dollars, HKD or any other foreign currency in the future. From 1994 to July 2005, the exchange rate for RMB against US dollar and the HKD was relatively stable. Since July 2005, the appreciation of RMB has begun to accelerate. Although the PRC government has constantly reiterated its intention to maintain the stability of RMB, it may introduce measures (such as a reduction in the rate of export tax refund) to address the concerns of the PRC's trading partners. Therefore, the possibility that the appreciation of RMB will be further accelerated cannot be excluded. On the other hand, there can be no assurance that RMB will not be subject to devaluation.

Offshore RMB (CNH) Market Risk

The onshore RMB (CNY) is the only official currency of the PRC and is used in all financial transactions between individuals, state and corporations in the PRC. Hong Kong is the first jurisdiction to allow accumulation of RMB deposits outside the PRC. 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's 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 is limited. As at 30 April 2015, the total amount of RMB (CNH) deposits held by institutions authorised to engage in RMB banking business in Hong Kong amounted to approximately RMB955 billion. 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. 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 laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the relevant settlement agreements 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 may affect the ability of investors to acquire Units or to sell Units of the H-Share ETF affecting the liquidity and trading price of the Units on the SEHK.

HKD Dividends Risk

Investors should note that where a Unitholder holds Units traded under the RMB counter, the relevant Unitholder will only receive dividends in HKD and not RMB. In the event the relevant Unitholder has no HKD account, the Unitholder may have to bear the fees and charges associated with the conversion of such dividend from HKD into RMB or any other currency. Unitholders are advised to check with their brokers concerning arrangements for dividends.

Purchase and Sale of Units on the SEHK and Creation and Redemption of Units

Investors may:

- (1) purchase and sell Units in the secondary market on the SEHK either in HKD in respect of HKD traded Units or in RMB in respect of RMB traded Units under the Dual Counter; and/or
- (2) apply for in-kind creation and redemption through Participating Dealers.

For the Feeder Funds, special creations and redemptions for the Units (both in cash and in-kind) through the Manager are available.

Purchase and sale of Units on the SEHK

Dealings on the SEHK in HKD traded Units commenced on 10 December 2003. Dealings on the SEHK in RMB traded Units commence on 4 September 2015.

Investors can purchase and sell HKD and RMB traded Units in board lots of 200 Units (or multiples thereof) like ordinary listed stocks through an intermediary such as a broker or any of the share dealing services offered by banks or other financial advisers at any time the SEHK is open.

However, investors should note that transactions in the secondary market on the SEHK 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 headed “Fees and Charges Payable by Investors for Dealing in the Units on the SEHK” for fees payable by investors in secondary market trading.

In-kind Creation and In-kind Redemption

Investors may also apply for in-kind creation of Units based on Net Asset Value per Unit through Participating Dealers by tendering a basket (the “**Basket**”) of the constituent stocks of the H-Share Index and a cash amount (the “**Cash Component**”) as determined and announced by the Manager in advance. In-kind redemptions of Units based on Net Asset Value per Unit can also be made in a similar manner by tendering the relevant number of Units in exchange for the Basket and Cash Component. Investors should note that in-kind creations and redemptions are made in high minimum transaction sizes and the current in-kind minimum transaction size is 100,000 Units (or multiples thereof). In addition, by applying for an in-kind creation or an in-kind redemption, investors are essentially exchanging the underlying constituent stocks of the H-Share Index for the Units (in the case of creations) and vice versa (in the case of redemptions). There is no material change in market exposure of their holdings. In other words, their exposure to the H-Share market is neither increased nor decreased through an in-kind creation or redemption but investors should note that the H-Share ETF will be subject to tracking error due to fees and other factors.

In determining the composition of the Basket, the Manager will take into account the H-Share ETF’s index tracking strategy, the weightings of constituent stocks in the H-Share Index and any forthcoming index rebalancing event. The Cash Component is the cash value of the difference between the Net Asset Value of the Units comprising the application and the closing market value of the Basket on the Dealing Day the in-kind creation or redemption application is received. The Cash Component may be positive or negative.

The cut-off time (the “**Dealing Deadline**”) for making an in-kind creation application and an in-kind redemption application by a Participating Dealer is 15 minutes after the official closing time of the SEHK on each Dealing Day, or such other time prior to the calculation of the Net Asset Value of the H-Share ETF on that Dealing Day as the Manager may determine and agree with the Trustee. The current Dealing Deadline is 4:15 p.m. (Hong Kong time) if it is a full trading day on the SEHK or if the SEHK opens for normal trading only in the afternoon, or 12:15 p.m. (Hong Kong time) if the SEHK opens for normal trading only in the morning of the relevant Dealing Day.

Units will be issued against the relevant Basket and Cash Component (or vice versa) two CCASS Settlement Days after receipt of the application, or on such later date as determined by the Manager.

Please refer to Appendix 3 for the operational procedures in respect of in-kind creation and redemption applications. A Transaction Fee is applied to each in-kind creation and redemption, please refer to Appendix 1 for details.

Special creation and redemption

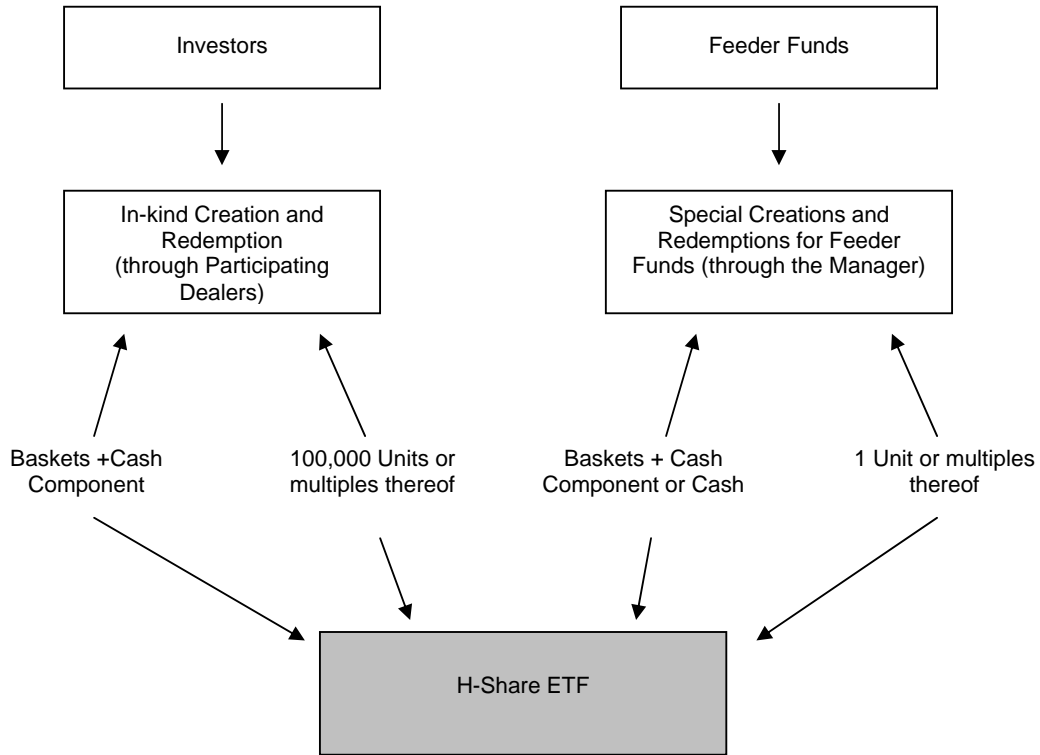
The Manager may also facilitate cash subscriptions and cash redemptions and in-kind creations and in-kind redemptions of Units based on Net Asset Value per Unit by the Feeder Funds. The minimum sizes for in-kind creations and in-kind redemptions of Units through Participating Dealers described above do not apply to such cash subscriptions and redemptions for the Feeder Funds. Cash subscriptions and redemptions for all Units must be in HKD.

The Dealing Deadline for making a special creation application and a special redemption application by the Feeder Funds is the official closing time of the SEHK on the relevant Dealing Day, or such other time prior to the calculation of the Net Asset Value of the H-Share ETF on that Dealing Day as the Manager may determine and agree with the Trustee. The current Dealing Deadline is 4:00 p.m. (Hong Kong time) if it is a full trading day on the SEHK or if the

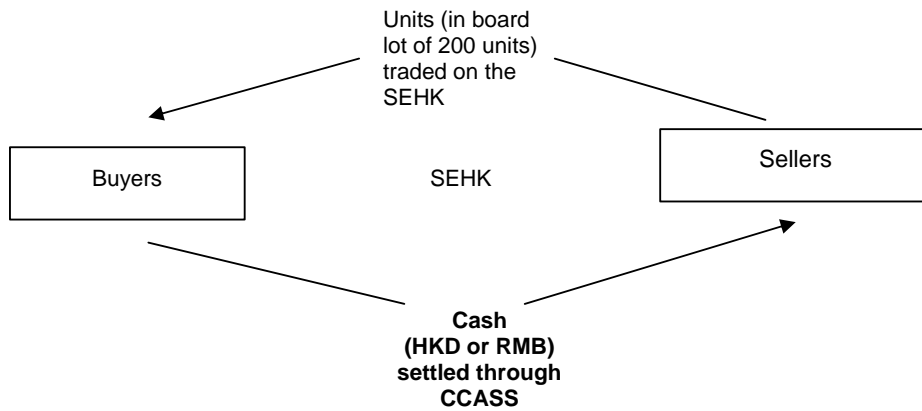
SEHK opens for normal trading only in the afternoon, or 12:00 noon (Hong Kong time) if the SEHK opens for normal trading only in the morning of the relevant Dealing Day.

The diagrams below illustrate the creation and redemption of Units and trading of Units in the secondary market:

(1) Creation and redemption of Units



(2) Trading of Units in the secondary market



Certificates

No physical certificates in respect of the Units will be issued.

All Units will be registered in the name of HKSCC Nominees on the register of the H-Share ETF. The register of the H-Share ETF is the evidence of ownership of Units. Your beneficial interest in Units shall be established through your account with your chosen CCASS Participant or, as the case may be, other intermediary.

Summary of Different Trading Methods of Units and Related Fees

<u>Different Trading Methods of Units</u>	<u>Minimum Number of Units (multiple of)</u>	<u>Channel</u>	<u>Available to</u>	<u>Consideration, Fees and Charges¹</u>
Purchase and sale in cash (in HKD or RMB) through brokers on the SEHK (secondary market)	board lot of 200	On the SEHK	Any investor satisfying the minimum unit requirements	Market price of Units on the SEHK Brokerage Fees and duties and charges (See Appendix 1)
In-kind Creation and Redemption	100,000	Through Participating Dealers	Any investor satisfying the minimum unit requirements	Basket Cash Component Transaction Fee Other Fees and Charges (payable to HKSCC and HKCAS)
Special Creation and Redemption	1	Through the Manager	Feeder Funds only	Basket + Cash Component (in-kind) or Issue Price (in-cash)

¹ For details, please see the sub-section headed "Payable by investors in respect of dealings in the Units on the SEHK".

No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry on Type 1 (dealing in securities) regulated activity under Part V of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Rejection of Applications

The Manager reserves the right to reject applications to subscribe for/create Units.

Fractional Units

The H-Share ETF will not issue fractional Units.

Determination of Net Asset Value

The Net Asset Value of the H-Share ETF will be determined in HKD in accordance with its trust deed (**Trust Deed**). The Manager may, with the consent of the Trustee, adjust the value of any investment made by the H-Share ETF or permit some other method of valuation of such investment to be used if, having regard to exchange rates, applicable rates of interest, maturity dates, marketability and other considerations the Manager deems relevant, the Manager considers such adjustment or use of such other method is required to reflect the fair value of such investment.

Net Asset Value will be determined as at each Valuation Point on each Dealing Day.

Suspension of the Determination of Net Asset Value and the Right to Redeem Units

The Manager may, after giving notice to the Trustee, declare the suspension of the determination of Net Asset Value of the H-Share ETF and the right to redeem Units for the whole, or any part of, any period when:

- (1) the SEHK is closed;
- (2) dealings on the SEHK or the Hong Kong Futures Exchange Limited are restricted or suspended;

- (3) the settlement or clearing of dealings via CCASS is disrupted;
- (4) the H-Share Index is not compiled or published;
- (5) there exists any state of affairs as a result of which delivery or purchase of H-Share Index Constituent Stocks or disposal of investments for the time being comprised in the H-Share ETF cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of investors in the H-Share ETF;
- (6) there is any breakdown in the means normally employed in determining Net Asset Value or when, for any other reason, the value of any investment of the H-Share ETF cannot, in the opinion of the Manager, be reasonably, promptly and fairly be ascertained; or
- (7) the remittance or repatriation of other funds which will or may be involved in the realization of, or in the payment for, investments of the H-Share ETF or the issue or redemption of Units is delayed or cannot, in the opinion of the Manager, be carried out promptly at normal rates of exchange.

Any such suspension shall take effect forthwith upon the declaration thereof and thereafter there shall be no determination of the Net Asset Value until the Manager shall declare the suspension at an end, except that the suspension shall terminate in any event on the day following 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 shall exist.

Whenever the Manager declares such a suspension it shall, as soon as may be practicable after any such declaration, publish a notice on www.hangsenginvestment.com and the SEHK's website www.hkex.com.hk and/or cause a notice to be given to investors and to all those (whether investors or not) whose applications to redeem Units shall have been affected by such suspension stating that such declaration has been made.

No Units relating to the H-Share ETF will be issued or redeemed during such a period of suspension.

Suspension of Dealings in Units on the SEHK

Dealings in Units on the SEHK may at any time be suspended by the SEHK if the SEHK considers it necessary for the protection of investors or for the maintenance of an orderly market in such circumstances and subject to such conditions as the SEHK sees fit.

Calculation of Issue Price and Redemption Price

Notwithstanding a Dual Counter being adopted for the H-Share ETF, the Issue Price or Redemption Price of each Unit for any relevant Dealing Day will, subject to the qualification below, be based on the Net Asset Value of the H-Share ETF in HKD at the Valuation Point divided by the number of Units then in issue or deemed to be in issue, rounded to the nearest two decimal places with any amount of 0.005 or above being rounded up (unless otherwise agreed by the Manager and the Trustee). The benefit of any such rounding shall accrue to the H-Share ETF.

To ensure all investors in the H-Share ETF are treated fairly, for cash subscriptions and redemptions, where the number of Units to be issued on a Dealing Day exceeds the number of Units to be redeemed on that Dealing Day, the Manager may, in determining the Issue Price of a Unit, add to the Net Asset Value per Unit (before making any rounding adjustment) an amount, for the account of the H-Share ETF, which it considers to be an appropriate allowance to reflect duties (such as stamp duties) and charges which would be incurred if the appropriate number of H-Shares were purchased at the values attributed to them in calculating the Net Asset Value per Unit. Similarly, for cash subscriptions and redemptions where the number of Units to be redeemed on a Dealing Day exceeds the number of Units to be issued on that Dealing Day, the Manager may, when determining the Redemption Price of any Unit, deduct for the account of the H-Share ETF from the Net Asset Value per Unit (before making any rounding adjustment) an amount which it considers to be an appropriate allowance to reflect the duties (such as stamp duties) and charges which would be incurred if the appropriate number of H-Shares were to be sold at the values attributed to them in calculating the Net Asset Value per Unit.

Market Price

Dealings in the Units on the secondary market may be effected at market prices on the SEHK which may vary throughout the day and may be higher or lower than the Net Asset Value per Unit.

Fees and Expenses Payable by the H-Share ETF

For details of the amount of fees and expenses currently payable by the H-Share ETF, please see Appendix 1 “Current Fees and Charges”.

Management Fee

The H-Share ETF pays the Manager a monthly fee calculated by reference to daily Net Asset Value. Any increase from the current level up to the maximum level (please refer to Appendix 1) will be announced or published on the SEHK’s website www.hkex.com.hk and via www.hangsenginvestment.com. Any increase in the maximum level must be approved by registered holders of Units in the H-Share ETF at an extraordinary general meeting.

Trustee Fee

The H-Share ETF pays the Trustee a monthly fee calculated by reference to daily Net Asset Value. Any increase from the current level up to the maximum level (please refer to Appendix 1) will be announced or published on the SEHK’s website www.hkex.com.hk and via www.hangsenginvestment.com. Any increase of the maximum level must be approved by registered holders of Units in the H-Share ETF at an extraordinary general meeting.

Other Expenses

The H-Share ETF bears the expenses which are attributable to it. Such expenses include but are not limited to the costs of the Manager investing on behalf of the H-Share ETF (including applicable duties), the fees and expenses of the custodians of its assets, the fees and expenses of the Registrar, the fees and expenses of its auditors, valuation costs, legal fees, index licensing fees, the costs incurred in connection with listing the Units on the SEHK and authorization as a collective investment scheme by the SFC, the costs of preparation and publication of this offering document (including the Product Key Facts Statement for the H-Share ETF) and the Trust Deed, the costs of communicating with and holding meetings of investors, the costs incurred in the preparation and printing of any document or reports to investors (including, as may be agreed to the Manager, postage costs incurred by any nominee for the benefit of the underlying investors in distributing such reports) and all other operating costs. For the avoidance of doubt, no expenses arising out of any advertising or promotional activities in connection with the H-Share ETF will be paid from the assets of the H-Share ETF.

Soft dollar benefits

Neither the Manager nor persons connected to it will receive cash or other rebates from brokers or dealers in respect of transactions for the account of the H-Share ETF. However, the Manager and persons connected to it may enter into soft commission arrangements with brokers or dealers for the provision to the Manager or persons connected to it of goods and services which are of demonstrable benefit to investors. Execution of transactions for the H-Share ETF will be consistent with best execution standards and brokerage rates borne by the H-Share ETF will not be in excess of customary institutional full-service brokerage rates.

Fees and Charges Payable by Investors for Dealing in the Units on the SEHK

Investors are required to pay brokerage fees, transaction levies and the SEHK trading fees in respect of any dealing in the Units on the SEHK. For details of the amount of fees currently payable, please see Appendix 1 “Current Fees and Charges”.

Dividend Policy

The Manager may, at its discretion, distribute semi-annual cash dividends (if any), which are expected to be in respect of the first half and the second half of each calendar year respectively. The Manager currently intends to make declaration of dividends in June and November of each year. Each Unitholder will receive dividends in HKD

only (whether holding HKD traded Units or RMB traded Units). There is no guarantee of regular distribution of dividends and if dividend is paid the amount being distributed.

The Manager may, at its discretion, pay dividend out of capital of the H-Share ETF as contemplated by FAQ34 of the Code of Unit Trusts and Mutual Funds issued by the SFC. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the H-Share ETF are charged to/paid out of the capital of the H-Share ETF, resulting in an increase in distributable income for the payment of dividends by the H-Share ETF and therefore, the H-Share ETF may effectively pay dividend out of capital as contemplated by FAQ34.

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

The compositions of the dividends (i.e. the percentages of dividends being paid out of (i) net distributable income and (ii) capital) for a rolling 12-month period starting from November 2012 are available from the Manager on request and on the website www.hangsenginvestment.com. Details of ex-dividend dates and dividend payment dates shall also be published on the website www.hangsenginvestment.com and via the SEHK's website www.hkex.com.hk. The Manager may amend the policy regarding paying dividends out of capital or effectively out of capital subject to the SFC's prior approval and by giving not less than 1 month's advance notice to Unitholders.

Reporting to Investors

Reports and Accounts

The year-end of the H-Share ETF is 31 December in each calendar year. An audited annual report and accounts will be made available to unitholders within four months of the end of each financial year.

The semi-annual unaudited financial reports and accounts will also be made available to registered holders of Units in the H-Share ETF within two months of the period which they cover.

The semi-annual and annual financial reports will be available in both English and Chinese language, and provide a summary illustrating the differences between the daily closing price for the Units on the SEHK and its Net Asset Value per Unit over the reporting period.

Notice will be given to unitholders to notify them where the financial reports, in printed and electronic forms, can be obtained within the relevant timeframe.

The H-Share ETF Information on the Internet

The Manager will publish information with respect to the H-Share ETF, both in Chinese and in English, on www.hangsenginvestment.com (and a hyperlink from the SEHK's website www.hkex.com.hk is also available). You should regularly review such information. Such information will include:

- this offering document (including the Product Key Facts Statement for the H-Share ETF), as it may be updated from time to time;
- the compositions of the dividends (i.e. the percentages of dividends being paid out of (i) net distributable income and (ii) capital) for a rolling 12-month period (such information is also available from the Manager on request);
- the latest semi-annual and annual financial reports of the H-Share ETF;
- the near real-time estimated Net Asset Value per Unit throughout each Dealing Day in HKD and in RMB;
- the last closing Net Asset Value in HKD only and the last closing Net Asset Value per Unit in HKD and in RMB;

- any notices and public announcements made by the H-Share ETF, including information with respect to any change in manager or trustee, fees, management of the Manager, key service providers to the H-Share ETF (such as the conversion agent, registrar or auditors), investment objective, underlying index, as well as notices of the suspension of the calculation of Net Asset Value, suspension and resumption of trading, termination of the H-Share ETF or its merger with another collective investment scheme; and
- the latest list of Participating Dealers and Market Makers.

The near real-time estimated Net Asset Value per Unit in RMB is indicative and for reference only. This is updated every 15 seconds during the SEHK trading hours. The near real-time estimated Net Asset Value per Unit in RMB does not use a real-time RMB:HKD foreign exchange rate – it is calculated using the estimated Net Asset Value per Unit in HKD multiplied by an assumed foreign exchange rate using the Tokyo Composite 3:00 p.m. Tokyo time (2:00 p.m. Hong Kong time) mid rate quoted by Bloomberg for offshore RMB (CNH) on the previous SEHK trading day.

The last closing Net Asset Value per Unit in RMB is indicative and for reference only and is calculated using the last closing Net Asset Value per Unit in HKD multiplied by an assumed foreign exchange rate using the Tokyo Composite 3:00 p.m. Tokyo time (2:00 p.m. Hong Kong time) mid rate quoted by Bloomberg for offshore RMB (CNH) as of the same Dealing Day.

The composition of a Basket shall appear on every Dealing Day via the SEHK's website at www.hkex.com.hk for Participating Dealer's in-kind creation and redemption of Units.

Information About the H-Share Index

Information regarding the H-Share Index and the index provider of such index can be found in Appendix 2. Real-time updates about the H-Share Index can be obtained through the SEHK Teletext System, Thomson Reuters, Bloomberg and on www.hsi.com.hk the latter of which contains the additional and latest updated information about the H-Share Index and a description of the way in which such index is calculated. It is your own responsibility to obtain the current H-Share Index information (including without limitation, any change in the composition of the H-Share Index, any change in the method for compiling and calculating the H-Share Index) via the www.hsi.com.hk website. Please refer to the section headed "References to Websites" for the warning and the disclaimer regarding information contained in such website.

Information About H-Share Index Constituent Stocks

Information on the individual H-Share Index Constituent Stock can be obtained from the SEHK's website at www.hkex.com.hk or by checking the official website of the relevant H-Share Index Constituent Stock. It is your own responsibility to check up the latest updated information on the individual H-Share Index Constituent Stocks including but not limited to events arising from the affairs of the H-Share Index Constituent Stocks such as any price sensitive information disclosed by the issuer of any individual H-Share Index Constituent Stock, any announcement regarding any suspension of a H-Share Index Constituent Stock from trading on the SEHK. Please refer to the section headed "References to Websites" for the warning and the disclaimer regarding information contained in such websites and sources.

The H-Share ETF Management

Manager / Listing Agent

The manager and listing agent of the H-Share ETF is Hang Seng Investment Management Limited. The Manager may appoint other investment managers or investment advisers to assist the Manager with managing the H-Share ETF. No such investment manager or investment adviser has yet been appointed as at the date of this offering document.

Hang Seng Investment Management Limited was incorporated in Hong Kong with limited liability in April 1993. It is a wholly-owned subsidiary of Hang Seng Bank Limited ("**Hang Seng Bank**") and the investment arm of its parent. It also provides investment management services to Hang Seng Bank and Hang Seng Bank's customers and has extensive experience in managing index-tracking funds, retirement funds, institutional accounts and private client portfolios. It is the fund manager of the Hang Seng Investment Series and the Hang Seng Index Fund thereunder

was launched in 1998 and is one of the early index funds in Hong Kong to track the performance of Hang Seng Index. It is also the investment manager of two constituent funds namely Hang Seng Index Tracking Fund and Hang Seng H-Share Index Tracking Fund under the Hang Seng and HSBC MPF schemes.

Founded in 1933, Hang Seng Bank is one of Hong Kong's largest listed companies. Hang Seng Bank's market capitalization as at 31 December 2014 was HKD247 billion. With more than 10,000 employees, Hang Seng Bank serves over half the adult population of Hong Kong – more than 3 million people – through about 240 service outlets. Hang Seng Bank also maintains branches in Macau and Singapore and a representative office in Taipei. Established in 2007 and headquartered in Shanghai, wholly owned mainland China subsidiary Hang Seng Bank (China) Limited operates a network of around 50 outlets in Beijing, Shanghai, Guangzhou, Shenzhen, Fuzhou, Nanjing, Dongguan, Hangzhou, Ningbo, Tianjin, Kunming, Xiamen, Chengdu, Foshan, Zhongshan, Huizhou, Zhuhai, Jiangmen and Shantou. Hang Seng Bank is a principal member of the HSBC Group, one of the world's largest banking and financial organizations. With total assets of HKD1,264 billion as at the end of 2014, Hang Seng Bank reported a profit attributable to shareholders of HKD15,131 million for 2014.

As a wholly-owned subsidiary of Hang Seng Bank, the Manager has the full financial and technical support from its parent including its computer operating systems and internal control procedures.

Trustee, Custodian and Registrar

The trustee of the H-Share ETF is HSBC Provident Fund Trustee (Hong Kong) Limited. The Trustee is also the custodian of the H-Share ETF's assets and its registrar.

The Trustee is responsible for the safe-keeping of the assets of the H-Share ETF. The Trustee may also appoint any other person or persons to be the custodian of the H-Share ETF's assets or to act as registrar. The Trustee is required to exercise reasonable skill, care and diligence in the selection, appointment and monitoring of such person(s) and, during the term of their appointment, must satisfy itself as to the ongoing suitability of such person(s) to provide custodial services or registrar services (as the case may be), having regard to the market for which such person(s) is appointed.

HKCAS

The conversion agent in respect of the H-Share ETF is HK Conversion Agency Services Limited (**HKCAS**), a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited. The conversion agent performs services under the terms of the Conversion Agency Agreement entered into among the Manager, the HKCAS and HKSCC in connection with the creation and redemption of Units by Participating Dealers.

Participating Dealers

A Participating Dealer is a broker or dealer who acts for its own account or for the account of its clients to make in-kind creation and in-kind redemption applications for a large minimum number of 100,000 Units (or multiples thereof). The latest list of the Participating Dealers is available at www.hangsenginvestment.com.

Market Makers (if any)

A market maker is a broker or dealer permitted by the SEHK to act as such by making 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. If the SEHK withdraws its permit to the existing market maker(s), the Manager will endeavour to ensure that there is at least one other market maker per counter to facilitate the efficient trading of Units of the relevant eligible currency (in HKD or RMB). The latest list of market makers is available at www.hkex.com.hk. Please refer to the section headed "References to Websites" for the warning and the disclaimer regarding information contained in such website.

Hang Seng Data Services Limited

Hang Seng Data Services Limited ("**HSDS**") is the proprietor and absolute owner of all of the goodwill, rights, title and interest in the name and mark of the H-Share Index and has granted a licence in respect of the use of such

name and mark to Hang Seng Indexes Company Limited (“**HSIL**”), which manages and compiles the H-Share Index and is the index provider to the H-Share ETF. Additional information about HSIL is available at www.hsi.com.hk. Please refer to the section headed “References to Websites” for the warning and the disclaimer regarding information contained in such website.

Conflicts of Interest that may apply to the H-Share ETF

The Manager and the Trustee may from time to time act as trustee, administrator, registrar, secretary, manager, custodian, investment manager or investment adviser (as the case may be) or provide other services in relation to, or be otherwise involved in or with, other funds and clients which have a similar investment objective to the H-Share ETF. It is possible that in the course of transactions between the H-Share ETF and the connected persons to the Manager and/or the Trustee, there may be potential conflicts of interest with the H-Share ETF. If such conflicts arise, the Manager will use its best efforts to ensure that investors in the H-Share ETF are treated fairly.

The Manager and the connected persons to it may enter into transactions with the H-Share ETF as principal.

Such transactions will be disclosed in the H-Share ETF’s audited annual report and shall only be made with the prior written consent of the Trustee except where such transactions are (i) unit creation or redemption applications or (ii) an investment in a Collective Investment Scheme managed by the Manager or the connected persons to it, conducted at the prevailing Net Asset Value of the H-Share ETF or, as the case may be, the prevailing net asset value of the Collective Investment Scheme, on no more favourable terms and conditions than those available to any other person.

The Manager, the Trustee and persons connected to the Manager and/or the Trustee may have banking or other financial relationships with a company whose shares are an H-Share Index Constituent Stock.

The Manager, the Trustee and persons connected to the Manager and/or the Trustee may hold and deal in Units or in investments held by the H-Share ETF either for their own account or for the account of their customers.

The moneys of the H-Share ETF may be deposited with persons connected to the Manager and/or the Trustee or invested in certificates of deposit or banking instruments issued by such persons at an interest rate not lower than a rate negotiated at arm’s length.

The index provider, HSIL, and the index proprietor, HSDS are both members of the HSBC group of companies.

The operating parties (including the Manager, the Trustee, Participating Dealers and market makers) may have banking or other financial relationships with each other. Situations may arise where there are conflicts of interest among such entities. If such conflicts arise, the Manager will use its best efforts, to ensure that investors in the H-Share ETF are treated fairly.

The Manager is also the manager of the Hang Seng China H-Share Index Fund and the investment manager of the Hang Seng H-Share Index Tracking Fund.

Taxes and Duties Payable by the H-Share ETF

The information below regarding taxation and duties is based on the law and practice in force in Hong Kong and in the PRC at the date of this offering document.

Hong Kong

Profits Tax

As an Authorised Fund, profits of the H-Share ETF arising from the sale or disposal of securities, net investment income received by or accruing to the H-Share ETF and all other profits of the H-Share ETF are exempt from Hong Kong profits tax.

Stamp Duty

Pursuant to a remission order issued by the Secretary for the Treasury of Hong Kong on 20 October 1999, any Hong Kong stamp duty (i.e. fixed and ad valorem) on the transfer of a Basket to the H-Share ETF by an investor as

consideration for an allotment of Units will be remitted or refunded. Similarly, Hong Kong stamp duty on the transfer of a Basket by the H-Share ETF to an investor upon redemption of Units will also be remitted or refunded.

No Hong Kong stamp duty is payable by the H-Share ETF on an issue or redemption of Units in cash.

The sale and purchase of the H-Share Index Constituent Stocks by the H-Share ETF will be subject to Hong Kong stamp duty at the current rate of 0.2% of the price of the Hong Kong stocks being sold and purchased. The H-Share ETF will be liable to one half of such Hong Kong stamp duty.

The PRC

By investing in H-Shares, the H-Share ETF is subject to withholding of Enterprise Income Tax imposed in the PRC. The H-Share ETF may also be subject to other taxes imposed in the PRC.

Under the PRC Enterprise Income Tax Law and its implementation rules, incomes derived from the PRC by non-PRC tax resident enterprises which have no establishment or place of business in the PRC are subject to withholding of PRC Enterprise Income Tax at the rate of 10% (such rate may however be subject to change from time to time). As such, in respect of the investments of the H-Share ETF in H-Shares of which the incomes (such as dividends) are derived from the PRC, if any, the H-Share ETF is subject to withholding of PRC Enterprise Income Tax; and such withholding tax will reduce the income from the H-Share ETF and/or adversely affect the performance of the H-Share ETF.

However, there are still uncertainties as to the application of the PRC Enterprise Income Tax Law and its implementation rules (e.g. it is not clear as to whether gains realized on disposal of such H-Shares would be subject to withholding of PRC Enterprise Income Tax and if so, whether such withholding will apply retrospectively). It is also uncertain as to whether the H-Share ETF may be subject to other taxes imposed in the PRC in respect of its investments in H-Shares. Currently, the Manager has not made any provision for taxes. However, the Manager reserves the right to make any provision for taxes or to deduct or to withhold an amount on account of taxes from assets of the H-Share ETF according to the relevant PRC tax laws and regulation.

Further, there is a possibility that the current tax laws, rules, regulations and practice in the PRC and/or the current interpretation or understanding thereof may change in the future and such change(s) may have retrospective effect. The H-Share ETF could become subject to additional taxation that is not anticipated as at the date hereof or when the relevant investments are made, held, valued or disposed of. Any of those changes may reduce the income from, and/or the value of, the relevant investments by the H-Share ETF.

Once the uncertainties regarding the application of the PRC Enterprise Income Tax Law and its implementation rules are clarified, the Manager may make such provision for taxes or such adjustments to the amount of provision for taxes (if any) as it considers necessary as soon as practicable. If provision for taxes is to be made, the Manager will notify the relevant Unitholders of the same as soon as practicable. The amount of such provision/deduction/withholding for taxes will be disclosed in the financial reports of the H-Share ETF.

In case of a difference between the H-Share ETF's provision for taxes (if any) and its actual PRC tax liabilities, the relevant amounts shall be credited to or debited from the assets of the H-Share ETF (as the case may be). As a result, the income from, and/or the performance of the H-Share ETF may be adversely affected and the impact or degree of impact on individual unitholders of the H-Share ETF may vary, depending on factors such as the level of the H-Share ETF's provision for taxes (if any) and the amount of the difference at the relevant time and when the relevant Unitholders purchased and/or sold their Units in the H-Share ETF, or when the relevant Units in the H-Share ETF are created and/or redeemed. If the H-Share ETF's actual PRC tax liabilities are higher than the provision for taxes (if any) made by the Manager so that there is a shortfall in the amount of provision for taxes, investors should note that the Net Asset Value of the H-Share ETF may suffer more than the amount of provision for taxes as the H-Share ETF will ultimately have to bear the additional tax liabilities. In this case, the then existing and new Unitholders will be disadvantaged. On the other hand, if the H-Share ETF's actual PRC tax liabilities are lower than the provision for taxes (if any) made by the Manager so that there is an excess in the amount of provision for taxes, Unitholders who have sold or redeemed their Units before the PRC tax authority's ruling, decision or guidance in this respect are issued will be disadvantaged as they would have suffered from the Manager's over-provision for taxes. In this case, the then existing and new Unitholders may benefit if the excess between the provision for taxes and the actual PRC tax liabilities can be returned to the account of the H-Share ETF as assets thereof. Notwithstanding the above, Unitholders who have already sold or redeemed their Units in the H-Share

ETF before the return of any over-provision for taxes to the account of the H-Share ETF will not be entitled or have any right to claim any part of such over-provision for taxes.

Taxes and Duties Payable by Investors

You should consult your professional advisers on the consequences to you of acquiring, holding, redeeming, transferring or selling Units under the relevant laws of the jurisdictions to which you are subject, including the tax consequences and any exchange control requirements. The consequences, including the availability of, and the value of, tax relief will vary with the law and practice of your country of citizenship, residence, domicile or incorporation and your personal circumstances.

The information below regarding taxation and duties is based on the law and practice in force in Hong Kong at the date of this offering document. You should be aware that levels and bases of taxation are subject to change and that the value of any relief from taxation depends upon your personal circumstances. The following statements are intended as a general guide only and do not necessarily describe the tax consequences for all types of investors in the H-Share ETF and no reliance, therefore, should be placed upon them.

Hong Kong

Profits Tax

Hong Kong profits tax is not payable by the investors in respect of profits from the purchase and sale of Units effected outside Hong Kong, profits in the nature of capital gains rather than trading profits and income or profits otherwise exempt under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong).

There is generally no capital gains tax payable on the sale of the Units, save and except that where a person is or is deemed as carrying on a trade, profession or business in Hong Kong, gains or profits on the sale of the Units may be treated as normal trading receipts from that trade, profession or business and thus attract Hong Kong profits tax.

Distributions to the Unitholders are not subject to withholding taxes in Hong Kong.

Stamp Duty

Pursuant to a remission order issued by the Secretary for the Treasury for Hong Kong on 20 October 1999, any Hong Kong stamp duty (i.e. fixed and ad valorem) on the transfer of a Basket to the H-Share ETF by an investor as consideration for an allotment of Units will be remitted or refunded. Similarly, Hong Kong stamp duty on the transfer of a Basket by the H-Share ETF to an investor upon redemption of Units will also be remitted or refunded.

No Hong Kong stamp duty is payable by an investor in relation to an issue of Units (both RMB traded and HKD traded Units) to him or her or the redemption of Units (both RMB traded and HKD traded Units) by him or her or on the sale and purchase of Units (both RMB traded and HKD traded Units) by him or her in the secondary market.

The United States of America - Foreign Account Tax Compliance Act (FATCA)

Sections 1471 through 1474 of the U.S. Internal Revenue Code (“**FATCA**”) impose a 30% withholding tax on certain payments to a foreign financial institution (“**FFI**”) if that FFI is not compliant with FATCA. The H-Share ETF is a FFI and thus, subject to FATCA.

Beginning 1 July 2014, this withholding tax applies to payments to the H-Share ETF that constitute interest, dividends and other types of income from U.S. sources (such as dividends paid by a U.S. corporation) and beginning on 1 January 2017, this withholding tax is extended to the proceeds received from the sale or disposition of assets that give rise to U.S. source dividend or interest payments.

These FATCA withholding taxes may be imposed on payments to the H-Share ETF unless (i) the H-Share ETF becomes FATCA compliant pursuant to the provisions of FATCA and the relevant regulations, notices and announcements issued thereunder, or (ii) the H-Share ETF is subject to an appropriate Intergovernmental Agreement to improve international tax compliance and to implement FATCA (“**IGA**”).

Hong Kong and the U.S. have entered into an IGA for the implementation of FATCA, adopting “Model 2” IGA arrangements. Under these “Model 2” IGA arrangements, FFIs in Hong Kong (such as the H-Share ETF) will be

required to register with the U.S. Internal Revenue Service (“IRS”) and comply with the terms of the FFI Agreement. Otherwise, they will be subject to a 30% withholding tax on relevant US-sourced payments to them. As a sponsoring entity, the Manager has registered with the U.S. IRS on behalf of the H-Share ETF. The H-Share ETF intends to take any other measures that may be required to ensure compliance under the terms of the IGA and local implementing regulations.

In order to comply with its FATCA obligations, the H-Share ETF is required to obtain certain information from its Unitholders so as to ascertain their U.S. tax status, including the appropriate IRS withholding statement on Form W-8 or W-9. If the Unitholder is a specified U.S. person, U.S. owned non-U.S. entity, non-participating FFI (“NPFFI”) or does not provide the requisite documentation, the H-Share ETF may need to report information on these Unitholders to the appropriate tax authority, as far as legally permitted.

If a Unitholder either fails to provide the H-Share ETF, its agents or authorised representatives with any correct, complete and accurate information that may be required for the H-Share ETF to comply with FATCA or is a NPFFI, to the extent that the H-Share ETF is required to comply with the terms of the IGA, the Unitholder may be subject to withholding on amounts otherwise distributable to the Unitholder (provided that the Manager or the Trustee shall observe relevant legal requirements and shall act in good faith and on reasonable grounds). The H-Share ETF may at its discretion enter into any supplemental agreement without the consent of Unitholders to provide for any measures that the H-Share ETF deem appropriate or necessary to comply with FATCA.

Other countries are in the process of adopting tax legislation concerning the reporting of information. The H-Share ETF also intends to comply with such other similar tax legislation that may apply to the H-Share ETF, although the exact parameters of such requirements are not yet fully known. As a result, the H-Share ETF may need to seek information about the tax status of Unitholders under such other country’s laws and each Unitholder for disclosure to the relevant governmental authority.

The disclosure in this section is based on advice received by the H-Share ETF regarding the law and practice in force in the U.S. as at 21 July 2015. Unitholders/Investors should consult their own tax advisors regarding the FATCA requirements with respect to their own situation. In particular, investors who invest in the H-Share ETF through intermediaries should confirm the FATCA compliance status of those intermediaries to ensure that they do not suffer FATCA withholding tax on their investment returns.

Although the H-Share ETF will attempt to satisfy any obligations imposed on it to avoid the imposition of the FATCA withholding tax, no assurance can be given that the H-Share ETF will be able to satisfy these obligations. If the H-Share ETF become subject to a withholding tax as a result of the FATCA regime, the value of the Units held by Unitholders may suffer material losses.

Trust Deed and Participation Agreements

The Trust was established under Hong Kong law by the Trust Deed made between the Manager, the Trustee and the Index Proprietor. There are a number of Participating Dealers for the H-Share ETF and each has entered into a Participation Agreement. All investors are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Trust Deed and those in the form of the Participation Agreement. In the event of any inconsistency between any of the provisions of this offering document (including the Product Key Facts Statement for the H-Share ETF) and those of the Trust Deed or of the form of Participation Agreement, the provisions of the Trust Deed or of the form of Participation Agreement shall prevail. The Trust Deed contains provisions for the indemnification of the Trustee and the Manager and their relief from liability in certain circumstances. You should refer to the relevant terms of the Trust Deed for further details.

Supply and Inspection of Documents

You may inspect a copy of the H-Share ETF’s constitutive documents, including the Trust Deed, and its agreement with the HKCAS and the form of the Participation Agreement free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the offices of the Manager, 83 Des Voeux Road Central, Hong Kong and copies may be purchased at that address on payment of a reasonable fee.

General Information

Anti-Money Laundering Regulations

As part of the Trustee's and the Manager's responsibility to prevent money laundering, they may require detailed verification of your identity and the source of your payment for any investment in Units.

The Codes on Takeovers and Mergers and Share Repurchases

You should be aware that any shareholding of H-Share Index Constituent Stocks resulting from an "in-kind" redemption of Units may be subject to the application of the Hong Kong Takeovers Code. In circumstances where you hold a significant amount of H-Share Index Constituent Stocks you should consult a solicitor or financial adviser so as to ensure full compliance with the Hong Kong Takeovers Code.

Notices to Investors

With the prior consent of the SFC and the SEHK (as the case may be), notice of general matters may be given to investors in the Units by publication on www.hangsenginvestment.com and via the SEHK's website www.hkex.com.hk. In all other cases, as required by the SFC, notices will be sent to investors by post to their mailing address or, if approved by the SFC and agreed with the relevant investors, by electronic mail, electronic publication or other electronic means.

Meetings of Investors

The Trust Deed provides for meetings of investors to be convened by the Trustee or the Manager upon at least 21 days' notice.

Proxies may be appointed. The quorum at any meetings is investors present in person or by proxy holding not less than 10% (or, in relation to a resolution proposed as an extraordinary resolution, 25%) of the Units in issue. If a quorum is not present, the meeting will be adjourned for not less than 15 days. At an adjourned meeting investors in the Units who are present at the adjourned meeting, whatever their number or the number of units held by them, will form a quorum.

An extraordinary resolution is required under the Trust Deed for certain purposes and is a resolution proposed as such and passed by 75% or more of the total number of votes cast.

The Trust Deed provides that at any meeting of investors in the Units, on a poll, every investor who (being an individual) is present in person or (being a partnership or corporation) is present by an authorised representative shall have one vote for every unit of which he is the holder.

Responsibility Statement

The directors of the Manager accept responsibility for the information contained in this offering document (including the Product Key Facts Statement for the H-Share ETF) as being accurate at the date of publication.

Termination of the H-Share ETF

The H-Share ETF may be terminated by the Trustee in the following circumstances:

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

- (c) if any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue the H-Share ETF;
- (d) if the Manager shall have ceased to be the Manager and, within a period of 30 days thereafter, no other person acceptable to the SFC shall have been appointed by the Trustee as successor Manager; or
- (e) if the H-Share Index is discontinued or the Manager's license with the index provider and index proprietor is terminated or if the Units cease to be listed on the SEHK.

References to Websites

The offer of the Units is made solely on the basis of information contained in this offering document (including the Product Key Facts Statement for the H-Share ETF) and information on the H-Share ETF from time to time published or announced on the SEHK's official website and the website www.hangsenginvestment.com. All references in this offering document 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 offering document. None of the Listing Agent, the Manager or the Trustee accepts any responsibility whatsoever 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 and 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. You should exercise an appropriate degree of caution when assessing the value of such information.

Appendix 1 – Current Fees and Charges

(1) Fees and Expenses Payable by the H-Share ETF

Management Fee [^]	0.55% per annum
Trustee Fee [^]	0.050% per annum on the first HKD15 billion of the Net Asset Value; 0.045% per annum on the next HKD15 billion of the Net Asset Value; 0.030% per annum on the next HKD15 billion of the Net Asset Value; and 0.025% per annum on Net Asset Value in excess of HKD45 billion.

[^] Please note that the annual rate stated is the rate charged currently. It may be increased up to a permitted maximum rate (which is 2.5% per annum for Management Fee and 1% per annum for Trustee Fee) as set out in the Trust Deed by giving 1 month's prior notice to relevant Unitholders.

There will be other expenses which will be borne by the H-Share ETF including the fees and expenses of the registrar, auditors, legal fees, index licensing fees, printing costs on publication of this offering document (including the Product Key Facts Statement for the H-Share ETF) and the Trust Deed, etc. Please refer to the section headed "Fees and Expenses Payable by the H-Share ETF" for details.

(2) Fees and Charges payable by investors in the H-Share ETF

(i) Payable by Participating Dealers for in-kind creation or redemption

<u>Fee Payable Upon</u>	<u>Fee (if applicable)</u>	<u>Amount (HKD)</u>	<u>Payable to</u>
In-kind Application to Issue Units	Corporate action fee	HKD0.80 per board lot*	HKSCC
	Application cancellation fee	(1)	H-Share ETF
	Extension fee	(1)	H-Share ETF
	Partial delivery request fee	(1)	H-Share ETF
	Transaction fee	(2)	H-Share ETF
In-kind Application to Redeem Units	Corporate action fee	HKD0.80 per board lot*	HKSCC
	Application cancellation fee	(1)	H-Share ETF
	Extension fee	(1)	H-Share ETF
	Transaction fee	(2)	H-Share ETF
	Unit cancellation fee	HKD1.00 per board lot	HKCAS

* Subject to a maximum of HKD10,000 and the tariff specified in the CCASS Operational Procedures in effect from time to time

Notes:

- (1) The applicable amount is up to HKD10,000 per Participating Dealer for aggregate creation and redemption on that day.
- (2) The applicable amount is HKD15,000 per Participating Dealer on that day. This fee includes the HKCAS's fee which ranges from HKD5,000 to HKD12,000 per day per Participating Dealer

depending on the aggregate dollar value of creation and redemption applications made on that day by that Participating Dealer, as more fully detailed below.

Total Aggregated Value Transacted Daily	HKCAS's Fee
HKD1 to HKD2,000,000	HKD5,000
HKD2,000,001 to HKD5,000,000	HKD8,000
HKD5,000,001 to HKD10,000,000	HKD10,000
Over HKD10,000,000	HKD12,000

(ii) Payable by investors in respect of dealings in the Units on the SEHK

Brokerage	Market rates
SFC Transaction levy	0.0027% ⁽¹⁾
SEHK Trading fee	0.005% ⁽²⁾
Stamp duty	Nil
Inter-counter transfers	HKD5 ⁽³⁾

Notes:

(1) SFC transaction levy of 0.0027% of the trading price of the Units is payable by each of the buyer and the seller alike.

(2) The SEHK trading fee of 0.005% of the trading price of the Units is payable by each of the buyer and the seller alike.

(3) HKSCC will charge each CCASS Participant a fee of HKD5 per instruction for effecting an inter-counter transfer of the H-Share ETF between one counter and the other counter. Investors should check with their brokers regarding any additional fees.

Appendix 2 – Information about the H-Share Index

Overview

The H-Share Index, launched on 8 August 1994, tracks the performance of mainland China enterprise with H-Share listings in Hong Kong. The universe of the H-Share Index comprises all H-share companies that have their primary listing on the Main Board of the SEHK. The H-Share Index is calculated with a base value of 2000 as of 3 January 2000. It is calculated on a 2-second basis during trading hours of the SEHK and its closing value is based on the official closing prices of the constituent stocks in the H-Share Index announced by the SEHK.

The H-Share Index is compiled and managed by HSIL, a wholly-owned subsidiary of Hang Seng Bank Limited.

In order to be included in the H-Share Index, a stock should be listed for at least one month by the review cut-off date and pass the 0.1% turnover velocity minimum requirement. Turnover velocity in each of the past 12 months is calculated for each stock based on the following formula:

$$\text{Turnover velocity} = \frac{\text{Median of daily traded shares in specific calendar month}}{\text{Freefloat-adjusted issued shares at month end}}$$

Turnover velocity of a new constituent entering the H-Share Index must meet the minimum requirement for at least 10 out of the past 12 months and for all of the latest three months. Turnover velocity of an existing constituent of the H-Share Index must meet the minimum requirement for at least 10 out of the past 12 months.

Then, all eligible stocks are ranked by each of the following:

- i. Full market capitalization, in terms of average month-end market capitalization in the past 12 months.
- ii. Freefloat-adjusted market capitalization, in terms of 12-month average market capitalization after freefloat adjustment.
- iii. Average of the past month-end market capitalization will be used for stocks with a listing history of less than 12 months.

A combined market capitalization ranking is calculated for each stock based on the following formula:

$$\text{Combined Market Capitalization Ranking} = 50\% \text{ of Full Market Capitalization} + 50\% \text{ of Freefloat-adjusted Market Capitalization}$$

The 40 stocks that have the highest combined market capitalization ranking will be selected as constituents of the H-Share Index.

A freefloat-adjusted market capitalization weighted methodology with a cap of 10% on each constituent weighting is adopted for the H-Share Index calculation.

As at 21 August 2015, the respective weightings of the top 10 largest constituent stocks of the H-Share Index are:

Stock Code	Stock Name	Weighting (%)
939	China Construction Bank Corporation – H Share	10.19
3988	Bank of China Ltd. – H Share	10.15
1398	Industrial and Commercial Bank of China Ltd. – H Share	9.96
2318	Ping An Insurance (Group) Co. of China Ltd. – H Share	7.85
2628	China Life Insurance Co. Ltd. – H Share	7.42
857	PetroChina Co. Ltd. – H Share	5.43
386	China Petroleum & Chemical Corporation – H Share	4.98
3968	China Merchants Bank Co., Ltd. – H Share	3.39
1288	Agricultural Bank of China Ltd. – H Share	3.14
2601	China Pacific Insurance (Group) Co., Ltd. – H Share	2.78

Real-time update of the H-Share Index can be obtained through the SEHK Teletext System, Thomson Reuters, Bloomberg and the website of HSIL at www.hsi.com.hk. Other important news relating to the H-Share Index will be available through press releases and at the HSIL website, www.hsi.com.hk.

Please note:

- The list of constituent stocks which comprise the H-Share Index is reviewed by HSIL on a quarterly basis. The composition of the H-Share Index may change and its constituent companies may be substituted with other companies as determined by HSIL.
- The accuracy and completeness of the calculation of H-Share Index may be affected if there is any problem with the system for the computation and/or compilation of the H-Share Index.
- Under the terms of the licence agreement regarding the use of the H-Share Index, the Manager will indemnify HSIL and HSDS against, among other things, any loss of whatsoever nature which either of them may suffer (including in respect of any claim by any current, former or future Unitholder or investor) as a result of any act or omission of HSIL and HSDS in respect of or in connection with the trading in the H-Share ETF, use of the H-Share Index in connection with such trading, computation of the H-Share Index, or any errors, mistakes or omissions in making such computation or in collecting or using relevant information for that purpose (except in cases of their wilful misconduct, bad faith or dishonesty). The Manager will also indemnify HSIL and HSDS on a full indemnity basis for, among other things, any loss which either of them may suffer as a result of any default by the Manager or any of its duly appointed agents in the performance and observance of the provisions of the license agreement and any misuse or unauthorised use of the H-Share Index. As the Manager is entitled to be indemnified from the H-Share ETF's assets in respect of any claims made against it including those in relation to the license agreement provided that such losses are not due to the negligence, default, breach of duty or trust on the part of the Manager, this may result in a decrease in the Net Asset Value of the H-Share ETF.

Disclaimer

The Hang Seng China Enterprises Index (the "H-Share Index") is published and compiled by Hang Seng Indexes Company Limited pursuant to a licence from Hang Seng Data Services Limited. The mark and name "Hang Seng China Enterprises Index" are proprietary to Hang Seng Data Services Limited. Hang Seng Indexes Company Limited and Hang Seng Data Services Limited have agreed to the use of, and reference to, the H-Share Index by Hang Seng Investment Management Limited in connection with the H-Share ETF, **BUT NEITHER HANG SENG INDEXES COMPANY LIMITED NOR HANG SENG DATA SERVICES LIMITED WARRANTS OR REPRESENTS OR GUARANTEES TO ANY BROKER OR HOLDER OF THE H-SHARE ETF OR ANY OTHER PERSON (i) THE ACCURACY OR COMPLETENESS OF ANY OF THE H-SHARE INDEX AND ITS COMPUTATION OR ANY INFORMATION RELATED THERETO; OR (ii) THE FITNESS OR SUITABILITY FOR ANY PURPOSE OF ANY OF THE H-SHARE INDEX OR ANY COMPONENT OR DATA COMPRISED IN IT; OR (iii) THE RESULTS WHICH MAY BE OBTAINED BY ANY PERSON FROM THE USE OF ANY OF THE H-SHARE INDEX OR ANY COMPONENT OR DATA COMPRISED IN IT FOR ANY PURPOSE, AND NO WARRANTY OR REPRESENTATION OR GUARANTEE OF ANY KIND WHATSOEVER RELATING TO ANY OF THE H-SHARE INDEX IS GIVEN OR MAY BE IMPLIED.** The process and basis of computation and compilation of any of the H-Share Index and any of the related formula or formulae, constituent stocks and factors may at any time be changed or altered by Hang Seng Indexes Company Limited without notice. **TO THE EXTENT PERMITTED BY APPLICABLE LAW, NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY HANG SENG INDEXES COMPANY LIMITED OR HANG SENG DATA SERVICES LIMITED (i) IN RESPECT OF THE USE OF AND/OR REFERENCE TO ANY OF THE H-SHARE INDEX BY HANG SENG INVESTMENT MANAGEMENT LIMITED IN CONNECTION WITH THE H-SHARE ETF; OR (ii) FOR ANY INACCURACIES, OMISSIONS, MISTAKES OR ERRORS OF HANG SENG INDEXES COMPANY LIMITED IN THE COMPUTATION OF ANY OF THE H-SHARE INDEX; OR (iii) FOR ANY INACCURACIES, OMISSIONS, MISTAKES, ERRORS OR INCOMPLETENESS OF ANY INFORMATION USED IN CONNECTION WITH THE COMPUTATION OF ANY OF THE H-SHARE INDEX WHICH IS SUPPLIED BY ANY OTHER PERSON; OR (iv) FOR ANY ECONOMIC OR OTHER LOSS WHICH MAY BE DIRECTLY OR INDIRECTLY SUSTAINED BY ANY BROKER OR HOLDER OF THE H-SHARE ETF OR ANY OTHER PERSON DEALING WITH THE H-SHARE ETF AS A RESULT OF ANY OF THE AFORESAID, AND NO CLAIMS, ACTIONS OR LEGAL PROCEEDINGS MAY BE BROUGHT AGAINST HANG SENG INDEXES COMPANY LIMITED AND/OR HANG SENG DATA SERVICES LIMITED** in connection with the H-Share ETF in any manner whatsoever by any broker, holder or other person dealing with the H-Share ETF. Any broker, holder or other person dealing with the H-Share ETF does so therefore in full knowledge of this disclaimer and can place no reliance whatsoever on Hang Seng Indexes Company Limited and Hang Seng Data Services Limited. For the avoidance of doubt, this disclaimer does not create any contractual or

quasi-contractual relationship between any broker, holder or other person and Hang Seng Indexes Company Limited and/or Hang Seng Data Services Limited and must not be construed to have created such relationship.

Appendix 3 – Procedures for In-kind Creation and In-kind Redemption

Set out below is a summary of the provisions in the Trust Deed governing the in-kind creation and redemption procedures to be followed by Participating Dealers.

This summary should be read in conjunction with the Trust Deed.

Procedures for Creation in Application Unit Size

The Manager has the exclusive right to effect, for the account of the H-Share ETF, the in-kind creation of Units in exchange for the transfer, by a Participating Dealer, to or for the account of the H-Share ETF, of the H-Share Index Constituent Stocks constituting a Basket for the relevant Units and a cash amount equivalent to any duties and charges payable plus, if the Cash Component is a positive value, a cash payment equivalent to the amount of the Cash Component. If the Cash Component is a negative value, the Trustee shall be required to make a cash payment equivalent to the amount of the Cash Component (expressed as a positive figure) to the Participating Dealer. In the event that the H-Share ETF has insufficient cash required to pay any Cash Component payable by the H-Share ETF, the Manager may effect sales of the deposited property of the H-Share ETF, or may borrow moneys to provide the cash required.

The Manager has the right to reject or suspend a creation application if (i) in the opinion of the Manager, acceptance of the H-Share Index Constituent Stocks constituting a Basket would have certain adverse tax consequences for the H-Share ETF; (ii) the Manager reasonably believes that the acceptance of the H-Share Index Constituent Stocks constituting a Basket would be unlawful; (iii) the acceptance of the H-Share Index Constituent Stocks constituting a Basket would otherwise, in the opinion of the Manager, have an adverse effect on the H-Share ETF; (iv) circumstances outside the control of the Manager make it for all practicable purposes impossible to process creation applications or (v) the Manager has suspended the rights of Participating Dealers pursuant to the Trust Deed.

Under the Dual Counter arrangement, a Participating Dealer may subject to arrangement with the Manager elect to CCASS to have Units which it creates deposited in either HKD counter or RMB counter. However, the cash creation of new Units in a special creation application is in HKD only and the Units created in a special creation application can be deposited in HKD counter only. Once the Units are created, the Manager shall effect, for the account of the H-Share ETF, the issue of Units to a Participating Dealer in accordance with the Operating Guidelines.

Units are denominated in HKD (unless otherwise determined by the Manager) and no fractions of a Unit shall be created or issued by the Trustee.

An application for the creation and issue of Units shall only be made or accepted (as the case may be) on a Dealing Day, shall only be in respect of Units constituting an Application Unit size or whole multiples thereof and shall only be accepted if made by or through a Participating Dealer in accordance with the terms of a Participation Agreement.

The creation and issue of Units pursuant to a creation application shall be effected on the Dealing Day on which the creation application is received (or deemed received) and accepted in accordance with the Operating Guidelines but, 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 the register of the H-Share ETF will be updated on Settlement Day or the Dealing Day immediately following 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 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.

No Units shall be issued to any Participating Dealer unless (i) the application is in a form and substance satisfactory to, and accompanied by such documents as may be required by, the Trustee and the Manager in accordance with the Operating Guidelines, (ii) the Trustee and the Manager receive copies of the certifications required under the Participation Agreement in respect of the creation of new Units and (iii) the Trustee and the Manager receive such other certifications and opinions of counsel as each may consider necessary to ensure compliance with applicable securities laws and other laws in relation to the creation and issue of Units which are the subject of the creation application.

The Manager may charge a Transaction Fee in respect of creation applications and may on any day vary the amount of the Transaction Fee it charges (but not as between different Participating Dealers in respect of the H-Share ETF). 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 Component due to the Participating Dealer in respect of such creation application(s)) for the benefit of the Trust.

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 deposited property of the H-Share ETF.

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 of the Trust Deed, in regard to the issue of Units, are being infringed.

Cancellation of Units

The Trustee shall cancel Units created and issued in respect of a creation application if all the H-Share Index Constituent Stocks constituting the Basket deposited for exchange have not been vested by or on the relevant Settlement Day in the H-Share ETF or to the Trustee's satisfaction or evidence of title and instruments of transfer satisfactory to the Trustee have not been produced to or to the order of the Trustee; or the full amount of (i) the Cash Component (if applicable) and (ii) any duties and charges and Transaction Fee payable have not been received in cleared funds by or on behalf of the Trustee by such time on the Settlement Day as prescribed in the Operating Guidelines; provided that, in either event the Manager may, in its discretion, with the approval of the Trustee, extend the settlement period (either for the creation application as a whole or for a particular Index Security or Index Securities) such extension to be on such terms and conditions (including as to the payment of an Extension Fee to the H-Share ETF) as the Manager may determine.

Upon the cancellation of any Units as provided for above or if a Participating Dealer otherwise withdraws a creation application other than in the circumstances contemplated in the Trust Deed, such H-Share Index Constituent Stocks constituting the Basket deposited for exchange (or equivalent H-Share Index Constituent Stocks of the same type) as have been vested in the H-Share ETF and any cash received by or on behalf of the H-Share ETF in connection with a creation application (in either case in respect of such cancelled Units) shall be redelivered to the Participating Dealer and the relevant Units shall be deemed for all purposes never to have been created and the applicant therefore shall have no right or claim against the Manager or the Trustee in respect of such cancellation provided that:

- the Manager may charge the Participating Dealer for the account of the H-Share ETF an Application Cancellation Fee; and
- no previous valuations of the H-Share ETF shall be re-opened or invalidated as a result of the cancellation of such Units.

Manager's Discretion to Accept Cash for Creation and Issue of Units

- If the Manager determines in its discretion (following an application by a Participating Dealer) that H-Share Index Constituent Stocks are likely to be unavailable for delivery or available in sufficient quantity for delivery to the Trustee in connection with a creation application; or
- if the Manager (following an application by a Participating Dealer) is satisfied that, in connection with the issue of any Units, the Participating Dealer in question is prevented by regulation or otherwise from investing or engaging in a transaction in any H-Share Index Constituent Stock,

then the Manager shall have the right, in its discretion, to accept cash (in HKD notwithstanding a Dual Counter being adopted for the H-Share ETF) equal to the market value at the Valuation Point for the relevant Dealing Day of such H-Share Index Constituent Stocks in lieu of accepting such H-Share Index Constituent Stocks as constituting part of the relevant Basket provided that the Manager shall be entitled in its discretion to charge (for the account of the H-Share ETF) to the applicant of any Units for which cash is paid in lieu of delivering any H-Share Index Constituent Stocks such additional sum as represents the appropriate provision for duties and charges.

Manager's Discretion to Accept Cash Collateral

If the Manager determines in its discretion (following a partial delivery request by a Participating Dealer) that any H-Share Index Constituent Stocks are likely to be unavailable for delivery or available in insufficient quantity for delivery to the Trustee in connection with a creation application, then the Manager shall have the right in its discretion to accept an amount of cash (in HKD notwithstanding a Dual Counter being adopted for the H-Share ETF) determined by reference to the market value at the Valuation Point for the relevant Dealing Day of such H-Share Index Constituent Stocks as collateral for such H-Share Index Constituent Stock(s) until they are delivered.

Any such collateral will be held for the account of the H-Share ETF in a non-interest bearing account and shall be redelivered to the Participating Dealer after delivery of such H-Share Index Constituent Stocks (by 4:00 p.m. on the Dealing Day on which the delivery is made (the "**Delivery Date**") if such H-Share Index Constituent Stocks have been successfully debited by 2:00 p.m. on the Delivery Date or, by 2:00 p.m. on the Dealing Day immediately following the Delivery Date if such H-Share Index Constituent Stocks have been successfully debited after 2:00 p.m. on the Delivery Date) or, immediately upon demand in the circumstances described in (b) below.

The unavailable H-Share Index Constituent Stocks will be marked to market daily by the Manager by reference to their closing price on the previous trading day and if the cash collateral (a) falls below the prescribed percentage of such market value, the Manager may, in its discretion, request the Participating Dealer to provide additional cash collateral to make up the shortfall; or (b) exceeds the prescribed percentage of such market value, the Manager shall inform the Participating Dealer and shall offer to return any such excess cash collateral to the Participating Dealer.

The Manager may, subject to the provisions of the Participation Agreement, charge the Participating Dealer for the account of the H-Share ETF a Partial Delivery Request Fee.

Procedures For Redemption in Application Unit Size

The Manager has the exclusive right, at any time and from time to time following an in-kind redemption application made by a Participating Dealer in accordance with the Operating Guidelines, by notice in writing to the Trustee to effect a reduction of the H-Share ETF on the relevant Settlement Day by the order of the Trustee for the cancellation of the Units represented thereby and by requiring the Trustee to cancel the number of Units specified in such notice.

Notwithstanding a Dual Counter being adopted for the H-Share ETF, any cash proceeds received by a Feeder Fund in a special redemption application in cash shall be paid in HKD and only Units in the HKD counter can be withdrawn directly in a special redemption application. However, both HKD traded Units and RMB traded Units may be redeemed by way of a Redemption Application through a Participating Dealer. Where a Participating Dealer wishes to redeem RMB traded Units the redemption process is the same as for HKD traded Units.

A redemption application shall only be made or accepted (as the case may be) on a Dealing Day and shall only be in respect of Units constituting an Application Unit size or whole multiples thereof and shall only be accepted if made by or through a Participating Dealer in accordance with the terms of a Participation Agreement.

If a redemption application is received on a day which is not a Dealing Day or is received after the Dealing Deadline on a Dealing Day, that redemption application shall be 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. 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 Manager shall, on receipt of an effective redemption application for a particular the H-Share ETF from a Participating Dealer, effect the redemption of the relevant Units and shall require the Trustee to transfer to the Participating Dealer the appropriate number of H-Share Index Constituent Stocks constituting the Basket for the relevant Units plus, where the Cash Component is a positive value, a cash payment equivalent to the amount of the Cash Component. In the event that the H-Share ETF has insufficient cash required to pay any Cash Component payable by the H-Share ETF, the Manager may effect sales of the deposited property of the H-Share ETF, or borrow moneys to provide the cash required. If the Cash Component is a negative value, the Participating Dealer shall be required to make a cash payment equivalent to the amount of the Cash Component (expressed as a positive figure) to or to the order of the Trustee.

To be effective, a redemption application must:

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

A redemption application once given cannot be revoked or withdrawn without the consent of the Manager. The HKCAS may charge a Unit Cancellation Fee in connection with each accepted redemption application.

The Manager may deduct from and set off against any Cash Component payable to a Participating Dealer on the redemption of Units such sum (if any) as the Manager may consider represents the appropriate provision for duties and charges and the Transaction Fee. To the extent that the Cash Component is insufficient to pay such duties and charges and the Transaction Fee payable on such redemption the Participating Dealer shall promptly pay the shortfall in the base currency of the H-Share ETF to or to the order of the Trustee. The Trustee shall not be obliged to deliver (and shall have a general lien over) the H-Share Index Constituent Stocks constituting the Basket to be transferred in respect of the relevant redemption application until such shortfall and any Cash Component, Transaction Fee and Extension Fee payable by the Participating Dealer is paid in full in cleared funds to or to the order of the Trustee.

Unless specifically requested to do so by the Participating Dealer concerned, not later than one month after the relevant Dealing Day, the Trustee shall be under no obligation to check the calculation of the Redemption Price in connection with any redemption or cancellation of Units but shall be entitled at any time before the audited accounts of the H-Share ETF, covering the relevant Dealing Day, have been prepared, to require the Manager to justify its calculation of the Redemption Price.

Any H-Share Index Constituent Stocks transferable and Cash Component payable (less any amount deducted) to a Participating Dealer in respect of a redemption application may be transferred or paid sooner but shall be transferred and paid, on the Settlement Day provided that a redemption application duly signed by a Participating Dealer (to the satisfaction of the Manager and, where any amount is to be paid by telegraphic transfer to a bank account, verified in such manner as may be required by, and to the satisfaction of, the Trustee) has been received in accordance with the Operating Guidelines and the full amount of any Cash Component payable by the Participating Dealer and any duties and charges and the Transaction Fee payable have been deducted or otherwise paid in full.

On the relevant Settlement Day in relation to an effective redemption application:-

- the Units, which are the subject of the redemption application, shall be redeemed and cancelled;
- the H-Share ETF shall be reduced by the cancellation of those Units but, for valuation purposes only, such Units shall be deemed to have been redeemed and cancelled after the Valuation Point as at the Dealing Day on which the redemption application was received; and
- the name of the holder of such Units shall be removed from the register in respect of those Units on the relevant Settlement Day,

the Trustee shall transfer the H-Share Index Constituent Stocks constituting the Basket relevant to the redemption application out of the deposited property of the H-Share ETF to the Participating Dealer and shall pay any Cash Component (with such deductions as are permitted by the Trust Deed) payable by the Trustee.

No H-Share Index Constituent Stocks shall be transferred and no Cash Component shall be paid in respect of any redemption application unless the requisite documents in respect of the Units which are the subject of the redemption application have been delivered to the Manager by such time on the Settlement Day as the Trustee and the Manager shall for the time being prescribe for redemption applications generally.

In the event that such documents are not delivered to the Manager in accordance with the foregoing:

- the redemption application shall be deemed never to have been made except that the Transaction Fee in respect of such application shall remain due and payable and once paid, shall be retained by the H-Share ETF;
- the Manager may charge the Participating Dealer for the account of the H-Share ETF an Application Cancellation Fee; and
- no previous valuations of the H-Share ETF shall be re-opened or invalidated as a result of an unsuccessful redemption application.

The Manager, with approval of the Trustee, may at its discretion extend the settlement period with respect to a redemption application, such extension to be on such terms and conditions (including as to the payment of an Extension Fee to the H-Share ETF) as the Manager may determine but, in any event, not later than one month from the receipt of an effective redemption application.

The Manager may charge a Transaction Fee in respect of redemption applications and may on any day vary the amount of the Transaction Fee it charges (but not as between different Participating Dealers in respect of the H-Share ETF). 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 Cash Component due to the Participating Dealer in respect of such redemption application(s)) for the benefit of the Trustee and/or the HKCAS.

Appendix 4 – Glossary

Set out below are detailed definitions of capitalised terms used in this offering document and, where appropriate, as used in the Trust Deed.

Application Cancellation Fee	the fee which may, at the discretion of the Manager, be charged to each Participating Dealer for the account of the H-Share ETF in respect of a cancellation (for more information, see “Cancellation of Units” in Appendix 3) of a creation application or a redemption application by a Participating Dealer, the current fee level of which is set out in Appendix 1
Application Unit	such number of Units of a class or whole multiples thereof as specified in this offering document or such other multiple of Units of a class from time to time determined by the Manager and approved by the Trustee
Authorised Fund	a Collective Investment Scheme that is authorised by the SFC pursuant to Section 104(1) of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (SFC authorization is not a recommendation or endorsement of a Collective Investment Scheme nor does it guarantee the commercial merits of a Collective Investment Scheme or its performance. It does not mean the Collective Investment Scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.)
Basket	a portfolio of H-Share Index Constituent Stocks based on the stock weightings in the H-Share Index on the relevant Dealing Day for the purpose of an in-kind creation or an in-kind redemption of Units
Cash Component	the difference between (i) the aggregate Net Asset Value of the Units comprising an Application Unit (in the case of a Participating Dealer Application) or of such other number of Units as determined by the Manager from time to time (in the case of a Special Application) and (ii) the value of the applicable Basket
CCASS	the Central Clearing and Settlement System established and operated by HKSCC
CCASS Participant	a participant in CCASS
CCASS Settlement Day	a settlement day as determined by HKSCC for CCASS
Collective Investment Scheme	has the same meaning as in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Dealing Day	a day (other than a Saturday) on which the SEHK is open for normal trading and on which the H-Share Index is compiled and published, but excluding any day on which a number 8 typhoon signal or higher or a black rain storm warning or other similar event is in force in Hong Kong at any time after the SEHK officially opens for trading and before the SEHK officially closes for trading on that day (or such other times as may from time to time be determined by the Manager) or such other day as the Manager may from time to time determine with the approval of the Trustee
Dealing Deadline	the cut-off time for making creation applications or redemption applications on any particular Dealing Day is the official closing time of the SEHK on that Dealing Day (in the case of Feeder Funds), and 15 minutes after the official closing time of the SEHK on that Dealing Day (in the case of the Participating Dealers) or such other time prior to the calculation of the Net Asset Value of the H-Share ETF on that Dealing Day as the Manager may

	determine and agree with the Trustee
Delivery Date	the Dealing Day on which previously unavailable H-Share Index Constituent Stocks are delivered to complete a partial delivery of the relevant Basket by a Participating Dealer, for more information, see "Manager's Discretion to Accept Cash Collateral" in Appendix 3
Dual Counter	the facility by which the Units of the H-Share ETF traded in HKD and traded in RMB are each assigned separate stock codes on the SEHK and are accepted for deposit, clearing and settlement in CCASS in more than one eligible currency (HKD or RMB)
ETF	an exchange traded fund
Extension Fee	the fee payable in connection with a request made by a Participating Dealer to extend the date on which an in-kind creation application or redemption application is to be settled which may at the discretion of the Manager, be charged to each Participating Dealer for the account of the H-Share ETF, the current fee level of which is set out in Appendix 1
Feeder Funds	the Hang Seng China H-Share Index Fund and the Hang Seng H-Share Index Tracking Fund
H-Shares	shares in Mainland incorporated enterprises which are listed on the SEHK and primarily traded in Hong Kong
H-Share ETF	the Hang Seng H-Share Index ETF
H-Share Index	the Hang Seng China Enterprises Index
H-Share Index Constituent Stocks	the constituent stocks of the H-Share Index
HKCAS	HK Conversion Agency Services Limited
HKD	HKD, the lawful currency of Hong Kong
HKEx	Hong Kong Exchanges and Clearing Limited or its successors
HKSCC	Hong Kong Securities Clearing Company Limited
HKSCC Nominees	HKSCC Nominees Limited
HSCI	the Hang Seng Composite Index
Hang Seng China H-Share Index Fund	a SFC authorised* index fund in the Hang Seng Investment Series which is a unit trust established as an umbrella fund under the laws of the Cayman Islands; it is managed by the Manager and invests solely in the H-Share ETF
	* SFC authorization is not a recommendation or endorsement of the Hang Seng China H-Share Index Fund nor does it guarantee the commercial merits of the Hang Seng China H-Share Index Fund or its performance. It does not mean the Hang Seng China H-Share Index Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.
Hang Seng H-Share Index Tracking Fund	a SFC authorised fund* investing solely in the H-Share ETF, also approved by the Mandatory Provident Fund Schemes Authority, with the Manager

acting as the investment manager and a constituent fund of the following two schemes:

Hang Seng Mandatory Provident Fund – ValueChoice; and
HSBC Mandatory Provident Fund – ValueChoice

* SFC authorization is not a recommendation or endorsement of the Hang Seng H-Share Index Tracking Fund nor does it guarantee the commercial merits of the Hang Seng H-Share Index Tracking Fund or its performance. It does not mean the Hang Seng H-Share Index Tracking Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

Index Proprietor	Hang Seng Data Services Limited, the owner of the mark and name of the H-Share Index against which the H-Share ETF benchmarks its investments
Index Provider	Hang Seng Indexes Company Limited, the person responsible for managing and compiling the H-Share Index against which the H-Share ETF benchmarks its investments
Index Security(ies)	the constituent stock(s) of a stock index
Index Funds Series	the Hang Seng Investment Index Funds Series
Issue Price	the price at which Units will be issued, as more fully described in “Calculation of Issue Price and Redemption Price”
Listing Date	10 December 2003, the date on which dealings in the Units commenced on the SEHK
Manager	Hang Seng Investment Management Limited
Net Asset Value	the net asset value, of the H-Share ETF or, as the context may require, of a Unit, calculated in accordance with the provisions of the Trust Deed
Operating Guidelines	the Operating Guidelines governing Participating Dealers
Partial Delivery Request Fee	the fee payable in connection with a request made by a Participating Dealer relating to a partial delivery of the relevant Basket in connection with a creation application (for more information, see “Manager’s Discretion to Accept Cash Collateral”), which may at the discretion of the Manager, be charged to each Participating Dealer for the account of the H-Share ETF, the current fee level of which is set out in Appendix 1
Participation Agreement	a written agreement entered into between the Trustee, the Manager, HKSCC, the HKCAS and a Participating Dealer setting out, (amongst other things), the arrangements in respect of Participating Dealer Applications
Participating Dealer	a broker or dealer who has entered into a Participation Agreement
Participating Dealer Application	an application by a Participating Dealer for an in-kind creation or redemption of Units through CCASS, in accordance with the procedures for creation and redemption of Units set out in the Participating Dealer Operating Guidelines
PBOC	the People’s Bank of China
PRC	the People’s Republic of China, excluding for the purposes of interpretation of this offering document only, Hong Kong, Macau and Taiwan

Redemption Price	the price at which Units will be redeemed, as more fully described in “Calculation of Issue Price and Redemption Price”
Registrar	HSBC Provident Fund Trustee (Hong Kong) Limited
RMB	Renminbi Yuan, the lawful currency of the PRC
RUPV	Reference Underlying Portfolio Value (or intra-day estimated Net Asset Value)
Settlement Day	the Dealing Day which is two CCASS Settlement Days after the relevant Dealing Day on which the creation or redemption is submitted or such other number of Dealing Days after the relevant Dealing Day as the Manager and the Trustee may from time to time agree
SEHK	The Stock Exchange of Hong Kong Limited
SFC	the Securities and Futures Commission in Hong Kong
Special Application	a Special Creation Application and/or a Special Redemption Application
Special Creation Application	an application for the creation and issue of Units by a Feeder Fund
Special Redemption Application	an application for the redemption of Units by a Feeder Fund
Transaction Fee	the fee which may, at the discretion of the Manager, be charged to each Participating Dealer for the account of the H-Share ETF (a) on each in-kind creation application and (b) on each in-kind redemption application, the current fee level of which is set out in Appendix 1
Trust	the unit trust constituted by the Trust Deed
Trust Deed	the trust deed between the Trustee, the Manager and the Index Provider dated 18 November 2003 constituting the Index Funds Series, as amended from time to time
Trustee	HSBC Provident Fund Trustee (Hong Kong) Limited
Unit	one undivided share of the H-Share ETF
Unit Cancellation Fee	the fee charged by the HKCAS in respect of the cancellation of Units in connection with an accepted redemption application, the current fee level of which is set out in Appendix 1
Valuation Point	the official close of trading on the SEHK or such other time or times as determined by the Manager and the Trustee from time to time provided that there shall always be a Valuation Point on each Dealing Day of the H-Share ETF other than where there is a suspension of the determination of the Net Asset Value of the H-Share ETF pursuant to the provisions in the Trust Deed

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* Please refer to the website www.hangsenginvestment.com for the latest lists of HKD counter Market Makers, RMB counter Market Makers and Participating Dealers.

