iShares Asia Trust
(the "Trust")

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

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INFORMATION MEMORANDUM*

March 2019

**This Information Memorandum is dated 1 Mar 2019. If you have any queries regarding the latest copy of this Information Memorandum, please contact us at:*

BlackRock (Singapore) Limited
#18-01 Twenty Anson
20 Anson Road
Singapore 079912

Tel: +65 6411 3388
Email: iSharesAsiaEnquiry@blackrock.com

IMPORTANT

This Information Memorandum is authorised for distribution only when accompanied by the Hong Kong prospectus for the Trust (attached as an annexure). Please read this document and the Hong Kong prospectus for full information on iShares MSCI China Index ETF (the "**Index Fund**").

The Index Fund is not authorised or recognised by the Monetary Authority of Singapore ("**MAS**") and units in the Index Fund ("**Units**") are not allowed to be offered to the retail public. Moreover, this Information Memorandum which relates to the offer of Units in the Index Fund is not a prospectus as defined in the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. You should consider carefully whether the investment is suitable for you.

This Information Memorandum has not been registered as a prospectus by the MAS, and the offer of the Units is made pursuant to the exemptions under Sections 304 and 305 of the SFA. Accordingly, the Units may not be offered or sold, nor may the Units be the subject of an invitation for subscription or purchase, nor may this Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Units be circulated or distributed, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 304 of the SFA, (b) to a relevant person (as defined in Section 305(5) of the SFA), or any person pursuant to an offer referred to in Section 305(2) of the SFA, and in accordance with the conditions specified in Section 305 of the SFA or (c) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the SFA.

Where the Units are acquired by persons who are relevant persons specified in Section 305A of the SFA, namely:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Units pursuant to an offer made under Section 305 of the SFA except:

(1) to an institutional investor or to a relevant person as defined in Section 305(5) of the SFA, or which arises from an offer referred to in Section 275(1A) of the SFA (in the case of that corporation) or Section 305A(3)(i)(B) of the SFA (in the case of that trust);

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law.

The offer, holding and subsequent transfer of Units are subject to restrictions and conditions under the SFA. You should consider carefully whether you are permitted (under the SFA and any laws or regulations applicable to you) to make an investment in the Units and whether any such investment is suitable for you and you should consult your legal or professional advisor if in doubt.

Offer of the Index Fund in Singapore

For the purposes of the offer in Singapore to (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 304 of the SFA, (ii) to a relevant person (as defined in Section 305(5) of the SFA), or any person pursuant to an offer referred to in Section 305(2) of the SFA, and in accordance with the conditions specified in Section 305 of the SFA only the Index Fund shall be available.

This Information Memorandum relates to the Index Fund. Investors may invest in the Index Fund by subscribing for Units. The offer or sale of the Units which is the subject of this Information Memorandum is regulated and governed by the provisions of the SFA. The supervisory authority is the Monetary Authority of Singapore.

Address and contact details of the Monetary Authority of Singapore	:	10 Shenton Way, MAS Building Singapore 079117 Tel: (+65)-6225-5577 Fax: (+65)-6229-9229

Regulatory Information

1. Hong Kong Financial Supervisory Authority

Supervisory authority	:	Hong Kong Securities and Futures Commission
Address	:	35/F, Cheung Kong Center 2 Queen's Road Central, Hong Kong
Tel	:	+ 852 2231 1222
Fax	:	+ 852 2521 7836

2. Trustee

Name	:	HSBC Institutional Trust Services (Asia) Limited
Place of incorporation	:	Hong Kong
Supervisory authority	:	Hong Kong Securities and Futures Commission

3. Manager

Name	:	Blackrock Asset Management North Asia Limited
Place of incorporation	:	Hong Kong
Supervisory authority	:	Hong Kong Securities and Futures Commission

Past Performance

Past performance figures for the Index Fund can be obtained at the following link: **https://www.blackrock.com/hk/en/products/251576/ishares-msci-china-index-etf**

Side Letters

The Trust does not enter directly into side letters with investors.

iShares Asia Trust
(the "Trust")

Annexure to Information Memorandum

iSHARES ASIA TRUST

a Hong Kong unit trust authorized under
Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong[1]
(the "Trust")

iShares MSCI China Index ETF (Stock Code: 2801)
(the "MSCI China ETF")

Addendum to the Prospectus

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

The Stock Exchange of Hong Kong Limited, Hong Kong Exchanges and Clearing Limited, Hong Kong Securities Clearing Company Limited and the Hong Kong Securities and Futures Commission take no responsibility for the contents of this Addendum, 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 Addendum.

This Addendum forms an integral part of and should be read in conjunction with the Prospectus of the MSCI China ETF dated 30 April 2018 and the Product Key Facts Statement dated 16 November 2018 (together the "Prospectus"). The Manager accepts full responsibility for the accuracy of the information contained in this Addendum and confirm, having made all reasonable enquiries, that to the best of its knowledge and belief, there are no other facts the omission of which would make any statement misleading.

The following amendments shall take effect on 16 November 2018:

(1) On page iii, replace the list of Directors of the Manager under the section "Directory" with the following:

"BELINDA BOA
SUSAN WAI-LAN CHAN
ANDREW LANDMAN
ANDREW REYNOLDS
RYAN DAVID STORK
GRAHAM DOUGLAS TURL"

[1] *SFC authorization 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.*

(2) On page iii, replace the address of HK Conversion Agency Services Limited, the Conversion Agent under the section "Directory" with the following:

"8/F, TWO EXCHANGE SQUARE
8 CONNAUGHT PLACE
CENTRAL
HONG KONG"

(3) On page 3, add the following sub-section immediately after the sub-section "Investment Strategy":

"Leverage
The expected maximum level of leverage of the MSCI China ETF will be available from the Manager upon request from 17 November 2018."

(4) On page 4, replace the first row of the table under the sub-section "Key Information" with the following:

Underlying Index	Index: MSCI China Index Launch Date: 31 December 1992 Number of constituents: 461 stocks (as at 26 October 2018) Total Market Capitalisation (Free Float): HK$11,003.68 billion (as at 26 October 2018) Base Currency: HK$

(5) On page 5, replace the first paragraph under the sub-section "Underlying Index" with the following:

"The Underlying Index is a free-float adjusted market capitalisation-weighted index that is compiled and published by MSCI. The Underlying Index was originally designed as a benchmark representing PRC companies that are freely available only to non-PRC domestic investors. However, since 26 February 2001 certain of its constituent stocks, namely B shares, are available to PRC domestic investors. As at 26 October 2018, the Underlying Index contained 461 stocks with a free-float market capitalisation, based on free float-adjusted shares in issue, of about HK$11,003.68 billion."

(6) On page 6, replace the paragraph and the table under the sub-section "Constituent Securities of the Underlying Index" with the following:

"As at 26 October 2018, the Underlying Index comprised 461 stocks. The companies are classified into industry sectors. As at 26 October 2018, the 10 largest constituent stocks of the Underlying Index, as listed below, represented about 51.29% of the total market capitalisation, based on total shares in issue, of the Underlying Index.

	Company Name	**Weight %**	**Sector**
1	Tencent Holdings Ltd.	13.47	Communication Services
2	Alibaba Group Holding	11.77	Consumer Discretionary
3	China Construction Bank Corp	5.39	Financials
4	China Mobile Ltd	4.08	Communication Services
5	Baidu, Inc.	3.72	Communication Services
6	Ping An Insurance Group Co Of China Ltd.	3.53	Financials
7	Industrial & Commercial Bank Of China Ltd.	3.32	Financials
8	Bank Of China Ltd.	2.35	Financials
9	CNOOC Ltd	2.18	Energy
10	China Petroleum & Chemical Corp.	1.48	Energy "

(7) On page 23, replace the risk factor "Counterparty Risk to the Custodian Risk" under the sub-section "Investment Risk" with the following:

"**Counterparty Risk to the Custodian Risk.** The MSCI China ETF will be exposed to the credit risk of any custodian or any depository used by the custodian where cash is held by the custodian or other depositaries. Where the custodial and/or settlement systems in a market the MSCI China ETF invests in are not fully developed, the assets of the MSCI China ETF may be exposed to custodial risk. In the event of the liquidation, bankruptcy or insolvency of the custodian or other depositaries, the MSCI China ETF may take a longer time to recover its assets. In extreme circumstances such as the retroactive application of legislation and fraud or improper registration of title, the MSCI China ETF may even be unable to recover all of its assets. The costs borne by the MSCI China ETF in investing and holding investments in such market will be generally higher than in organised securities markets. Further, in the event of the insolvency of the custodian or other depositaries, the MSCI China ETF will be treated as a general creditor of the custodian or other depositaries in relation to cash holdings of the MSCI China ETF. The MSCI China ETF's Securities are however maintained by the custodian or other depositaries in segregated accounts and should be protected in the event of insolvency of the custodian or other depositaries."

(8) On page 31, insert the following biography in the sub-section "The Directors of the Manager", immediately after the biography of Susan Wai-lan Chan:

"**Andrew Landman**, Managing Director, is Head of Client Business for Asia Pacific Region, responsible for both distribution and management of the Retail and Institutional relationships in Asia. Prior to assuming his current role, Mr Landman was Head of Institutional and BlackRock Alternative Specialists Group for APAC following a period of being Head of Client Businesses in Australia, responsible for both distribution and management of the Retail, iShares and Institutional relationships in Australia. Prior to joining BlackRock, Mr. Landman was Chief Executive Officer of Ascalon Capital Managers, a subsidiary of BT Financial Group. Ascalon takes equity stakes in, and is an active business partner of, some of Asia Pacific's leading boutique asset managers. Under Mr. Landman's leadership, Ascalon successfully built a portfolio of nine single strategy hedge and high conviction funds across Australia and Asia Pacific with USD4.2 billion in assets under management. In addition to the role at Ascalon, Mr Landman was Head of Investment Strategy at BT Financial Group. Prior to Ascalon, Mr. Landman was the Chief Financial Officer of Challenger Funds Management. He started his career at Bankers Trust where he worked extensively across the operations side of funds management. Mr. Landman earned a Bachelor of Commerce degree from the University of Newcastle. He studied leadership at the University of Chicago in 2003."

(9) On page 34, replace the paragraphs under the sub-section "Conflicts of Interest" with the following:

"Conflicts of Interest

The Manager and other BlackRock Group companies undertake business for other clients. BlackRock Group companies, their employees and their other clients face conflicts with the interests of the Manager and its clients. BlackRock maintains a Conflicts of Interest Policy. It is not always possible for the risk of detriment to a client's interests to be entirely mitigated such that, on every transaction when acting for clients, a risk of detriment to their interests does not remain.

The types of conflict scenario giving rise to risks which BlackRock considers it cannot with reasonable confidence mitigate are disclosed below. This document, and the disclosable conflict scenarios, may be updated from time to time.

Conflicts of interest from relationships within the BlackRock Group and with the PNC Group

Personal Accounts Dealing

BlackRock Group employees may be exposed to clients' investment information while also being able to trade through personal accounts. There is a risk that, if an employee could place a trade of sufficient size, this would affect the value of a client's transaction. BlackRock Group has implemented a Personal Trading Policy designed to ensure that employee trading is pre-approved.

Employee Relationships

BlackRock Group employees may have relationships with the employees of BlackRock's clients or with other individuals whose interests conflict with those of a client. Such an employee's relationship could influence the employee's decision-making at the expense of clients' interests. BlackRock Group has a Conflicts of Interest Policy under which employees must declare all potential conflicts.

Significant Shareholder – PNC

The PNC Financial Services Group, Inc. ("**PNC**") holds 20.9% ownership stake of the voting common stock of BlackRock, Inc. A stockholder agreement is in place permitting PNC to designate two directors to the BlackRock Inc. Board. There is the potential that BlackRock Group companies could be unduly influenced by PNC to the disadvantage of clients. Both BlackRock Inc. and PNC are managed independently and in isolation of one another and all transactions and revenue between the two are disclosed within BlackRock Inc's proxy statement. Additionally, when voting, PNC must vote its shares in accordance with the recommendation of the BlackRock Inc. Board to prevent undue influence.

Conflicts of interest of the Manager

Provider Aladdin

BlackRock Group uses Aladdin software as a single technology platform across its investment management business. Custodial and fund administration service providers may use Provider Aladdin, a form of Aladdin software, to access data used by the BlackRock Group. Each service provider remunerates BlackRock Group for the use of Provider Aladdin. A potential conflict arises whereby an agreement by a service provider to use Provider Aladdin incentivises the BlackRock Group to appoint or renew appointment of such service provider. To mitigate the risk, such contracts are entered on an 'arm's length' basis.

Distribution Relationships

The Manager may pay third parties for distribution and related services. Such payments could incentivise third parties to promote the Trust and the Index Funds to investors against that client's best interests. BlackRock Group companies comply with all legal and regulatory requirements in the jurisdictions in which such payments are made.

Commissions & Research

The Manager (as well as any of its Connected Persons) will not receive or enter into any soft dollar commissions or arrangements in respect of the management of the Index Funds. The Manager (as well any of its Connected Persons) will not retain any cash rebates from any broker or dealer. Notwithstanding this, where permitted by applicable regulation, certain BlackRock Group companies acting as investment manager to certain funds may use commissions generated when trading equities with certain brokers in certain jurisdictions to pay for external research. Such arrangements may benefit one fund over another because research can be used for a broader range of clients than just those whose trading funded it. BlackRock Group has a Use of Commissions Policy designed to ensure compliance with applicable regulation and market practice in each region.

Timing of Competing Orders

When handling multiple orders for the same security in the same direction raised at or about the same time, the Manager seeks to achieve the best overall result for each order equitably on a consistent basis taking into account the characteristics of the orders, regulatory constraints or prevailing market conditions. Typically, this is achieved through the aggregation of competing orders. Conflicts of interest may appear if a trader does not aggregate competing orders that meet eligibility requirements, or does aggregate orders that do not meet eligibility requirements; it may appear as if one order received preferential execution over another. For a specific trade instruction of the Index Fund, there may be a risk that better execution terms will be achieved for a different client. For example, if the order was not included in an aggregation. BlackRock Group has Order Handling Procedures and an Investment and Trading Allocation Policy which govern sequencing and the aggregation of orders.

Concurrent Long and Short Positions

The Manager may establish, hold or unwind opposite positions (i.e. long and short) in the same security at the same time for different clients. This may prejudice the interests of the Manager's clients on one side or the other. Additionally, investment management teams across the BlackRock Group may have long only mandates and long-short mandates; they may short a security in some portfolios that are held long in other portfolios. Investment decisions to take short positions in one account may also impact the price, liquidity or valuation of long positions in another client account, or vice versa. BlackRock Group operates a Long Short (side by side) Policy with a view to treating accounts fairly.

MNPI

BlackRock Group companies receive Material Non-Public Information (MNPI) in relation to listed securities in which BlackRock Group companies invest on behalf of clients. To prevent wrongful trading, BlackRock Group erects information barriers and restricts trading by one or more investment team(s) concerned in the security concerned. Such restrictions may negatively impact the investment performance of client accounts. BlackRock has implemented a Material Non-Public Information Barrier Policy.

BlackRock's Investment Constraints or Limitations and its Related Parties

The Trust may be restricted in its investment activities due to ownership threshold limits and reporting obligations in certain jurisdictions applying in aggregate to the accounts of clients of the BlackRock Group. Such restrictions may adversely impact clients through missed investment opportunities. BlackRock Group manages the conflict by following an Investment and Trading Allocation Policy, designed to allocate limited investment opportunities among affected accounts fairly and equitably over time.

Investment in Related Party Products

While providing investment management services for a client, the Manager may invest in products serviced by BlackRock Group companies on behalf of other clients. BlackRock may also recommend services provided by BlackRock or its affiliates. Such activities could increase BlackRock's revenue. In managing this conflict, BlackRock seeks to follow investment guidelines and has a Code of Business Conduct and Ethics. In addition, where an Index Fund invests in any ETF managed by the Manager or its affiliates, neither such Index Fund nor its Unitholders will suffer any increase in the overall total of initial charges, management fee, or any other costs and charges payable to the Manager and/or its affiliate as a result of the investment in such ETF.

Investment Allocation and Order Priority

When executing a transaction in a security on behalf of a client, it can be aggregated and the aggregated transaction fulfilled with multiple trades. Trades executed with other client orders result in the need to allocate those trades. The ease with which the Manager can allocate trades to a certain client's account can be limited by the sizes and prices of those trades relative to the sizes of the clients' instructed transactions. A process of allocation can result in a client not receiving the whole benefit of the best priced trade. The Manager manages this conflict by following an Investment and Trading Allocation Policy, which is designed to ensure the fair treatment of all clients' accounts over time.

Side-by-Side Management: Performance fee

The Manager manages multiple client accounts with differing fee structures. There is a risk that such differences lead to inconsistent performances levels across client accounts with similar mandates by incentivising employees to favour accounts delivering performance fees over flat or non-fee accounts. BlackRock Group companies manage this risk through a commitment to a Code of Business Conduct and Ethics Policy.

General

The Manager and the Trustee may from time to time act as trustee, administrator, registrar, secretary, manager, custodian, investment manager or investment adviser or other functions in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of the Trust or any Index Fund.

In addition:–

- the Manager or any of its Connected Persons may enter into investments for the Trust and may, with the consent of the Trustee, deal with the Trust as principal;
- the Trustee, the Manager, the Registrar or any of their Connected Persons may have banking or other financial relationships with any company or party which is the issuer of Securities, financial instruments or investment products held by the Trust;
- the Trustee, the Manager, the Registrar or any of their Connected Persons may hold and deal in Units or in investments held by the Trust either for their own account or for the account of their customers; and
- the monies of the Trust may be deposited with the Manager, the Trustee or any of their Connected Persons or invested in certificates of deposit or banking instruments issued by any of them.

The Trustee, the Manager or the Registrar or their Connected Persons may, in the course of business, have potential conflicts of interest with the Trust or any Index Fund. Each will, at all times, have regard to its obligations to the Trust and to Unitholders and will endeavour to ensure that such conflicts are resolved fairly.

Conflicts of interest may arise due to the widespread business operations of the Trustee, the Manager, the Registrar and the Conversion Agent and their respective holding companies, subsidiaries and affiliates. The foregoing parties may effect transactions where those conflicts arise and shall not, subject to the terms of the Trust Deed, be liable to account for any profit, commission or other remuneration arising. However, all transactions carried out by or on behalf of the Trust (or any Index Fund) will be on arm's length terms. No more than 50% in aggregate of the MSCI China ETF's transactions in any one financial period shall be carried out with or through a broker or dealer connected to the Manager or any Connected Person of the Manager."

(10) On page 45, add the following definition under the section "Definitions":

""BlackRock Group" means the BlackRock group of companies, the ultimate holding company of which is BlackRock, Inc."

The Prospectus may only be distributed if accompanied by this Addendum.

BlackRock Asset Management North Asia Limited
貝萊德資產管理北亞有限公司
16 November 2018

IMPORTANT: Investments involve risks, including the loss of principal. Investors are advised to consider their own investment objectives and circumstances in determining the suitability of an investment in the iShares MSCI China Index ETF (the "MSCI China ETF"). An investment in the MSCI China ETF may not be suitable for everyone. If you are in any doubt about the contents of this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser for independent financial advice.

PROSPECTUS

iShares by BLACKROCK

iShares MSCI China Index ETF (Stock Code: 2801)

iShares Asia Trust

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

Listing Agent and Manager
BlackRock Asset Management North Asia Limited
貝萊德資產管理北亞有限公司

The Stock Exchange of Hong Kong Limited, Hong Kong Exchanges and Clearing Limited, Hong Kong Securities Clearing Company Limited and the Hong Kong Securities and Futures Commission take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus. The iShares Asia Trust and the iShares MSCI China Index ETF have been authorised as collective investment schemes by the Hong Kong Securities and Futures Commission. Authorisation by the Securities and Futures Commission is not a recommendation or endorsement of a product nor does it guarantee the commercial merits of a product or its performance. It does not mean the product is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

30 April 2018

IMPORTANT INFORMATION

This Prospectus relates to the offer in Hong Kong of Units in the iShares MSCI China Index ETF (the "MSCI China ETF"), a sub-fund of iShares Asia Trust (the "Trust"), an umbrella unit trust established under Hong Kong law by a trust deed dated 16 November 2001 between Barclays Global Investors North Asia Limited (now known as BlackRock Asset Management North Asia Limited) (the "Manager") and HSBC Institutional Trust Services (Asia) Limited (the "Trustee") as amended from time to time.

The Manager accepts full responsibility for the accuracy of the information contained in this Prospectus and for the accuracy and fairness of the opinions expressed (at the date of its publication), and confirms that this Prospectus includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK") and the Code on Unit Trusts and Mutual Funds (the "Code") and the Overriding Principles of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Investment Products for the purposes of giving information with regard to the Units of the MSCI China ETF and that having made all reasonable enquiries, the Manager confirms that, to the best of its knowledge and belief that the information contained in this Prospectus is true, accurate and complete in all material respects and not misleading; there are no other matters the omission of which would make any statement in this Prospectus misleading, whether of fact or opinion; any inferences that might reasonably be drawn from any statement in this Prospectus are true and are not misleading; and all opinions and intents expressed in this Prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable. The Trustee is not responsible for the preparation of this Prospectus and shall not be held liable to any person for any information disclosed in this Prospectus, except for the information regarding the Trustee itself under "Trustee and Custodian".

The MSCI China ETF is a fund falling within Chapter 8.6 and Appendix I of the Code. The Trust and the MSCI China ETF are authorised by the Securities and Futures Commission (the "SFC") in Hong Kong pursuant to section 104 of the Securities and Futures Ordinance. The SFC takes no responsibility for the financial soundness of the Trust and the MSCI China ETF or for the correctness of any statements made or opinions expressed in this Prospectus. Authorisation by the SFC is not a recommendation or endorsement of the Trust and the MSCI China ETF nor does it guarantee the commercial merits of the MSCI China ETF or its performance. It does not mean the MSCI China ETF is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

Applicants for Units shall undertake to the Manager and the Trustee that, to the best of their knowledge, the monies used to invest in Units in the MSCI China ETF are not sourced from mainland China.

Applicants for Units should consult their financial advisers, tax advisers and take legal advice as appropriate as to whether any governmental or other consents are required, or other formalities need to be observed, to enable them to acquire Units as to whether any taxation effects, foreign exchange restrictions or exchange control requirements are applicable and to determine whether any investment in the MSCI China ETF is appropriate for them.

Dealings in the Units in the MSCI China ETF on the SEHK commenced on 28 November 2001. Units in the MSCI China ETF 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") with effect from 28 November 2001.

Further applications may be made to list units in additional Index Funds constituted under the Trust in future on the SEHK.

No action has been taken to permit an offering of Units of the MSCI China ETF or the distribution of this Prospectus in any jurisdiction other than Hong Kong and, accordingly, the Prospectus does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Furthermore, distribution of this Prospectus shall not be permitted unless it is accompanied by a copy of the latest annual report and accounts of the MSCI China ETF and, if later, its most recent interim report, which form a part of this Prospectus.

In particular:

(a) Units in the MSCI China ETF have not been registered under the United States Securities Act of 1933 (as amended) and except in a transaction which does not violate such Act, may not be directly or indirectly offered or sold in the United States of America or any of its territories or for the benefit of a US Person (as defined in Regulation S of such Act);

(b) The MSCI China ETF has not been and will not be registered under the United States Investment Company Act of 1940, as amended. Accordingly, Units may not, except pursuant to an exemption from, or in a transaction not subject to, the regulatory requirements of the US Investment Company Act of 1940 be acquired by a person who is deemed to be a US Person under the 1940 Act and regulations; and

(c) 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 defined as (i) any retirement plan subject to Title I of the United States Employee Retirement Income Securities Act of 1974, as amended; or, (ii) any individual retirement account or plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended.

Where the Manager becomes aware that the Units are directly or indirectly beneficially owned by any person in breach of the above restrictions, the Manager may give notice to such person requiring him to transfer such Units to a person who would not thereby be in contravention of such restrictions or to request in writing the redemption of such Units in accordance with the trust deed.

Investors should note that any amendment, addendum or replacement to this Prospectus will only be posted on the Manager's website (www.blackrock.com/hk). Investors should refer to "Information Available on the Internet" for more details.

DIRECTORY

MANAGER
BLACKROCK ASSET MANAGEMENT NORTH ASIA LIMITED
16/F CHAMPION TOWER
3 GARDEN ROAD, CENTRAL
HONG KONG

DIRECTORS OF THE MANAGER
BELINDA BOA
SUSAN WAI-LAN CHAN
ANDREW REYNOLDS
RYAN DAVID STORK
GRAHAM DOUGLAS TURL

TRUSTEE AND CUSTODIAN
HSBC INSTITUTIONAL TRUST SERVICES (ASIA) LIMITED
1 QUEEN'S ROAD CENTRAL
HONG KONG

CONVERSION AGENT
HK CONVERSION AGENCY SERVICES LIMITED
12TH FLOOR
ONE INTERNATIONAL FINANCE CENTRE
1 HARBOUR VIEW STREET
CENTRAL
HONG KONG

AUDITORS
PRICEWATERHOUSECOOPERS
22ND FLOOR
PRINCE'S BUILDING
CENTRAL
HONG KONG

REGISTRAR
HONG KONG REGISTRARS LIMITED
17TH FLOOR HOPEWELL CENTRE
183 QUEEN'S ROAD EAST
HONG KONG

iShares
by BlackRock

Product Key Facts

iShares MSCI CHINA INDEX ETF

BlackRock Asset Management North Asia Limited — 16 November 2018

This is an exchange traded fund.

This statement provides you with key information about this product.

This statement is a part of the Prospectus.

You should not invest in this product based on this statement alone.

Quick facts

Stock code:	2801	**Trading lot size:**	200 units
Manager:	BlackRock Asset Management North Asia Limited		
Trustee and Custodian:	HSBC Institutional Trust Services (Asia) Limited		
Ongoing charges over a year[#]:	0.60%		
Tracking difference of the last calendar year[##]:	-1.24%		
Underlying Index:	MSCI China Index		
Base currency:	Hong Kong dollars		
Financial year end of this fund:	31 December		
Dividend policy:	Annually, at Manager's discretion (December each year) (if any). Distributions may be made out of capital or effectively out of capital as well as income at the Manager's discretion. Please refer to the risk factor "Dividends payable out of capital or effectively out of capital risk" on page 4 below.		
ETF website:	www.blackrock.com/hk (Please refer to the section Additional Information on how to access the product webpage)		

What is this product?

This is a fund constituted in the form of a unit trust. The units of the iShares MSCI China Index ETF (the "**MSCI China ETF**") are listed on The Stock Exchange of Hong Kong Limited ("**SEHK**"). These units are traded on SEHK like listed stocks.

Objective

The MSCI China ETF aims to provide investment results that, before fees and expenses, closely correspond to the performance of the MSCI China Index (the "**Underlying Index**").

Investment Strategy

The MSCI China ETF may adopt either a representative sampling investment strategy or a replication investment strategy to achieve its investment objective.

[#] The ongoing charges figure is based on expenses for the year ended 31 December 2017. This figure may vary from year to year. It represents the sum of the ongoing expenses chargeable to the MSCI China ETF expressed as a percentage of the average Net Asset Value.

[##] This is the actual tracking difference of the calendar year ended 31 December 2017. Investors should refer to the website of the MSCI China ETF for more up-to-date information on actual tracking difference.

Objective and Investment Strategy (Cont'd)

A representative sampling investment strategy involves investing in a representative sample of the securities* in the Underlying Index (either directly or indirectly) selected by the Manager.

The MSCI China ETF may or may not (either directly or indirectly) hold all of the Securities that are included in the Underlying Index, and may hold Securities which are not included in the Underlying Index but which the Manager believes will help the MSCI China ETF achieve its investment objective.

The Manager will select securities based on their contribution to certain capitalisation, industry and fundamental investment characteristics and by doing so, seeking to construct a portfolio that perform like the Underlying Index.

A replication investment strategy involves investing in substantially all the securities (either directly or indirectly) in substantially the same weightings as those securities comprised in the Underlying Index. The Manager may switch between the replication and the representative sampling investment strategies without notice to investors and in its absolute discretion.

The MSCI China ETF may invest in financial derivative instruments including futures contracts for reducing tracking error, hedging purposes or to achieve its investment objective. The value of the MSCI China ETF's investments in futures contracts (in terms of the total net aggregate value of outstanding contract prices payable by or to the MSCI China ETF) will not, in the aggregate, exceed 10% of the MSCI China ETF's latest available NAV. The MSCI China ETF may only enter into futures contracts which are traded on the Hong Kong Futures Exchange Limited or an international futures exchange which is recognized by the SFC or which is approved by the Trustee and the Manager. The MSCI China ETF currently does not intend to engage in any securities lending activities or repurchase transactions or other similar over the counter transactions. One month's prior notice will be given to unitholders in the event the Manager intends to engage in such activities.

The MSCI China ETF may invest in one or more physical exchange traded funds (ETFs) for cash management and contingency purposes only and if it considers that investing in them is in the best interests of the unitholders taking into account various factors including but not limited to returns to investors, fees, and market conditions. Investments in physical ETFs will not exceed 10% of the NAV of the MSCI China ETF, and the MSCI China ETF will not hold more than 10% of any units issued by any single physical ETF.

**Including Depositary Receipts and (ii) effective from 1 June 2018, China A shares (by investing via the Stock Connect).*

Underlying Index

The Underlying Index is a free-float adjusted market capitalisation-weighted index that is compiled and published by MSCI Inc. It is designed to track the equity market performance of (i) Chinese securities (H shares, red chips and P chips) listed on the SEHK, (ii) B shares of Chinese securities listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange (and effective from 1 June 2018, China A shares) and (iii) companies traded outside the country of classification (i.e. foreign listed companies) including those traded by way of Depositary Receipts. As at 26 October 2018, the Underlying Index contained 461 stocks.

Underlying Index (Cont'd)

As at 26 October 2018, the following were the top 10 index constituents:–

Rank	Constituent Name	Sector	% of Index
1	Tencent Holdings Ltd.	Communication Services	13.47
2	Alibaba Group Holding	Consumer Discretionary	11.77
3	China Construction Bank Corp	Financials	5.39
4	China Mobile Ltd	Communication Services	4.08
5	Baidu, Inc.	Communication Services	3.72
6	Ping An Insurance Group Co Of China Ltd.	Financials	3.53
7	Industrial & Commercial Bank Of China Ltd.	Financials	3.32
8	Bank Of China Ltd.	Financials	2.35
9	CNOOC Ltd	Energy	2.18
10	China Petroleum & Chemical Corp.	Energy	1.48

For details (including the latest index level and other important news), please refer to the index website at www.msci.com.

What are the key risks?

Investment involves risks. Please refer to the Prospectus for details including the risk factors.

1. **Emerging market risk**
   Generally, investments in emerging markets such as the PRC are subject to a greater risk of loss than investments in developed markets due to greater political, economic, taxation and regulatory uncertainty and risks linked to volatility and market liquidity.

2. **Concentration risk**
   The exposure of the MSCI China ETF is concentrated in companies with business operations based and/or controlled by shareholders in the PRC and may be more volatile than funds adopting a more diversified strategy.

3. **Risks related to the PRC**
   There can be no assurance that the PRC Government will continue to pursue economic or tax reform policies which will result in economic growth and social progress or continue its existing foreign exchange policy which have significantly reduced government foreign exchange controls. There is also significant uncertainty in interpretation and enforcement of PRC regulations.

4. **Liquidity risk**
   The Shanghai Stock Exchange and Shenzhen Stock Exchange in which B shares are traded are undergoing development. This may result in higher market volatility, settlement difficulties and potential lack of liquidity due to low trading volume in the B shares markets, which may in turn result in significant price fluctuations and changes in the net asset value of the MSCI China ETF.

What are the key risks? (Cont'd)

5. **Foreign security risk**

   The MSCI China ETF invests in PRC companies which are subject to special risks not typically associated with investing in Hong Kong companies including the possibility of expropriation or confiscatory taxation, adverse changes in investment or exchange control regulations, political instability which may affect local investments in foreign countries and potential restrictions on the flow of international capital.

6. **Passive investment risk**

   The MSCI China ETF is not actively managed and will not adopt any temporary defensive position against any market downturn. Therefore when there is a decline in the Underlying Index, the MSCI China ETF will also decrease in value. Investors may suffer significant losses accordingly.

7. **Underlying Index related risks**

   There is no guarantee that the MSCI China ETF will achieve a high degree of correlation to the Underlying Index and therefore achieve its investment objective. Market disruptions and regulatory restrictions could have an adverse effect on the MSCI China ETF's ability to adjust its exposure to the required levels in order to track the Underlying Index. Errors in index data may occur from time to time and may not be identified and corrected for a period of time, and may have an adverse impact on the MSCI China ETF and its Unitholders.

8. **Tracking error risk**

   Changes in the NAV of the MSCI China ETF may deviate from the performance of the Underlying Index due to factors such as fees and expenses, liquidity of the index constituents, as well as, changes to the Underlying Index.

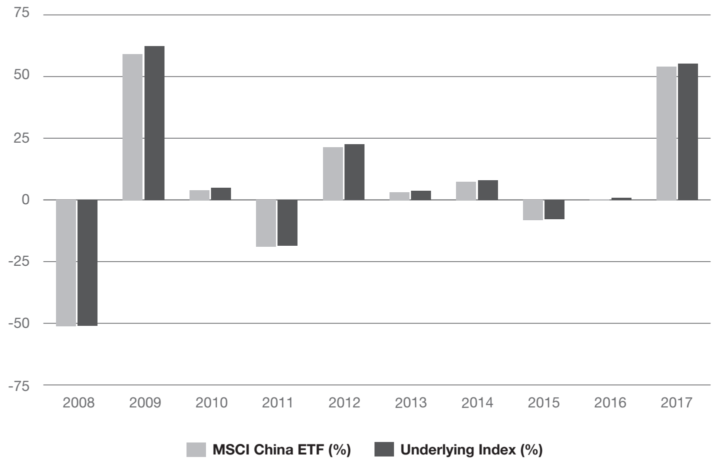
9. **Dividends payable out of capital or effectively out of capital risk**

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

10. **Trading risk**

    Generally, retail investors can only buy or sell units on SEHK. The trading price of the units of the MSCI China ETF on SEHK is subject to market forces and may trade at a substantial premium or discount to the NAV.

How has the fund performed?



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
MSCI China ETF Return (%)	-51.19	59.16	3.96	-18.87	21.46	3.06	7.33	-8.18	0.34	54.10
Underlying Index Return (%)	-51.12	62.37	4.89	-18.48	22.50	3.68	7.98	-7.88	0.94	55.34

- Past performance information is not indicative of future performance. Investors may not get back the full amount invested.
- The computation basis of the performance is based on the calendar year end, NAV-to-NAV, with dividends (if any) reinvested.
- These figures show by how much the MSCI China ETF increased or decreased in value during the calendar year shown. Performance is calculated in the base currency of the MSCI China ETF, including ongoing charges and excluding your trading costs on SEHK.
- Underlying Index: MSCI China Index.
- Launch date of MSCI China ETF: 23 November 2001.

Is there any guarantee?

The MSCI China ETF does not have any guarantees. You may not get back the amount of money you invest.

What are the fees and charges?

Charges incurred when trading the MSCI China ETF on SEHK

Fee	What you pay
Brokerage fee	Market Rate
Transaction levy	0.0027%[1]
Trading fee	0.005%[2]
Stamp duty	Nil

[1] Transaction levy of 0.0027% of the price of the units payable by the buyer and the seller.
[2] Trading fee of 0.005% of the price of the units, payable by the buyer and the seller.

What are the fees and charges? (Cont'd)

Ongoing fees payable by the MSCI China ETF

The following expenses will be paid out of the MSCI China ETF. They affect you because they reduce the NAV of the MSCI China ETF which may affect the trading price.

	Annual rate (as a % of the fund's value)
Management fee	0.59% p.a. of net asset value calculated daily
Custodian fee	Included in the management fee
Administration fee	Included in the management fee

Other costs

Please refer to the Prospectus for other fees and expenses payable by the MSCI China ETF.

Additional information

You can find the following information of the MSCI China ETF at the following website at www.blackrock.com/hk.

- The MSCI China ETF's Prospectus and this statement (as revised from time to time);
- Latest financial reports;
- Latest closing NAV;
- Estimated NAV throughout each dealing day;
- Latest closing level of the Underlying Index;
- Notices and announcements; and
- Composition of any dividends paid (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months on or after 8 November 2012.

All of the information outlined above can be found on the product webpage of the MSCI China ETF. The product webpage of the MSCI China ETF can be located by using the search function and inserting the ticker number of the MSCI China ETF (i.e. 2801) at www.blackrock.com/hk. Investors should note that the website has not been reviewed by the SFC. The product webpage also provides a link to the announcements and notices section of the website where public announcements and notices can be found.

Important

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.

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TABLE OF CONTENTS

INTRODUCTION 1
The Trust and the MSCI China ETF 1
Investment Objective 1
Investment Strategy 1
Investment and Borrowing Restrictions 3
Index Licence Agreement 3
Cross-trades 3

DESCRIPTION OF THE MSCI CHINA ETF 4

CREATIONS AND REDEMPTIONS (PRIMARY MARKET) 7
Investment in the MSCI China ETF 7
Creation by Participating Dealers 7
Redemption of Units 11
Suspension of Creations and Redemptions 14
Transfer of Units 14

EXCHANGE LISTING AND TRADING (SECONDARY MARKET) 15

DETERMINATION OF NET ASSET VALUE 16
Suspension of Net Asset Value 17
Issue Price and Redemption Value 17

FEES AND EXPENSES 18
Fees and Expenses Payable by the MSCI China ETF 19

RISK FACTORS 20
Investment Risk 20
Market Trading Risks Associated with the MSCI China ETF 24
Risks Associated with the Underlying Index 26
Regulatory Risks 27
Specific Risk Factors Relating to the MSCI China ETF 28
Risk Factors Relating to the PRC 28
Stock Connect Related Risks 30

MANAGEMENT OF THE TRUST 31
The Manager 31
Trustee and Custodian 32
Registrar and Conversion Agent 33
Indemnities of the Trustee and Manager 33
Auditor 33
Conflicts of Interest 34
Soft Dollars 34

STATUTORY AND GENERAL INFORMATION 35
Reports and Accounts 35
Trust Deed 35
Modification of Trust Deed 35

Provision of Information 35
Voting Rights 36
Termination 36
Inspection of Documents 37
Part XV of the Securities and Futures Ordinance 37
Anti-Money Laundering Regulations 37
Liquidity Risk Management 37
Takeovers Code 38
Change of Underlying Index 38
Information Available on the Internet 39
Notices 39
Enquiries and Complaints 39

TAXES 40

DEFINITIONS 45

SCHEDULE 1 50
Investment Restrictions 50
Stock Lending 52
Borrowing Policy 52

SCHEDULE 2 53
Disclaimer by MSCI 53

SCHEDULE 3 54
What is the Stock Connect? 54
Stock Connect Related Risks 55

INTRODUCTION

The information contained in this Prospectus has been prepared to assist potential investors in making an informed decision in relation to investing in the MSCI China ETF. It contains important facts about the Trust as a whole and the MSCI China ETF.

The Trust and the MSCI China ETF

The Trust is an umbrella unit trust created by a trust deed (the "Trust Deed") dated 16 November 2001, as amended, made under Hong Kong law between Barclays Global Investors North Asia Limited (now known as BlackRock Asset Management North Asia Limited) (the "Manager") and HSBC Institutional Trust Services (Asia) Limited (the "Trustee"). The Trust may issue different classes of units and the Trustee shall establish a separate pool of assets within the Trust (each such separate pool of assets an "Index Fund") for each class of units. The assets of an Index Fund will be invested and administered separately from the other assets of the Trust. The Manager reserves the right to establish other Index Funds and to issue further classes of Units in the future.

This Prospectus relates to one of the Index Funds, iShares MSCI China Index ETF, which is an exchange traded fund (or "ETF") authorised by the SFC.

ETFs are funds that are designed to track an index. The Units of the MSCI China ETF are listed on the SEHK and trade like any other equity security listed on the SEHK. Only Participating Dealers may create or redeem Units directly from the MSCI China ETF at Net Asset Value. All other investors may only buy and sell Units in the MSCI China ETF on the SEHK.

Investors should note that the MSCI China ETF differs from a typical unit trust offered in Hong Kong. Normally creation and redemption of Units will be effected "in kind" by transferring the Securities constituting an Application Basket for the relevant Units. The Creation Application and the Redemption Application may only be effected in cash at the Manager's discretion. Further, the creation and redemption of Units can only be facilitated by or through Participating Dealers who are under no obligation to accept instructions to create or redeem Units on behalf of retail investors.

PRICES FOR THE MSCI CHINA ETF ON THE SEHK ARE BASED ON SECONDARY MARKET TRADING FACTORS AND MAY DEVIATE SIGNIFICANTLY FROM THE NET ASSET VALUE OF THE MSCI CHINA ETF.

Investment Objective

The investment objective of the MSCI China ETF is to provide investment results that, before fees and expenses, closely correspond to the performance of the Underlying Index.

An index is a group of Securities which an index provider selects as representative of a market, market segment or specific industry sector. The Index Provider is independent of the Manager and determines the relative weightings of the Securities in the index and publishes information regarding the market value of the index.

There can be no assurance that the MSCI China ETF will achieve its investment objective.

The Underlying Index of the MSCI China ETF may be changed by prior approval of the SFC and notice to Unitholders.

Investment Strategy

The Manager uses a passive or indexing approach to try to achieve the MSCI China ETF's investment objective. The investment objective is to provide investment results that, before fees and expenses, closely correspond to the performance of the Underlying Index.

The Manager does not try to beat or perform better than the Underlying Index.

The MSCI China ETF aims to invest at least 95% of its assets in achieving the investment objective. The MSCI China ETF may invest, either directly or indirectly, in Securities included in the Underlying Index, or in Securities that are not included in its Underlying Index, but which the Manager believes will help the MSCI China ETF achieve its investment objective. The MSCI China ETF may also invest its remaining assets in money market instruments or funds that invest exclusively in money market instruments, in repurchase agreements, in stocks that are in the relevant market but not the Underlying Index, and/or in combinations of stock index futures contracts, options on futures contracts, stock index options, stock index swaps, cash, local currency and forward currency exchange contracts that are intended to provide the MSCI China ETF with exposure to a stock. The investment strategy of the MSCI China ETF is subject to the investment and borrowing restrictions set out in Schedule 1.

In managing the MSCI China ETF, the Manager may adopt a representative sampling investment strategy in lieu of a replication investment strategy as described below. A representative sampling investment strategy may be more appropriate in view of the comparative illiquidity and possible settlement difficulties which may be experienced with certain B shares comprised in the Underlying Index. Having regard to the number of Securities constituting the Underlying Index, the liquidity of such Securities, any restrictions on the ownership of Index Shares, high transaction expenses and other trading costs, and tax and other regulatory restrictions the Manager may decide to adopt a representative sampling investment strategy. This means that the MSCI China ETF may not hold all shares in all the constituent companies of the Underlying Index. However, the Manager may swap between the two investment strategies, without prior notice to Unitholders, in its absolute discretion as often as it believes appropriate in order to achieve the investment objective of the MSCI China ETF.

Representative Sampling Investment Strategy

"Representative sampling" is an indexing strategy that involves investing, directly or indirectly, in a representative sample of the Securities included in the relevant index that collectively has an investment profile that reflects the profile of the relevant index. The MSCI China ETF, adopting a representative sampling investment strategy, may or may not hold (either directly or indirectly) all of the Securities that are included in the Underlying Index, and may hold Securities which are not included in the Underlying Index, provided that the sample closely reflects the overall characteristics of the Underlying Index and if the Manager believes that a replication investment strategy is not the most efficient means to track the Underlying Index. The Manager will select a representative sample of Securities using quantitative analytical models in a technique known as "portfolio sampling". Under this technique, each stock is considered for inclusion in the MSCI China ETF based on its contribution to certain capitalisation, industry and fundamental investment characteristics. The Manager seeks to construct the portfolio of the MSCI China ETF so that, in the aggregate, its capitalisation, industry and fundamental investment characteristics perform like those of its Underlying Index. Over time, the Manager may alter (or "rebalance") the portfolio composition of the MSCI China ETF to reflect changes in the characteristics of its Underlying Index or to bring the performance and characteristics of the MSCI China ETF more in line with that of its Underlying Index. The Manager will review the MSCI China ETF regularly and will adjust its portfolio, when necessary, to conform to changes in the composition of the Underlying Index. Rebalancing may also be required for tax purposes. These rebalancings will require the MSCI China ETF to incur transaction costs and other expenses.

Replication Investment Strategy

Although a representative sampling investment strategy has proven an effective means of approximating index performance in the past, it may not enable the MSCI China ETF to track the Underlying Index's performance as well as a replication investment strategy. "Replication" is an indexing strategy that involves investing in substantially all of the Securities in the Underlying Index, either directly or indirectly, in substantially the same proportions as those Securities have in the Underlying Index. The Manager reserves the right to invest in all of the Underlying Index.

Correlation

An index is a theoretical financial calculation based on the performance of particular components that make up the index, whereas the MSCI China ETF is an actual investment portfolio. The performance of the MSCI China ETF and its Underlying Index may be different due to transaction costs, asset valuations, corporate actions (such as mergers and spin-offs), timing variances and differences between the MSCI China ETF's portfolio and the Underlying Index. These differences may result for example from legal restrictions affecting the ability of the MSCI China ETF to purchase or dispose of Securities or the employment of a representative sampling investment strategy.

The use of a representative sampling investment strategy can be expected to result in greater tracking error than a replication investment strategy. The consequences of "tracking error" are described in more detail in "Risk Factors".

Investment and Borrowing Restrictions

The MSCI China ETF must comply with the investment and borrowing restrictions as summarised in Schedule 1 of this Prospectus (which includes a summary of the investment restrictions set out in the Trust Deed).

Index Licence Agreement

The Manager has been granted a licence by MSCI to use the Underlying Index as the basis for determining the composition of the MSCI China ETF and to sponsor, issue, establish, organise, structure, operate, manage, offer, sell, market, promote, write, list, exchange and distribute the MSCI China ETF pursuant to a licence agreement. The initial term of the licence was five years commencing from 18 May 2001. On the expiry of the initial term, the licence was (and shall be) automatically extended for successive renewal terms of three years at a time, unless either party may terminate the licence agreement by written notice to the other party given not later than ninety days prior to the end of the initial term or any renewal term.

Investors' attention is drawn to "Risks Associated with the Underlying Index" on page 26.

Cross-trades

Cross-trades between the MSCI China ETF and other funds managed by the Manager or its affiliates may be undertaken where the Manager considers that, as part of its portfolio management, such cross-trades would be in the best interests of the Unitholders to achieve the investment objective and policy of the MSCI China ETF. By conducting cross-trades, the Manager may achieve trading efficiencies and savings for the benefit of the Unitholders.

In conducting transactions, the Manager will ensure that the trades are executed on arm's length terms at current market value and the reason for such trades shall be documented prior to execution, in accordance with the SFC's Fund Manager Code of Conduct.

DESCRIPTION OF THE MSCI CHINA ETF

Key Information

The following table is a summary of key information in respect of the MSCI China ETF, and should be read in conjunction with the full text of this Prospectus.

Underlying Index	Index: MSCI China Index Launch Date: 31 December 1992 Number of constituents: 90 stocks (as at 3 April 2018) Total Market Capitalisation (Free Float): HK$12,874.56 billion (as at 3 April 2018) Base Currency: HK$
Listing Date	28 November 2001
Exchange Listing	SEHK – Main Board
Initial public offering	Not applicable
Stock Code	2801
Trading Board Lot Size	200 Units
Base Currency and Trading Currency	Hong Kong dollars (HK$)
Distribution Policy	Annually, at the Manager's discretion (December each year) (if any). Distributions may be made out of capital or effectively out of capital as well as income at the Manager's discretion.
In-kind Creation/Redemption (only Participating Dealers)	Minimum 600,000 Units (or multiples thereof)
Management Fee	0.59% p.a. of Net Asset Value accrued daily
Investment strategy	Replication investment strategy or representative sampling investment strategy (refer to the Introduction above and the "Investment Strategy" section below)
Financial year end	31 December
Website	www.blackrock.com/hk

Investment Objective

The investment objective of the MSCI China ETF is to provide investment results that, before fees and expenses, closely correspond to the performance of the Underlying Index. There can be no assurance that the MSCI China ETF will achieve its investment objective.

Investment Strategy

The Manager may use either a replication investment strategy or a representative sampling investment strategy to achieve the MSCI China ETF's investment objective by investing in Chinese securities*. In pursuing a representative sampling investment strategy, the Manager may overweight the holdings of the MSCI China ETF relative to their respective weightings in the Underlying Index. For example such overweighting of holdings may occur if the Manager considers certain Securities in the Underlying Index should be excluded in view of the comparative illiquidity and possible settlement difficulties which may be experienced with such Securities. In pursuing a representative sampling investment strategy, the Manager will select underlying Securities, based on their contribution to certain capitalisation, industry and fundamental investment characteristics, that will, in the aggregate, provide performance like that of the Underlying Index.

* *This includes (i) Depositary Receipts and (ii) effective from 1 June 2018, China A shares (by investing via the Stock Connect).*

As a result, the MSCI China ETF may not from time to time have exposure to all of the constituent companies of the Underlying Index. The basis for adopting any representative sampling investment strategy is so that the MSCI China ETF can meet its investment objective, which is to provide investment results that closely correspond with the performance of the Underlying Index. However, a representative sampling investment strategy entails certain additional risks, in particular a possible increased tracking error at the time of the switch.

The Manager may attempt to reduce tracking error by using futures contracts whose behaviour is expected to represent the market performance of the Underlying Index, although there can be no assurance that these futures contracts will correlate with the performance of the Underlying Index. The Manager will not use these instruments to leverage, or borrow against, MSCI China ETF's Securities holdings or for speculative purposes. In some cases, the use of these special investment techniques can adversely affect the performance of the MSCI China ETF.

The Manager may swap between the two strategies, without prior notice to investors, in its absolute discretion as often as it believes appropriate in order to achieve the investment objective of the MSCI China ETF by tracking the Underlying Index as closely as possible for the benefit of investors.

The MSCI China ETF may invest in financial derivative instruments for reducing tracking error, hedging purposes or to achieve its investment objective. The MSCI China ETF currently does not intend to engage in any securities lending activities or repurchase transactions or other similar over the counter transactions. One month's prior notice will be given to unitholders in the event the Manager intends to engage in such activities.

The MSCI China ETF may invest in one or more physical exchange traded funds (ETFs) for cash management and contingency purposes only and if it considers that investing in them is in the best interests of the unitholders taking into account various factors including but not limited to returns to investors, fees, and market conditions. Investments in physical ETFs will not exceed 10% of the NAV of the MSCI China ETF, and the MSCI China ETF will not hold more than 10% of any units issued by any single physical ETF.

Underlying Index

The Underlying Index is a free-float adjusted market capitalisation-weighted index that is compiled and published by MSCI. The Underlying Index was originally designed as a benchmark representing PRC companies that are freely available only to non-PRC domestic investors. However, since 26 February 2001 certain of its constituent stocks, namely B shares, are available to PRC domestic investors. As at 3 April 2018, the Underlying Index contained 90 stocks with a free-float market capitalisation, based on free float-adjusted shares in issue, of about HK$12,874.56 billion.

MSCI or its affiliates are the proprietors and absolute owners of the Underlying Index and the designations "MSCI®" and "MSCI CHINA INDEX". MSCI has granted to the Manager, by way of licence, subject to the terms of an index licence agreement between them, among other things the non-transferable and non-exclusive right to use the Underlying Index as the basis for determining the composition of the Underlying Index in respect of the MSCI China ETF and to sponsor, issue, establish, market, list and distribute the MSCI China ETF.

The Underlying Index is calculated in HK$ and published in real time via Bloomberg and Reuters every 15 seconds during Hong Kong, Shanghai and Shenzhen stock exchange market hours.

Description of Index Construction

Securities eligible for inclusion in the Underlying Index include Chinese securities (H shares, red chips and P chips) listed on the SEHK, B shares of Chinese securities listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange (and effective from 1 June 2018, China A shares) and companies traded outside the country of classification (i.e. foreign listed companies) including those traded by way of Depositary Receipts. The Underlying Index is reviewed quarterly – in February, May, August and November with the objective of reflecting change in the underlying equity markets in a timely manner. During the May and November semi-annual index reviews, the Underlying Index is rebalanced and the large and mid-capitalisation cut-off points are recalculated. MSCI maintains a consistent index construction and maintenance methodology for all of its international equity indices enabling the aggregation of the country indices into regional and global indices.

Investors are referred to the website of the Index Provider at http://www.msci.com for information about the MSCI Global Investable Market Indices Methodology which applies to the Underlying Index.

Constituent Securities of the Underlying Index

As at 3 April 2018, the Underlying Index comprised 90 stocks. The companies are classified into industry sectors. As at 3 April 2018, the 10 largest constituent stocks of the Underlying Index, as listed below, represented about 55.75% of the total market capitalisation, based on total shares in issue, of the Underlying Index.

Name of Constituent Company	Weight %	Sector
Tencent Holdings Ltd.	18.12	Information Technology
Alibaba Group Holding	12.27	Information Technology
China Construction Bank Corp	5.31	Financials
Industrial & Commercial Bank Of China Ltd.	3.91	Financials
Baidu, Inc.	3.69	Information Technology
China Mobile Ltd.	3.46	Telecommunication
Ping An Insurance Group Co Of China Ltd.	3.26	Financials
Bank Of China Ltd.	2.63	Financials
JD.com	1.56	Consumer Discretionary
CNOOC Ltd.	1.55	Energy

Distribution Policy

Income net of withholding tax earned by the MSCI China ETF will, at the discretion of the Manager, be distributed by way of annual cash distribution in December (if any) and details of the distribution declaration dates, distribution amounts and ex-dividend payment dates will be published on the iShares website (www.blackrock.com/hk). There can be no assurance that a distribution will be paid. Distributions may be made out of capital or effectively out of capital as well as income at the Manager's discretion. The Manager may amend the policy with respect to distribution out of capital or effectively out of capital subject to the SFC's prior approval and by giving not less than one month's prior notice to investors.

Information relating to the composition of any dividends paid (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months on or after 8 November 2012 will be available from the Manager on request. Investors should also refer to "Information Available on the Internet" for more details. Unitholders are encouraged to refer to the information available on the iShares website on a regular basis.

Further Information

The Reference Underlying Portfolio Value (RUPV) is updated at 15-second intervals via Bloomberg (ticker: MCRUPV) during Hong Kong stock exchange trading hours. Further information in relation to the MSCI China ETF (including details of its Net Asset Value) and the Underlying Index is available at the iShares website (www.blackrock.com/hk). Investors should refer to "Information Available on the Internet" for more details. Unitholders are encouraged to refer to the information available on the iShares website on a regular basis.

CREATIONS AND REDEMPTIONS (PRIMARY MARKET)

Investment in the MSCI China ETF

There are two types of investor in the MSCI China ETF, with two corresponding methods of investment in Units and realisation of an investment in Units. The first type of investor is a Participating Dealer, being a licensed dealer that has entered into a Participation Agreement in respect of the MSCI China ETF. Only a Participating Dealer can create and redeem Units directly with the MSCI China ETF. A Participating Dealer may create and redeem Units on their own account or for the account of their clients.

The second type of investor is an investor, other than a Participating Dealer, who buys and sells the Units on the SEHK.

This section relates to the first type of investor: Participating Dealers, and should be read in conjunction with the Operating Guidelines and the Trust Deed. The section titled "Exchange Listing and Trading (Secondary Market)" relates to the second type of investor.

Creation by Participating Dealers

Only Participating Dealers may create Units. Units in the MSCI China ETF are continuously offered to Participating Dealers who may apply for them on any Dealing Day on their own account or for the account of their clients in accordance with the Operating Guidelines. The Manager expects that Participating Dealers will generally accept and submit creation requests received from third parties, subject to normal market conditions and their client acceptance procedures. Participating Dealers may impose fees and charges in handling any creation request which would increase the cost of investment. Investors are advised to check with the Participating Dealers as to relevant fees and charges. You should note although the Manager has a duty to closely monitor the operations of the Trust, neither the Manager nor the Trustee is empowered to compel any Participating Dealer to disclose its fees agreed with specific clients or other proprietary or confidential information to the Manager, or to accept any such application requests received from third parties. In addition, neither the Trustee nor the Manager can ensure effective arbitrage by the Participating Dealer.

There will be no creation of Units in cash only unless permitted by the Manager.

Units may only be created in Application Unit size, which is currently 600,000 Units (or whole multiples thereof). Applications submitted in respect of Units other than in Application Unit size or whole multiples thereof will not be accepted. The minimum holding of the MSCI China ETF is one Application Unit.

The Manager shall instruct the Trustee to effect, for the account of the Trust, the creation of Units of a class in Application Unit size:

- in kind: in exchange for a transfer, by the Participating Dealer, to or for the account of the Trustee of Index Shares constituting an Application Basket for the relevant Units, 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 MSCI China ETF has insufficient cash required to pay any Cash Component payable by it, the Manager may effect sales of the Deposited Property or may borrow moneys to provide the cash required; or

- for cash: if permitted by the Manager, in exchange for a cash payment equivalent to the relevant Application Basket Value (which shall be accounted for as Deposited Property) plus an amount equivalent to any Cash Component, which the Manager shall use to purchase the Index Shares to replicate the Underlying Index, provided that the Manager shall be entitled in its discretion to charge (for the account of the MSCI China ETF) to the applicant of any Units for which cash is paid in lieu of delivering any Index Shares an estimated additional sum as represents the appropriate provision for Duties and Charges,

provided that the Manager shall have the right to reject or suspend a Creation Application if (i) in the opinion of the Manager, acceptance of the Index Shares constituting an Application Basket would have certain adverse tax consequences for the MSCI China ETF; (ii) the Manager reasonably believes that the acceptance of the Index Shares constituting an Application Basket would be unlawful; (iii) the acceptance of the Index Shares constituting an Application Basket would otherwise, in the opinion of the Manager, have an adverse effect on the MSCI China ETF; (iv) circumstances outside control of the Manager make it for all practicable purposes impossible to process Creation Applications; (v) the Manager has suspended the rights of Participating Dealers pursuant to the Trust Deed; or (vi) an insolvency event occurs in respect of the Participating Dealer.

Once the Units are created, the Manager shall effect, for the account of the Trust, the issue of Units to a Participating Dealer in accordance with the Operating Guidelines.

Units are denominated in Hong Kong dollars (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 will be updated on Settlement Day or the Dealing Day immediately following Settlement Day if the settlement period is extended. An extension fee may be payable in relation to such an extension. See the section on "Fees and Expenses" for further details.

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 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). 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 Trustee and/or the Conversion Agent. See the section on "Fees and Expenses" for further details.

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.

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

Evidence of Unitholding

A certificate will normally be issued (expected to be in the name of HKSCC Nominees Limited) by the Registrar as soon as practicable after the delivery of the relevant Index Shares and any applicable Cash Component to the Trustee.

Restrictions on Unitholders

The Manager has power to impose such restrictions as it may think necessary for the purpose of ensuring that no Units are acquired or held which would result in such holding being:–

- a breach of the law or requirements of any country or governmental authority or any stock exchange on which the Units are listed in circumstances which, in the Manager's opinion, might result in the Trust or the MSCI China ETF being adversely affected which the Trust or the MSCI China ETF might not otherwise have suffered; or

- in the circumstances which, in the Manager's opinion, may result in the Trust or the MSCI China ETF incurring any withholding or any tax liability or suffering any other pecuniary disadvantage which the Trust or the MSCI China ETF might not otherwise have incurred or suffered.

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

Cancellation of Units

The Trustee shall cancel Units created and issued in respect of a Creation Application if:

- in relation to a Creation Application made by way of transfer of Index Shares, all the Index Shares constituting the Application Basket deposited for exchange have not been vested by or on the relevant Settlement Day upon the trusts hereof in the Trustee or to the Trustee's satisfaction or evidence of title and instruments of transfer satisfactory to the Trustee have not been produced to or to the order of the Trustee; 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; and

- in relation to a Creation Application made by way of cash payment equivalent to the relevant Application Basket Value, (i) the cash payment representing an amount equivalent to the relevant Application Basket Value plus an amount equivalent to the Cash Component; or (ii) any Duties and Charges and Transaction Fee payable have not been received by, or for the account of the Trustee, in cleared funds by such time on the Settlement Day as prescribed in the Operating Guidelines,

provided that, in either event the Manager may at 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 Share or Index Shares) such extension to be on such terms and conditions (including as to the payment of an Extension Fee to the Manager or the Trustee or their Connected Persons or otherwise as it may determine) 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 certain circumstances contemplated in the Trust Deed, such Index Shares constituting the Application Basket deposited for exchange (or equivalent Index Shares of the same type) as have been vested in the Trustee and any cash received by or on behalf of the Trustee 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 therefor 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 Trustee and/or the Registrar an Application Cancellation Fee; see the section on “Fees and Expenses” for further details;

- the Manager may at its discretion require the Participating Dealer to pay to the Trustee for the account of the MSCI China ETF in respect of each Unit so cancelled Cancellation Compensation, being (a) the amount (if any) by which the Issue Price of each such Unit exceeds the Redemption Value which would have applied in relation to each such Unit if a Participating Dealer had, on the date on which such Units are cancelled, made a Redemption Application plus (b) such other amount as the Manager reasonably determines as representing any charges, expenses and losses incurred by the MSCI China ETF as a result of any such cancellation;

- the Trustee and/or the Conversion Agent shall be entitled to the Transaction Fee payable in respect of a Redemption Application; see the section on “Fees and Expenses” for further details; and

- no previous valuations of the Trust Fund shall be re-opened or invalidated as a result of the cancellation of such Units.

The 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 an Index Share is 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 cash equal to the market value at the Valuation Point for the relevant Dealing Day of such Index Share in lieu of accepting such Index Share as constituting part of the relevant Application Basket; 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 Index Share, the Manager shall have the right in its discretion to accept cash equal to the market value at the Valuation Point for the relevant Dealing Day of such Index Share(s) in lieu of accepting such Index Share(s) constituting part of the relevant Application Basket,

provided that the Manager shall be entitled in its discretion to charge (for the account of the Trust) to the applicant of any Units for which cash is paid in lieu of delivering any Index Shares such additional sum as represents the appropriate provision for Duties and Charges.

The Manager’s Discretion to Accept Cash Collateral for Creation and Issue of Units

- If the Manager determines in its discretion (following a partial delivery request by a Participating Dealer) that any Index Shares are likely to be unavailable for delivery or available in insufficient quantity for delivery to the Trustee in connection with a Creation Application pursuant to the Trust Deed, then the Manager shall have the right in its discretion to accept an amount of cash determined by reference to the market value at the Valuation Point for the relevant Dealing Day of such Index Shares as collateral for such Index Share(s) until they are delivered. Any such collateral will be held for the account of the Trust in an interest bearing account and shall be redelivered to the Participating Dealer together with accrued interest thereon after delivery of such Index Shares (by 4:00 p.m. on the Business Day on which the delivery is made (the “Delivery Date”) if such Index Shares have been successfully debited by 2:00 p.m. on the Delivery Date or, by 2:00 p.m. on the Business Day immediately following the Delivery Date if such Index Shares have been successfully debited after 2:00 p.m. on the Delivery Date) or, immediately upon demand in the circumstances described in (b) below provided that no accrued interest shall be payable to the Participating Dealer if the cash collateral is less than the minimum amount prescribed by the Trustee from time to time. The unavailable Index Shares 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 Trustee a fee for such partial delivery request, see the section on "Fees and Expenses" for further details.

Redemption of Units

Only Participating Dealers may redeem Units. Investors cannot acquire or redeem Units directly from the MSCI China ETF. Only Participating Dealers may submit redemption applications to the Manager. The Manager expects that Participating Dealers will generally accept and submit redemption requests received from third parties, subject to normal market conditions and their client acceptance procedures. Participating Dealers may impose fees and charges in handling any redemption request which would increase the cost of investment and/or reduce the redemption proceeds. Investors are advised to check with the Participating Dealers as to relevant fees and charges. You should note although the Manager has a duty to closely monitor the operations of the Trust, neither the Manager nor the Trustee is empowered to compel any Participating Dealer to disclose its fees agreed with specific clients or other proprietary or confidential information to the Manager, or to accept any such application requests received from third parties. In addition, neither the Trustee nor the Manager can ensure effective arbitrage by the Participating Dealer.

Participating Dealers may apply to HKSCC in accordance with the Operating Guidelines for the redemption of Units on any Dealing Day for the Index Shares, comprising the Index Basket for the MSCI China ETF, plus or minus (in which case the relevant Participating Dealer will be required to make a payment to the MSCI China ETF) a Cash Component as determined by the Manager. Units may only be redeemed in kind by way of a Redemption Application in Application Unit size and whole multiples thereof.

There will be no redemption of Units in cash only unless permitted by the Manager.

The Manager shall have the exclusive right, at any time and from time to time following a 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 Trust Fund on the relevant Settlement Day by the surrender of certificates (if any) to or to 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.

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 relevant Dealing Deadline on a Dealing Day, that Redemption Application shall be treated as having been received at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Redemption Application. 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 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 Index Shares constituting the Application 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 MSCI China ETF has insufficient cash required to pay any Cash Component payable by it, the Manager may effect sales of the Deposited Property, 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 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 Registrar may charge a Unit Cancellation Fee in connection with each accepted Redemption Application.

The Redemption Value of Units tendered for redemption and cancellation shall be the Net Asset Value per Unit of the MSCI China ETF rounded to the nearest 4 decimal places.

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/or 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 currency of account for the MSCI China 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 Index Shares constituting the Application 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 Value in connection with any redemption or cancellation of Units but shall be entitled at any time before the audited accounts of the Trust, covering the relevant Dealing Day, have been prepared, to require the Manager to justify its calculation of the Redemption Value.

Any Index Shares 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 in Hong Kong or New York State, 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 provided further that the Manager shall have received (unless otherwise provided in the Operating Guidelines) the original (and not a faxed copy) of the certificates (if any) representing the Units to be cancelled (or an indemnity in terms acceptable to the Trustee) and the full amount of any 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.

Provided that 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 Trust Fund shall be reduced by the cancellation of those Units but, for valuation purposes only, such Units shall be deemed to have been redeemed and cancelled after the Valuation Point as at the 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 Index Shares constituting the Application Basket relevant to the Redemption Application out of the Deposited Property of the MSCI China 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 Index Shares shall be transferred and no Cash Component shall be paid in respect of any Redemption Application unless Units, which are the subject of the Redemption Application, have been delivered to the Manager for redemption 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 Units, which are the subject of a Redemption Application, are not delivered to the Manager for redemption 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 Trustee and/or the Conversion Agent;

- the Manager may charge the Participating Dealer for the account of the Trustee and/or the Registrar an Application Cancellation Fee, see the section on “Fees and Expenses” for further details;

- the Manager may at its discretion require the Participating Dealer to pay to the Trustee, for the account of the MSCI China ETF, in respect of each Unit Cancellation Compensation, being (a) the amount (if any) by which the Redemption Value of each such Unit is less than the Issue Price which would have applied in relation to each such Unit if a Participating Dealer had, on the final day permitted for delivery of Units the subject of the Redemption Application, made a Creation Application plus (b) such other amount as the Manager reasonably determines as representing any charges, expenses and losses incurred by the MSCI China ETF as a result of any such cancellation; and

- no previous valuations of the Trust Fund shall be re-opened or invalidated as a result of an unsuccessful Redemption Application.

The Manager, with the approval of the Trustee, may at its discretion extend the settlement period such extension to be on such terms and conditions (including as to the payment of an Extension Fee to the Manager or the Trustee or their Connected Persons or otherwise) 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). 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 Conversion Agent.

The Trustee or the Manager may withhold the whole or any part of any redemption payment to any Unitholder and set it off against any unpaid amounts due from that Unitholder to the Trustee or the Manager, and may also deduct from any redemption proceeds (or any other payment to be made in respect of any Unit) any other amounts that the Trustee or the Manager must or may make by law for any fiscal charges, government charges, stamp and other duties for the MSCI China ETF or other taxes, charges or other assessments of any kind or where, the MSCI China ETF’s income or gains are subject to any withholding in consequence of the relevant Unitholder or beneficiary of an interest in the relevant Units being redeemed. Any withholding or set off of redemption payment and any deduction of redemption proceeds above must be conducted by the Trustee or the Manager in good faith with reasonable grounds and in compliance with any applicable law and regulation.

Suspension of Creations and Redemptions

Units may not be created during any period when the right of Unitholders to redeem is suspended by the Manager.

The Manager may, at its discretion, at any time after giving notice to the Trustee (and where practicable, after consultation with Participating Dealers) suspend the right of Participating Dealers to require the redemption of Units of any class and/or delay the payment of any moneys and transfer of any Securities in respect of any Redemption Application during:

(i) any period when a market on which a Security (being a component of the Underlying Index) has its primary listing, or the official clearing and settlement depositary (if any) of such market, is closed; or

(ii) any period when dealings on a market on which a Security (being a component of the Underlying Index) has its primary listing is restricted or suspended; or

(iii) any period when, in the opinion of the Manager, settlement or clearing of Securities in the official clearing and settlement depositary (if any) of such market is disrupted; or

(iv) the existence of any state of affairs as a result of which delivery or purchase of Securities or disposal of investments for the time being comprised in the MSCI China ETF cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Unitholders of the MSCI China ETF; or

(v) any period when the Underlying Index for the MSCI China ETF is not compiled or published; or

(vi) any breakdown in the means normally employed in determine the Net Asset Value of the MSCI China ETF or when for any other reason the Value of any Securities or other property for the time being comprised in the MSCI China ETF cannot in the opinion of the Manager, reasonably, promptly and fairly be ascertained.

In addition, the Manager will suspend the right to redeem Units when dealings in the Units on the SEHK are restricted or suspended.

Such suspension shall take effect forthwith upon its declaration and once effective there shall be no creation or redemption of the Units of MSCI China ETF until the Manager declares the suspension at an end, except that the suspension shall terminate in any event on the day following the first Business Day on which (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.

The Manager shall publish an announcement on its website containing information about the suspension of dealing (at least once a month during the period of suspension) and resumption of dealing. No Units will be issued or realised during any period of suspension.

No Units will be issued or realised during any period of suspension.

Transfer of Units

Where Unit certificates are issued in respect of Units in MSCI China ETF, Units may be transferred by using the standard transfer form issued by SEHK or by an instrument in writing in common form signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee. The transferor will be deemed to remain the holder of the Units transferred until the name of the transferee is entered in the register of Unitholders in respect of such Units.

Each instrument of transfer must relate to a single class of Units only. No Units may be transferred if, as a result, either the transferor or the transferee would hold Units having a value less than the minimum holding in MSCI China ETF.

EXCHANGE LISTING AND TRADING (SECONDARY MARKET)

Dealings in the Units on the SEHK commenced on 28 November 2001. Units of the MSCI China ETF are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Units on one or more other stock exchanges.

Units trade on the SEHK in board lots of 200 Units.

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

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

It is the Manager's expectation that at least one Market Maker will maintain a market for the Units of the MSCI China ETF. Broadly, the obligations of a Market Maker will include quoting bid and offer prices on the SEHK with the intention of providing liquidity. Given the nature of the Market Maker's role, the Manager will make available to the Market Maker the portfolio composition information made available to Participating Dealers.

Units may be purchased from and sold through the Market Maker. However, there is no guarantee or assurance as to the price at which a market will be made. In maintaining a market for Units, the market makers may make or lose money based on the differences between the prices at which they buy and sell Units, which is to a certain extent dependent on the difference between the purchase and sale prices of the underlying Securities comprised within the Underlying Index. Market makers may retain any profits made by them for their own benefit and they are not liable to account to the MSCI China ETF in respect of their profits. For the list of Market Makers for ETFs, please refer to www.hkex.com.hk.

Investors wishing to purchase or sell Units on the secondary market should contact their broker.

Investors cannot acquire or redeem Units directly from the MSCI China ETF. Only Participating Dealers may submit creation or redemption applications to the Manager. The Manager expects that Participating Dealers will generally accept and submit creation or redemption requests received from third parties, subject to normal market conditions and their client acceptance procedures. Participating Dealers may impose fees and charges in handling any creation/redemption request which would increase the cost of investment and/or reduce the redemption proceeds. Investors are advised to check with the Participating Dealers as to relevant fees and charges. You should note although the Manager has a duty to closely monitor the operations of the Trust, neither the Manager nor the Trustee is empowered to compel any Participating Dealer to disclose its fees agreed with specific clients or other proprietary or confidential information to the Manager, or to accept any such application requests received from third parties. In addition, neither the Trustee nor the Manager can ensure effective arbitrage by the Participating Dealer.

The Units have been accepted as eligible securities by HKSCC for deposit, clearing and settlement in the CCASS. Settlement of transactions concluded on the SEHK between participants of the SEHK is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

DETERMINATION OF NET ASSET VALUE

The Net Asset Value of the MSCI China ETF will be determined by the Trustee as at each Valuation Point by valuing the assets of the MSCI China ETF and deducting the liabilities of the MSCI China ETF, in accordance with the terms of the Trust Deed.

Set out below is a summary of how various Securities held by the MSCI China ETF are valued:

(a) Securities that are quoted, listed, traded or dealt in on any Market shall unless the Manager (with the consent of the Trustee) determines that some other method is more appropriate, be valued by reference to the price appearing to the Manager to be the official closing price, or if the Net Asset Value unavailable, the last traded price on the Market as the Manager may consider in the circumstances to provide fair criterion, provided that (i) if a Security is quoted or listed on more than one Market, the Manager shall adopt the price quoted on the Market which in its opinion provides the principal market for such Security; (ii) if prices on that Market are not available at the relevant time, the value of the Securities shall be certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager or, if the Trustee so requires, by the Manager after consultation with the Trustee; (iii) interest accrued on any interest-bearing Securities shall be taken into account, unless such interest is included in the quoted or listed price; and (iv) the Manager and the Trustee shall be entitled to use and rely on electronic price feeds from such source or sources as they may from time to time determine, notwithstanding that the prices so used are not the official closing prices or last traded prices as the case may be;

(b) the value of each interest in any unlisted mutual fund corporation or unit trust shall be the latest available Net Asset Value per share or unit in such mutual fund corporation or unit trust or if not available or appropriate, the average of the latest available bid and offer prices for the share or unit, unless the Manager considers the latest available bid price is more appropriate;

(c) futures contracts will be valued based on the formulae set out in the Trust Deed;

(d) except as provided for in paragraph (b), the value of any investment which is not listed, quoted or ordinarily dealt in on a Market shall be the initial value thereof equal to the amount expended on behalf of the MSCI China ETF in the acquisition of such investment (including, in each case the amount of stamp duties, commissions and other acquisition expenses) provided that the Manager may with the approval of the Trustee and shall at the request of the Trustee cause a revaluation to be made by a professional person approved by the Trustee as qualified to value such investments (which may, if the Trustee agrees, be the Manager);

(e) cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager, any adjustment should be made to reflect the value thereof; and

(f) notwithstanding the foregoing, the Manager may adjust the value of any investment if, having regard to relevant circumstances, the Manager (following consultation with the Trustee) considers that such adjustment is required to fairly reflect the value of the investment.

The Trustee will perform any currency conversion at rates it determines appropriate.

The above summary is, by its nature, limited and does not provide a complete description of how the various assets of the MSCI China ETF are valued. Investors are encouraged to review the specific provisions of the Trust Deed in relation to valuation of assets.

Suspension of Net Asset Value

The Manager may, after giving notice to the Trustee, declare a suspension of the determination of the Net Asset Value of the MSCI China ETF for the whole or any part of any period during which:

(a) there exists any state of affairs prohibiting the normal disposal of the MSCI China ETF's investments; or

(b) there is a breakdown in any of the means normally employed in determining the Net Asset Value of the MSCI China ETF or the Net Asset Value per Unit of the MSCI China ETF, or when for any other reason the value of any Security or other asset in the MSCI China ETF cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained; or

(c) circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to realise any Securities held or contracted for the account of the MSCI China ETF or it is not possible to do so without seriously prejudicing the interest of Unitholders of the MSCI China ETF; or

(d) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, the Securities of the MSCI China ETF or the subscription or realisation of Units of the MSCI China ETF is delayed or cannot, in the opinion of the Manager, be carried out promptly or at normal rates of exchange; or

(e) the right to redeem Units of the relevant class is suspended.

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

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

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

Issue Price and Redemption Value

The Issue Price of Units of the MSCI China ETF, created and issued pursuant to a Creation Application, will be the Net Asset Value of the MSCI China ETF divided by the total number of Units in issue rounded to the nearest 4 decimal places.

The Redemption Value of a Unit on a Dealing Day shall be the Net Asset Value of the MSCI China ETF divided by the total number of Units in issue rounded to the nearest 4 decimal places.

The Issue Price and the Redemption Value for the Units (or the latest Net Asset Value of the Units) will be available on the Manager's website at www.blackrock.com/hk or published in such publications as the Manager may decide from time to time.

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

FEES AND EXPENSES

There are 3 levels of fees and expenses applicable to investing in the MSCI China ETF as set out in the following table, current as at the date of the Prospectus.

Fees and expenses payable by Participating Dealers on creation and redemption of Units (primary market)	**Amount**
Transaction Fee	A Transaction Fee is payable by the Participating Dealer to the Manager for the benefit of the Conversion Agent. The Conversion Agent will charge a fee for each Application which will be met out of the Transaction Fee. The Conversion Agent's fees will be based on the total aggregated Application Basket Values of the Creation and Redemption Applications transacted daily as follows:

Total Aggregated Basket Value Transacted Daily	**HK$**
HK$0 to HK$2,000,000	5,000
HK$2,000,001 to HK$5,000,000	8,000
HK$5,000,001 to HK$10,000,000	10,000
Over HK$10,000,000	12,000

Application Cancellation Fee	HK$15,000[1] per Application
Extension Fee	HK$15,000[2] per Application
Partial Delivery Request Fee	HK$15,000[3] per Application
Stamp duty	Nil
Transaction levy and trading fee	Nil
Unit cancellation fee	HK$1 per board lot[4]

[1] *An Application Cancellation fee is payable to the Trustee by the Participating Dealer in respect of either a withdrawn or failed Creation Application or Redemption Application. Cancellation compensation may also be payable pursuant to the terms of the Operating Guidelines.*

[2] *An extension fee is payable by the Participating Dealer to the Trustee on each occasion the Manager grants the Participation Dealer's request for extended settlement in respect of a Creation or Redemption Application.*

[3] *A partial delivery request fee is payable by the Participating Dealer for the benefit of the Trustee or Registrar on each occasion the Manager grants the Participation Dealer's request for partial settlement.*

[4] *Payable to the Conversion Agent by the Participating Dealer.*

Fees and expenses payable by investors on SEHK (secondary market)	Amount
Brokerage	Market rates
Transaction levy	0.0027%[5]
Trading fee	0.005%[6]
Stamp duty	NIL
Investor compensation levy	0.002%[7]

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

Fees and expenses payable by MSCI China ETF (see further disclosure below)	Amount
Management Fee	0.59% p.a. of net asset value calculated daily

Fees and Expenses Payable by the MSCI China ETF

The MSCI China ETF employs a single management fee structure, with the MSCI China ETF paying all of its fees, costs and expenses (and its due proportion of any costs and expenses of the Trust allocated to it) as a single flat fee (the "Management Fee"). Fees and expenses taken into account in determining the MSCI China ETF's Management Fee include, but are not limited to, the Manager's fee, Trustee's fee (which includes fees for registrar and custody and administration transaction handling fees), fees and expenses of the auditor, fees of service agents, ordinary legal and out-of-pocket expenses incurred by the Trustee or Manager, and the costs and expenses of licensing indices used in connection with the MSCI China ETF. The Manager reserves the right in its discretion to share part of the Management Fee (that the Manager is entitled to receive as its own fee) with any distributor or sub-distributor of the MSCI China ETF. A distributor may re-allocate an amount of any distribution fee to the sub-distributors.

The Management Fee does not include brokerage and transaction costs (including but not limited to fees, charges, commissions or spreads relating to the acquisition or disposal of portfolio assets), stamp duty, taxes and extraordinary items such as litigation expenses. The Management Fee is accrued daily, paid monthly in arrears.

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

Establishment Costs

The cost of establishing the Trust and the MSCI China ETF including the preparation of this Prospectus, the costs of seeking and obtaining the listing and all initial legal and printing costs has been borne by the Manager. If subsequent Index Funds are launched and incur establishment costs which are specific to them, such expenses may either be allocated to the relevant Index Fund for whose account they were incurred or be paid by the Manager.

Increase in fees

The fees payable to the Manager and the Trustee (which are included in the calculation of the Management Fee) may be increased on 3 months' notice to Unitholders, subject to the maximum rates set out in the Trust Deed.

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[5] *Transaction levy of 0.0027% of the price of the Units, payable by the buyer and the seller.*
[6] *Trading fee of 0.005% of the price of the Units, payable by the buyer and the seller.*
[7] *Investor compensation levy of 0.002% of the price of Units, payable by the buyer and the seller.*

RISK FACTORS

An investment in the Trust carries various risks referred to below. Each of these risks may affect the Net Asset Value, yield, total return and trading price of the Units. There can be no assurance that the investment objective of the MSCI China ETF will be achieved. Prospective investors should carefully evaluate the merits and risks of an investment in the MSCI China ETF in the context of their overall financial circumstances, knowledge and experience as an investor.

Investment Risk

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

Emerging market regions are also subject to special risks including, but not limited to: generally less liquid and less efficient securities markets; generally greater price volatility; exchange rate fluctuations and foreign exchange control; higher volatility of the value of debt (particularly as impacted by interest rates); imposition of restrictions on the expatriation of funds or other assets; less publicly available information about issuers; the imposition of taxes; higher transaction and custody costs; settlement delays and risk of loss; difficulties in enforcing contracts; less liquidity and smaller market capitalisations; less well regulated markets resulting in more volatile stock prices; different accounting and disclosure standards; governmental interference; higher inflation; social, economic and political uncertainties; custodial and/or settlement systems may not be fully developed which may expose the MSCI China ETF to sub-custodial risk in circumstances whereby the Trustee will have no liability; the risk of expropriation of assets and the risk of war.

Economic Risk. Economic instability in an emerging market may arise when such country is heavily dependent upon commodity prices and international trade. Economies in emerging market countries have been and may continue to be adversely affected by the economics of their trading partners, foreign exchange controls, managed adjustments in relative currency values, trade barriers and other protectionist measures imposed or negotiated by the countries with which they trade. Some emerging market countries have experienced currency devaluations and some have experienced economic recession causing a negative effect on their economies and securities markets.

Political and Social Risk. Some governments in emerging market countries are authoritarian or have been installed or removed as a result of military coup and some have periodically used force to suppress civil dissent. Disparities of wealth, the pace and success of democratisation and capital market development and ethnic, religious and racial disaffection, among other factors, have also led to social unrest, violence and/or labour unrest in some emerging market countries. Unanticipated political or social developments may result in sudden and significant investment losses. All of these factors can have a material impact on the Underlying Index and create a risk of higher price volatility which, in turn, can increase any tracking error.

Market Risk. Past performance is not indicative of future performance. The Net Asset Value of the MSCI China ETF will change with changes in the market value of the Securities it holds. The price of Units and the income from them may go down as well as up. There can be no assurance that the MSCI China ETF will achieve its investment objective or that an investor will achieve profits or avoid losses, significant or otherwise. The capital return and income of the MSCI China ETF is based on the capital appreciation and income on the Securities it holds, less expenses incurred. The MSCI China ETF's return may fluctuate in response to changes in such capital appreciation or income. Furthermore, the MSCI China ETF may experience volatility and decline in a manner that broadly corresponds with its Underlying Index. Investors in the MSCI China ETF are exposed to the same risks that investors who invest directly in the Underlying Index would face. These risks include, for example, interest rate risks (risks of falling portfolio values in a rising interest rate market); income risks (risks of falling incomes from a portfolio in a falling interest rate market); and credit risk (risk of a default by the underlying issuer of a Security that forms part of the Underlying Index).

Asset Class Risk. Although the Manager is responsible for the continuous supervision of the investment portfolio of the MSCI China ETF, the returns from the types of Securities in which the MSCI China ETF invests may underperform or outperform returns from other Securities markets or from investment in other assets. Different types of securities tend to go through cycles of out-performance and underperformance when compared with other general Securities markets.

Foreign Exchange Risk. A substantial portion of the revenue and income of the MSCI China ETF may be received in a currency other than Hong Kong dollar. Accordingly any fluctuation in the relevant exchange rates will affect the value of Securities as well as the Net Asset Value of the MSCI China ETF regardless of the performance of its underlying portfolio. Significant changes, including changes in liquidity, may occur in such markets within very short periods of time, often within minutes. In addition, the MSCI China ETF may incur transaction costs, including trading commissions, in connection with certain of its foreign exchange transactions. Some of the risks associated with foreign exchange transactions include but are not limited to:

- exchange rate risk;
- maturity gaps;
- interest rate risk;
- potential interference by government intervention through regulation of local exchange markets, foreign investment or particular transactions in foreign currency.

If the Manager utilises foreign exchange transactions at an inappropriate time or judges market conditions, trends or correlations incorrectly, foreign exchange transactions may not serve their intended purpose of improving the correlation of the MSCI China ETF's return with the performance of the Underlying Index and may lower the MSCI China ETF's return. The MSCI China ETF may experience losses if the values of its currency forwards and futures positions were poorly correlated with its other investments or if it could not close out its positions because of an illiquid market.

Foreign Security Risk. The MSCI China ETF invests in PRC companies which are subject to special risks not typically associated with investing in Hong Kong companies. These include differences in accounting, auditing and financial reporting standards, the possibility of nationalisation of assets, expropriation or confiscatory taxation, or regulation, the imposition of withholding taxes on payments or distributions referable to underlying Securities, adverse changes in investment, tax or exchange control regulations, economic growth and indicators (such as GDP, inflation rate, self sufficiency and balance of payments position of the relevant economy), government regulation, political instability which could affect local investments in foreign countries, and potential restrictions on the flow of international capital. Non-Hong Kong companies may be subject to less governmental regulation than Hong Kong companies. Moreover, individual foreign economies may differ favourably or unfavourably from the Hong Kong economy in such respects as growth of gross domestic product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payment positions. Each of these factors may have a large impact on the performance of the MSCI China ETF. The MSCI China ETF also invest in Depositary Receipts and these may not be necessarily denominated in the same currency as their underlying securities that trade in the primary market and may be less liquid. Depositary Receipts may be sponsored or unsponsored with unsponsored receipts generally reflecting less rights or no obligations to holders with respect to disclosure of material information, distribution of shareholder communications from the underlying issuer or the pass through of voting rights with respect to the underlying securities, however practices among market participants may vary for either type.

Derivatives Risk. The MSCI China ETF may invest in stock index future contracts and other derivatives. Investing in a derivative is not the same as investing directly in an underlying asset which is part of the Underlying Index.

A derivative is a form of contract. Under the terms of a derivative contract the MSCI China ETF and its counterparty (i.e. the person(s) with whom the MSCI China ETF has made the agreement) agree to make certain payments to the other party under particular circumstances or on the occurrence of particular events specified in the contract. The value of the derivative depends on, or is derived from, or determined by reference to, the value of an underlying asset such as a Security or an index. Derivatives may be more sensitive to factors which affects the value of investments. Accordingly derivatives have a high degree of price variability and are subject to occasional rapid and substantial price changes. As a result, a relatively small price movement in a futures contract may result in immediate and substantial loss (or gain) to the MSCI China ETF. The MSCI China ETF's losses may be greater if it invests in derivatives than if it invests only in conventional Securities.

In addition, many derivatives are not traded on exchanges. This means that it may be difficult for the MSCI China ETF to sell its investments in derivatives in order to raise cash and/or to realise a gain or loss. The sale and purchase of derivatives, which are not traded on an exchange, are privately negotiated and are generally not subject to regulation by government authorities and it may be difficult to find a willing buyer/seller because there is no regulatory requirement for a market maker to ensure that there is continuous market for such derivatives.

Derivatives Counterparty Risk. As explained in the section on Derivatives Risk, a derivative is a form of contract. Payments to be made under a derivatives contract are not made through or guaranteed by a central clearing agency. Accordingly the MSCI China ETF which invests in derivatives is exposed to the risk of its counterparty being unwilling or unable to perform its payment (and other) obligations under the contract. If the counterparty to the derivative is involved in any insolvency event, the value of that derivative may drop substantially or be worth nothing. This is because investing in a derivative is not the same as investing directly in an underlying asset which is part of the Underlying Index.

Passive Investments Risk. The MSCI China ETF is passively managed. The aim is to track the performance of the Underlying Index. The MSCI China ETF does not try to beat or perform better than the Underlying Index. The MSCI China ETF invests (either directly or indirectly) in the Securities included in or representative of the Underlying Index regardless of their investment merit. The Manager does not attempt to select stocks individually or to take defensive positions in declining markets. Investors should note that the lack of discretion on the part of the Manager to adapt to market changes due to the inherent investment nature of the MSCI China ETF will mean that falls in the Underlying Index are expected to result in corresponding falls in the value of the MSCI China ETF.

Management Risk. Because there can be no guarantee that the MSCI China ETF will fully replicate its Underlying Index and may hold non-index stocks, it is subject to management risk. This is the risk that the Manager's strategy, the implementation of which is subject to a number of constraints, may not produce the intended results. In addition, the Manager has absolute discretion to exercise Unitholders' rights with respect to Securities held by the MSCI China ETF. There can be no guarantee that the exercise of such discretion will result in the investment objective of the MSCI China ETF being achieved. Investors should also note that, none of the Unitholders has any voting rights with respect to Securities held by the MSCI China ETF.

Tracking Error Risk. The Net Asset Value of the MSCI China ETF may not have exactly the same Net Asset Value of the Underlying Index. Factors such as the fees and expenses of the MSCI China ETF, the investments of MSCI China ETF not matching exactly the Securities which make up the Underlying Index (e.g. where it uses representative sampling), an inability to rebalance the MSCI China ETF's holdings of Securities in response to changes to the Securities which make up the Underlying Index, rounding of Security prices, changes to the Underlying Index and regulatory policies may affect the Manager's ability to achieve close correlation with the Underlying Index. This may cause the MSCI China ETF's returns to deviate from the Underlying Index.

Concentration Risk. To the extent that the Underlying Index or its portfolio is concentrated in the Securities in a particular market, industry or group of industries, sector or asset class, the MSCI China ETF may be adversely affected by the performance of those Securities. It may be subject to increased price volatility and may be more susceptible to adverse economic, market, political or regulatory event affecting that market, industry, group of industries, sector or asset class.

Operational Risk. Trading errors are an intrinsic factor in any complex investment process, and will occur, notwithstanding the execution of due care and special procedures designed to prevent such errors. Such trade errors may have adverse consequences (for example, due to an inability to correct effectively such an error when detected).

Distributions may not be paid Risk. Whether the MSCI China ETF will pay distributions on Units is subject to the Manager's distribution policy and also depends on dividends declared and paid in respect of the Securities of the Underlying Index. Dividend payment rates in respect of such Securities will depend on factors beyond the control of the Manager or Trustee including, general economic conditions, and the financial position and dividend policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions.

Dividends Payable Out of Capital or Effectively Out of Capital Risk. The Manager may at its discretion pay dividends out of the capital of the MSCI China ETF. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the MSCI China ETF are charged to/paid out of the capital of the MSCI China ETF, resulting in an increase in distributable income for the payment of dividends by the MSCI China ETF and therefore, the MSCI China ETF may effectively pay dividend out of capital. Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of or effectively out of the MSCI China ETF's capital may result in an immediate reduction of the Net Asset Value per unit.

Counterparty to the Executing Broker Risk. Institutions, such as brokerage firms, banks, and broker-dealers, may enter into transactions with the Trustee in relation to the sale and purchase of assets or Securities. Bankruptcy, fraud, regulatory sanction or a refusal to complete a transaction at one of these institutions could significantly impair the operational capabilities or the capital position of the Trust or the MSCI China ETF. The Manager intends to attempt to limit the MSCI China ETF's investment transactions to well-capitalised and established banks and brokerage firms in an effort to mitigate such risks. There can be no guarantee that transactions between such counterparties will always be completed in the manner contemplated by, and favourable to, the MSCI China ETF. Furthermore, the Manager is permitted to borrow for the account of the MSCI China ETF in order to carry out its functions under the Trust Deed. Borrowings may be secured by the Securities or other assets of the Trust that are pledged to counterparties as collateral.

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

Investment in Physical ETFs Risk. The MSCI China ETF may invest up to 10% of its Net Asset Value in physical ETFs. The fees and costs charged in respect of such physical ETFs will be borne by the MSCI China ETF. Although the Manager will only invest in these physical ETFs if it considers that doing so is in the best interest of the MSCI China ETF and its Unitholders, there is no guarantee that these physical ETFs will achieve their respective investment objectives and any tracking error of these physical ETFs will also contribute to the tracking error of the MSCI China ETF. Further, although the Manager will only invest in physical ETFs that track indices that have a high correlation with the Underlying Index of the MSCI China ETF, the difference of the underlying constituents between the indices tracked by the relevant physical ETFs and the Underlying Index may also contribute to tracking error.

Indemnity Risk. Under the Trust Deed, the Trustee and the Manager have the right to be indemnified for any liability or expense incurred by them in performing their respective duties except as a result of their own negligence, default or breach of duty or trust. Any reliance by the Trustee or the Manager on the right of indemnity would reduce the assets of the affected MSCI China ETF or the Trust and the value of the Units.

Operating Cost Risk. There is no assurance that the performance of the MSCI China ETF will achieve its investment objective. The level of fees and expenses payable by the MSCI China ETF will fluctuate in relation to the Net Asset Value. Although the amounts of certain ordinary expenses of the MSCI China ETF can be estimated, the growth rate of the MSCI China ETF, and hence its Net Asset Value, cannot be anticipated. Accordingly, no assurance can be given as to the performance of the MSCI China ETF or the actual level of its expenses.

Market Trading Risks Associated with the MSCI China ETF

The MSCI China ETF is Different from a Typical Unit Trust Offered to the Public in Hong Kong. Investors should note that the MSCI China ETF is not like a typical unit trust offered to the public in Hong Kong. Units may only be created and redeemed in Application Unit sizes through Participating Dealers and Units may not be subscribed for, or redeemed, in cash. In particular, Units may only be redeemed in kind by investors in Application Unit size (currently 600,000 Units) or whole multiples thereof through Participating Dealers. Participating Dealers are under no obligation to accept instructions to apply for or redeem Units on behalf of investors. Participating Dealers will not be able to create or redeem Units during any period when, amongst other things, dealings on the SEHK are restricted or suspended, settlement or clearing of securities in CCASS is disrupted or the Underlying Index is not compiled or published. Redeeming investors will receive Index Shares (plus or minus a cash payment) calculated by reference to Net Asset Value. Redeeming investors may not be able to realise the value of Index Shares received on a redemption of Units in a timely manner or at any particular price if there is no liquid trading market for the Index Shares. Investors who do not hold Application Unit sizes may only be able to realise the value of their Units by selling their Units on the SEHK. These features are not usually present in a typical unit trust offered to the public in Hong Kong, where units can generally be purchased and redeemed for cash in comparatively smaller multiples of units.

Dependence upon Trading Market for Index Shares. The existence of a liquid trading market for the Index Shares may depend on whether there is supply of, and demand for, such Index Shares. There can be no assurance that there will be active trading in any of the Index Shares (including for example where there is a suspension of trading of the Index Shares due to trading band limits or circuit breaker mechanisms operating in the relevant trading market). The price at which the Index Shares may be purchased or sold by the MSCI China ETF upon any rebalancing activities or otherwise and the Net Asset Value of the MSCI China ETF may be adversely affected if trading markets for the Index Shares are limited or absent.

Absence of Active Market and Liquidity Risks. Although Units of the MSCI China 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 MSCI China ETF themselves have limited trading markets, or if the spreads are wide, this may adversely affect the price of the Units and the ability of an investor to dispose of its Units at the desired price. If a Unitholder 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.

Liquidity Risk. Any investor buying Units in small numbers may not necessarily be able to find other buyers should that investor wish to sell. To address this risk, one or more market makers have been appointed.

Reliance on Market Makers Risk. Investors should note that liquidity in the market for the Units may be adversely affected if there is no Market Maker for the MSCI China ETF. It is the Manager's intention that there will always be at least one Market Maker for the Units.

Reliance on Participating Dealers Risk. The creation and redemption of Units may only be effected through Participating Dealers. A Participating Dealer may charge a fee for providing this service. Participating Dealers will not be able to create or redeem Units during any period when, amongst other things, dealings on the SEHK are restricted or suspended, settlement or clearing of securities through the CCASS is disrupted or the Underlying 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 NAV of the MSCI China ETF or disposal of the MSCI China ETF's Securities cannot be effected. Where a Participating Dealer appoints an agent (who is a CCASS participant) to perform certain CCASS-related functions, if the appointment is terminated and the Participating Dealer fails to appoint an alternative agent, or if the agent ceases to be a CCASS participant, the creation or redemption of Units by such Participating Dealer may also be affected. Since the number of Participating Dealers at any given time will be limited, and there may even be only one Participating Dealer at any given time, there is a risk that investors may not always be able to create or redeem Units freely.

Units May Trade at Prices Other Than Net Asset Value Risk. Units of the MSCI China ETF trade on the SEHK at prices above or below the most recent Net Asset Value. The Net Asset Value per Unit of the MSCI China ETF is calculated at the end of each Business Day and fluctuates with changes in the market value of the MSCI China ETF's holdings and changes in the exchange rate between the Hong Kong dollar and, where Securities are denominated in another currency, the subject foreign currency. The trading prices of the MSCI China ETF's Units fluctuate continuously throughout the trading hours based on market supply and demand rather than Net Asset Value. The trading price of the MSCI China ETF's Units may deviate significantly from Net Asset Value particularly during periods of market volatility. Any of these factors may lead to the Units of the MSCI China ETF trading at a premium or discount to the Net Asset Value in the secondary market. On the basis that Units can be created and redeemed in Application Units at Net Asset Value, the Manager believes that large discounts or premiums to Net Asset Value are not likely to be sustained over the long-term. While the creation/redemption feature is designed to make it likely that the MSCI China ETF's Units will normally trade at prices close to the MSCI China ETF's next calculated Net Asset Value, trading prices are not expected to correlate exactly with the MSCI China ETF's Net Asset Value due to reasons relating to timing as well as market supply and demand factors. In addition, disruptions to creations and redemptions or the existence of extreme market volatility may result in trading prices that differ significantly from Net Asset Value. In particular, if an investor purchases Units at a time when the market price is at a premium to Net Asset Value or sells when the market price is at a discount to Net Asset Value, then the investor may sustain losses.

Investors Buying at a Premium Risk. The MSCI China ETF may be terminated early under certain circumstances as set out in the section "Termination". Upon the MSCI China ETF being terminated, the Trustee will distribute the net cash proceeds (if any) derived from the realisation of the investments comprised in the MSCI China ETF to the Unitholders in accordance with the Trust Deed. Any such amount distributed may be more or less than the capital invested by the Unitholder. A Unitholder who purchases Units at a time when the market price is at a premium to NAV may therefore be unable to recover the premium in the event the MSCI China ETF is terminated.

Differences Between Primary and Secondary Market Trading Hours Risk. Units of the MSCI China ETF may trade on the SEHK even when the MSCI China ETF does not accept orders to create or redeem Units. On such days, Units may trade in the secondary market with more significant premiums or discounts than might be experienced on days when the MSCI China ETF accepts creation and redemption orders. Additionally, as foreign stock exchanges may be open when Units in the MSCI China ETF are not priced, the value of the Securities in the MSCI China ETF's portfolio may change on days when investors will not be able to purchase or sell the MSCI China ETF's Units.

The market prices of underlying Securities listed on a foreign stock exchange may not be available during part of all of the SEHK trading sessions due to time zone differences which may result in the trading price of the MSCI China ETF deviating away from Net Asset Value.

Cost of Trading Units Risk. Buying or selling Units involves various types of costs that apply to all Securities transactions. When trading Units through a broker investors will incur a brokerage commission or other charges imposed by the broker. In addition, investors on the secondary market, will also incur the cost of the trading spread, which is the difference between what investors are willing to pay for the Units (bid price) and the price they are willing to sell Units (ask price). Frequent trading may detract significantly from investment results and an investment in Units may not be advisable particularly for investors who anticipate regularly making small investments.

Suspension of Trading Risk. 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 Manager may, in accordance with The Rules Governing the Listing of Securities on the SEHK, request for the trading of Units to be suspended. Any such suspension would depend on the SEHK's agreement to the suspension. The subscription and redemption of Units may also be suspended if the trading of Units is suspended.

Trading Risk. While the creation/redemption feature of the Trust is designed to make it likely that Units will trade close to their Net Asset Value, disruptions to creations and redemptions (for example, as a result of imposition of capital controls by a foreign government) may result in trading prices that differ significantly from Net Asset Value. Also, there can be no assurance that an active trading market will exist for Units of an Index Fund on any securities exchange on which Units may trade.

Risks Associated with the Underlying Index

The Underlying Index is Subject to Fluctuations Risk. The performance of the Units should, before expenses, correspond closely with the performance of the Underlying Index. If the Underlying Index experiences volatility or declines, the price of the Units will vary or decline accordingly.

Composition of and Weightings in the Underlying Index May Change Risk. The companies which comprise the Underlying Index are changed by the Underlying Index Provider from time to time. The price of the Units may rise or fall as a result of such changes. The composition of the Underlying Index may also change if one of the constituent companies were to delist its shares or if a new eligible company were to list its shares and be added to the Underlying Index. If this happens, the weighting or composition of the Securities owned by the MSCI China ETF would be changed as considered appropriate by the Manager in order to achieve the Investment Objective. Thus, an investment in Units will generally reflect the Underlying Index as its constituents change from time to time, and not necessarily the way it is comprised at the time of an investment in the Units.

Underlying Index Related Risk. As prescribed by this Prospectus, in order to meet its investment objective, the MSCI China ETF seeks to achieve a return which corresponds generally to the price and yield performance, before fees and expenses, of the Underlying Index as published by the Index Provider. There is no assurance that the Index Provider will compile the Underlying Index accurately, or that the Underlying Index will be determined, composed or calculated accurately. While the Index Provider does provide descriptions of what the Underlying Index is designed to achieve, the Index Provider does not provide any warranty or accept any liability in relation to the quality, accuracy or completeness of data in respect of their indices, and does not guarantee that the Underlying Index will be in line with their described index methodology . The Manager's mandate as described in this Prospectus is to manage the MSCI China ETF consistently with the Underlying Index provided to the Manager. Consequently, the Manager does not provide any warranty or guarantee for Index Provider errors. Errors in respect of the quality, accuracy and completeness of the data may occur from time to time and may not be identified and corrected for a period of time, particularly where the indices are less commonly used . Therefore gains, losses or costs associated with Index Provider errors will be borne by the MSCI China ETF and its Unitholders. For example, during a period where the Underlying Index contains incorrect constituents, the MSCI China ETF tracking such published Underlying Index would have market exposure to such constituents and would be underexposed to the Underlying Index's other constituents. As such, errors may result in a negative or positive performance impact to the MSCI China ETF and its Unitholders . Unitholders should understand that any gains from Index Provider errors will be kept by the MSCI China ETF and its Unitholders and any losses resulting from Index Provider errors will be borne by the MSCI China ETF and its Unitholders.

Apart from scheduled rebalances, the Index Provider may carry out additional ad hoc rebalances to the Underlying Index in order, for example, to correct an error in the selection of index constituents. Where the Underlying Index is rebalanced and the MSCI China ETF in turn rebalances its portfolio to bring it in line with its Underlying Index, any transaction costs and market exposure arising from such portfolio rebalancing will be borne directly by the MSCI China ETF and its Unitholders. Unscheduled rebalances to the Underlying Index may also expose the MSCI China ETF to tracking error risk, which is the risk that its returns may not track exactly those of the Underlying Index. Therefore, errors and additional ad hoc rebalances carried out by the Index Provider to the Underlying Index may increase the costs and market exposure risk of the MSCI China ETF.

The past performance of the Underlying Index is not a guide to future performance. The Manager does not guarantee the accuracy or the completeness of the Underlying Index or any data included therein and the Manager shall have no liability for any errors, omissions or interruptions therein. The Manager makes no warranty, express or implied, to the unitholders of the MSCI China ETF or to any other person or entity, as to results to be obtained by the MSCI China ETF from the use of the Underlying Index or any data included therein. Without limiting any of the foregoing, in no event shall the Manager have any liability for any special, punitive, direct, indirect or consequential damages (including lost profits), even if notified of the possibility of such damages.

Licence to Use the Underlying Index may be Terminated Risk. The Manager has been granted a licence by the Index Provider to use the Underlying Index to create the MSCI China ETF based upon the Underlying Index and to use certain trade marks or any copyright in the Underlying Index. The MSCI China ETF may not be able to fulfill its objective and may be terminated if the licence agreement is terminated. The MSCI China ETF may also be terminated if the Underlying Index ceases to be compiled or published and there is no replacement Underlying Index using the same or substantially similar formula for the method of calculation as used in calculating the Underlying Index. The Index Provider and the Manager (and its Connected Persons) are independent of one another.

Composition of the Underlying Index May Change Risk. The Securities constituting the Underlying Index will change as the Securities of the Underlying Index are delisted, or as the Securities mature or are redeemed or as new Securities are included in the Underlying Index. When this happens the weightings or composition of the Securities owned by the MSCI China ETF will change as considered appropriate by the Manager to achieve the investment objective. Thus, an investment in Units will generally reflect the Underlying Index as its constituents change and not necessarily the way it is comprised at the time of an investment in Units. However, there can be no guarantee that the MSCI China ETF will, at any given time accurately reflect the composition of the Underlying Index (refer to "Tracking Error Risk").

Regulatory Risks

Withdrawal of SFC Authorisation Risk. The MSCI China ETF has been authorised as a collective investment scheme under the Code by the SFC pursuant to section 104 of the Securities and Futures Ordinance. Authorisation by the SFC is not a recommendation or endorsement of the MSCI China ETF nor does it guarantee the commercial merits of a product or its performance. It does not mean the MSCI China ETF is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. The SFC reserves the right to withdraw the authorisation of the MSCI China ETF or impose such conditions as it considers appropriate.

Without limiting the foregoing, the SFC may withdraw authorisation where the SFC no longer considers the Underlying Index acceptable. If the Manager does not wish the MSCI China ETF to continue to be authorised by the SFC, the Manager will give Unitholders at least 3 months' notice of the intention to seek SFC's withdrawal of such authorisation. In addition, any authorisation granted by the SFC may be subject to certain waivers which may be withdrawn or varied by the SFC. If as a result of such withdrawal or variation of waivers it becomes illegal, impractical or inadvisable to continue the MSCI China ETF, the MSCI China ETF will be terminated.

Units May be Delisted from the SEHK Risk. The SEHK imposes certain requirements for the continued listing of Securities, including the Units, on the SEHK. Investors cannot be assured that the MSCI China ETF will continue to meet the requirements necessary to maintain the listing of Units on the SEHK or that the SEHK will not change the listing requirements. If the Units are delisted from the SEHK, Unitholders will have the option to redeem their Units by reference to the Net Asset Value of the MSCI China ETF. Where the MSCI China ETF remains authorised by the SFC, such procedures required by the Code will be observed by the Manager.

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

Foreign Account Tax Compliance Act ("FATCA") Risk. Although the Manager will attempt to satisfy any obligations imposed on it and to avoid the imposition of any FATCA withholding, no assurance can be given that the Trust or the MSCI China ETF will be able to achieve this and/or satisfy such FATCA obligations. If the MSCI China ETF becomes subject to a 30% FATCA penalty withholding on most types of income from US investments (further described under the sub-section headed "FATCA" in the section headed "Taxes" on page 43) as a result of the FATCA regime, the value of the Units held by Unitholders may suffer material loss.

Specific Risk Factors Relating to the MSCI China ETF

In addition to the principal risk factors above, investors should also note the following additional specific risk factors associated with investing in the MSCI China ETF.

Dividends are Contingent on Dividends Paid on Index Shares. The ability of the MSCI China ETF to pay dividends on the Units is subject to the Manager's distribution policy and also depends on dividends declared and paid by the companies whose shares are held by the MSCI China ETF and the level of fees and expenses payable by the MSCI China ETF. Dividend payment rates of these companies are based on numerous factors, including their current financial condition, general economic conditions and their dividend policies. There can be no assurance that such companies will declare dividends or make other distributions. In addition, changes to the composition of the Underlying Index (for example, the substitution of one constituent stock in the Underlying Index with another paying higher or lower dividends) will affect the level of dividends received by the MSCI China ETF. To the extent possible, the MSCI China ETF's fees and expenses will be paid out of the dividends it receives. To the extent dividends received by the MSCI China ETF are insufficient to meet its fees and expenses, the excess will be met by disposing of part of the MSCI China ETF's portfolio of Index Shares or by borrowing. Any such disposition of Index Shares or borrowing may cause the MSCI China ETF's Net Asset Value to fall, and may adversely affect the trading price of the Units. Investors may not therefore receive any distributions. Investors will not receive any dividends or other distributions directly from the companies in which the MSCI China ETF invests.

Risk Factors Relating to the PRC

PRC Economic, Political and Social Conditions as well as Government Policies. The economy of the PRC, which has been in a state of transition from a planned economy to a more market oriented economy, differs from the economies of most developed countries in many respects, including the level of government involvement, its state of development, its growth rate, control of foreign exchange, and allocation of resources.

Although the majority of productive assets in PRC are still owned by the PRC government at various levels, in recent years, the PRC government has implemented economic reform measures emphasising utilisation of market forces in the development of the economy of PRC and a high level of management autonomy. The economy of PRC has experienced significant growth in the past 20 years, but growth has been uneven both geographically and among various sectors of the economy. Economic growth has also been accompanied by periods of high inflation. The PRC government has implemented various measures from time to time to control inflation and restrain the rate of economic growth.

For more than 20 years, the PRC government has carried out economic reforms to achieve decentralisation and utilisation of market forces to develop the economy of the PRC. These reforms have resulted in significant economic growth and social progress. There can, however, be no assurance that the PRC government will continue to pursue such economic policies or, if it does, that those policies will continue to be successful. Any such adjustment and modification of those economic policies may have an adverse impact on the Securities market in the PRC as well as the underlying securities of the MSCI China ETF. Further, the PRC government may from time to time adopt corrective measures to control the growth of the PRC economy which may also have an adverse impact on the capital growth and performance of the MSCI China ETF.

Political changes, social instability and adverse diplomatic developments in the PRC could result in the imposition of additional government restrictions including expropriation of assets, confiscatory taxes or nationalisation of some or all of the investments held by the underlying securities of the MSCI China ETF in the PRC.

PRC Government Control of Currency Conversion and Future Movements in Exchange Rates Risk. Various PRC companies derive their revenues in Renminbi but have requirements for foreign currency, including for the import of materials, debt service on foreign currency denominated debt; purchases of imported equipment and payment of any cash dividends declared in respect of e.g. H Shares and N Shares.

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. However, the Manager cannot predict whether the PRC government will continue its existing foreign exchange policy and when the PRC government will allow free conversion of the Renminbi to foreign currency.

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 for Foreign Exchange. Since 1994, the conversion of Renminbi into Hong Kong dollars and United States dollars has been based on rates set by the People's Bank of China, which are set daily based on the previous day's PRC interbank foreign exchange market rate. The Manager cannot predict nor give any assurance of its future stability of the Renminbi to Hong Kong dollar exchange rate. Fluctuations in exchange rates may adversely affect the MSCI China ETF's Net Asset Value and any declared dividends.

PRC Laws and Regulations Risk. The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference but have no precedent value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce taxation and trade. Two examples are the promulgation of the Contract Law of the PRC to unify the various economic contract laws into a single code, which went into effect on 1 October 1999, and the Securities Law of the PRC, which went into effect on 1 July 1999. However, because these laws and regulations affecting securities markets are relatively new, and because of the limited volume of published cases and judicial interpretation and their non-binding nature, interpretation and enforcement of these regulations involve significant uncertainties. In addition, as the PRC legal system develops, no assurance can be given that changes in such laws and regulations, their interpretation or their enforcement will not have a material adverse effect on their business operations.

Differences Between PRC and Hong Kong Company Law Risk. Certain PRC regulations governing PRC companies listed overseas contain provisions that are required to be included in the articles of association of these PRC companies and are intended to regulate the governance of these companies. In addition, certain requirements are imposed by the SEHK's listing rules with a view to reducing the magnitude of differences between Hong Kong company law and PRC company law. The articles of association of all PRC companies listed on the SEHK must incorporate such requirements.

Legal System of the PRC Risk. The legal system of the PRC is based on written laws and regulations. Despite the PRC government's effort in improving the commercial laws and regulations, many of these laws and regulations are still at an experimental stage and the implementation of such laws and regulations remains unclear.

Potential Market Volatility Risk. Investors should note that the Shanghai Stock Exchange and Shenzhen Stock Exchange on which B Shares are traded are undergoing development and the market capitalisation and trading volume are much lower than those in more developed financial markets. Market volatility and potential lack of liquidity due to low trading volume in the B Share markets may result in significant fluctuation in the prices of securities traded on such markets and thereby changes in the Net Asset Value of the MSCI China ETF.

Accounting and Reporting Standards Risk. Accounting, auditing and financial reporting standards and practices applicable to PRC companies may be different to those standards and practices applicable to countries that have more developed financial markets. For example, there are differences in the valuation methods of properties and assets and in the requirements for disclosure of information to investors.

Taxation in the PRC Risk. 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 PRC companies and foreign investors in such companies. Please refer to the section “Taxes – PRC” for further information about PRC taxation.

Stock Connect Related Risks

Please refer to Schedule 3 for details of the Stock Connect Related Risks.

MANAGEMENT OF THE TRUST

The Manager

The Manager is BlackRock Asset Management North Asia Limited. The Manager is part of the BlackRock group of companies, the ultimate holding company of which is BlackRock, Inc., which provides investment management services internationally for institutional, retail and private clients. The Manager was incorporated in Hong Kong with limited liability on 10 August 1998 and is licensed by the SFC to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance.

Under the Trust Deed, the monies forming part of each Index Fund shall be invested, at the direction of the Manager, in accordance with the Trust Deed. The Manager is responsible for placing purchase and sale orders and providing continuous supervision of the investment portfolio of each Index Fund. The Manager is also the Listing Agent for each of the Index Funds.

Without limiting the other powers mentioned in this Prospectus, the Manager may purchase and sell investments for the account of the MSCI China ETF and subject to the provisions of the Trust Deed, enter into such contracts including sale and purchase agreements, loans, stock lending arrangements and broker and trading agreements in accordance with the Trust Deed, as it deems appropriate in the performance of its role as Manager.

The Directors of the Manager

Belinda Boa, CFA, Managing Director, is Head of Active Investments for Asia Pacific, where she is responsible for delivering investment excellence and investment success in the region both internally and externally. The role will encompass all areas of the Active Investment business including Fundamental Equity, Fixed Income, Scientific Active Equity and Multi-Asset. In addition, Ms. Boa will oversee regionally regulated activities of investors. Ms. Boa is a member of the Asia Pacific Executive Committee. Prior to assuming her current role in 2015, Ms. Boa was head of Risk and Quantitative Analysis for APAC where she was responsible for all areas of risk across the region, including investment risk, credit and counterparty risk and corporate and operational risk. Ms. Boa has worked in quantitative finance for over 15 years in London and South Africa. Prior to moving to Asia, she was a senior risk manager, leading the Risk and Quantitative Research team in London, where she was focused on the equity business. She started her career in equity research working for RMB Asset Management. Ms. Boa is a qualified Chartered Financial Analyst and a member of the London Quant Group. Ms. Boa earned her degree with honours in Finance and Statistics from the University of the Witwatersrand, South Africa in 1995.

Susan Wai-lan Chan, Managing Director, is the Head of iShares Asia-Pacific and is responsible for the iShares business across Asia, including both distribution and management of iShares products and offices in Japan, Australia, Hong Kong, Singapore, and Taiwan. She is a member of the BlackRock Asia-Pacific Executive Committee, and a member of the BlackRock Global iShares Executive Committee. Ms. Chan joined BlackRock in July 2013 as head of Asia Pacific iShares Capital Markets and Products. Prior to joining BlackRock, she was a Managing Director at Deutsche Bank AG, Hong Kong where she was Head of Equity Structuring, Strategic Equity Transactions and DBx Asia Pacific. Before Deustche Bank, she was Managing Director at Barclays Capital Asia Limited where she held various positions in equity derivatives with the most recent as Head of Equity and Funds Structured, Asia Pacific. She was also a member of the Global EFS Executive Committee, the Asia Pacific Structuring Executive Committee, Founder and Executive Sponsor for the Women's Internal Network, Asia Pacific and a Board Member of Barclays Capital Hong Kong Limited. Ms. Chan is a graduate of Boston University, Boston, MA.

Andrew Reynolds, Managing Director, is BlackRock's CFO and Head of Corporate Strategy, Asia Pacific. Mr. Reynolds is responsible for all Strategy and Finance teams across the region and additionally has management oversight for Taiwan and Korea.

Mr. Reynolds has extensive experience in the financial services industry. Before joining BlackRock in 2014, he served as Global COO and Chief Executive Officer Asia of CLSA. He was an executive director of the main board of CLSA and served on all the boards of CLSA across Asia, USA and London. Mr. Reynolds also played an integral part in the negotiation of the sale of CLSA to CITICS. Prior to that, he was the country manager of Korea for CLSA. Before coming to Asia, Mr. Reynolds was a managing director at First Rand Bank in South Africa.

Mr. Reynolds earned a BSc degree in engineering, and an MCom degree in business management at Pretoria University in South Africa in 1992 and 1994, respectively.

Ryan David Stork, is BlackRock's Chairman, Asia Pacific. He is responsible for all business activities in the region, which includes Greater China, Japan, Australia, Singapore, India and Korea. He is also a member of BlackRock's Global Executive, Global Operating Committees and Global Talent Sub-Committee. Prior to moving to Hong Kong, Mr. Stork was the global head of the Aladdin Business within BlackRock Solutions in New York. Aladdin is BlackRock's fully integrated investment management technology platform. Within the Aladdin Business, Mr. Stork was responsible for client relationships and business development as well as implementation and delivery of Aladdin services and its third-party investment accounting business. Prior to taking over the Aladdin Business, Mr. Stork was deputy head of BlackRock's Europe, Middle East and Africa institutional business from 2005 to 2008. Based in London, he was responsible for business development and client service across the region. From 1999 to 2005, Mr. Stork worked within the institutional business leading the client service effort for BlackRock's Financial Institutions Group. Before joining BlackRock in 1999, Mr. Stork was a portfolio manager at PennCorp Financial Group, a life insurance holding company, where he had oversight over asset allocation and external asset managers. He began his career in investments at Conning Asset Management. Mr. Stork is a member of the New York Society of Financial Analysts. He earned a BA degree in finance from the University of Massachusetts, Amherst.

Graham Douglas Turl, Managing Director, is the General Counsel, Asia-Pacific region. He is a member of BlackRock's Asia Pacific Executive Committee. Prior to joining BlackRock in April 2007, Mr. Turl was head of the Hong Kong investment management group at international law firm Linklaters, where he was responsible for advising clients on the corporate, regulatory and tax aspects of structuring, creating, organising and marketing investment funds of all types, onshore and offshore, domestic and international, public and private, retail and institutional. Mr. Turl is qualified to practice law in England and Hong Kong. Mr. Turl serves on a number of finance industry bodies in the Asia Pacific region, including the Investment Funds Association of Hong Kong, the Hong Kong Financial Services Development Council and the Asset Management Group of the Asia Securities Industry & Financial Markets Association. Mr. Turl earned a BA degree in history from the University of Nottingham and postgraduate legal qualifications from the Guildford College of Law, England.

Trustee and Custodian

The Trustee of the Trust is HSBC Institutional Trust Services (Asia) Limited, which is a registered trust company in Hong Kong. The Trustee is an indirect wholly owned subsidiary of HSBC Holdings plc, a public company incorporated in England.

Under the Trust Deed, the Trustee is responsible for the safekeeping of the assets of the Trust. The Trustee may, however, appoint any person or persons (including a Connected Person) or have such person(s) appointed, to hold, as agent, nominee, custodian, joint custodian, co-custodian or sub-custodian, all of any investments, assets or other property comprised in a fund and may empower any such person to appoint, with the prior consent in writing of the Trustee, additional co-custodians and/or sub-custodians (each such agent, nominee, custodian, joint custodian, co-custodian or sub-custodian, a "Correspondent"). The Trustee is required to exercise reasonable skill, care and diligence in the selection, appointment and monitoring of such Correspondents and, during the term of their appointment, must satisfy itself as to the ongoing suitability of such persons to provide custodial services to the Trust, having regard to the market or markets for which such Correspondents are appointed to act as custodian. The Trustee will remain responsible for the acts or omissions of such Correspondents in the same manner as if such acts or omissions were those of the Trustee, except where such Correspondents are appointed in respect of a market or markets which the Trustee has determined by notice to the Manager to be emerging markets. Notwithstanding the above, the Trustee will remain responsible for the acts or omissions of any Connected Person appointed in respect of an emerging market. In the event any appointment of emerging market custodian is proposed, the Trustee will notify the Manager and the SFC will be notified by the Manager accordingly. Prior approval of the SFC has to be obtained in the event such emerging market custodian proposed to be appointed is not a Connected Person of the Trustee. As at the date of this Prospectus, the emerging market sub-custodians appointed for the assets of the MSCI China ETF are the Trustee's Connected Persons.

The Trustee is entitled, in the absence of manifest error, to rely upon the register of Unitholders as conclusive evidence of the matters contained in the register of Unitholders. The Trustee shall not be responsible or liable for any loss, claim or liability arising from the Registrar's wilful default, fraud, negligence, breach of the obligations of the Registrar under the Trust Deed or breach of the terms of the agreement between the Manager and the Registrar.

Registrar and Conversion Agent

Hong Kong Registrars Limited acts as the registrar of the MSCI China ETF under the terms of the registrar agreement between the Manager and Hong Kong Registrars Limited (the "Registrar Agreement"). The Registrar will charge a monthly fee in respect of the establishment and maintenance of the register of Unitholders of the relevant Index Fund.

HK Conversion Agency Services Limited will act as conversion agent under the terms of the Conversion Agency Agreement entered into among the Manager, the Conversion Agent and HKSCC. The Conversion Agent will perform, through HKSCC, certain of its services in connection with the creation and redemption of Units in the MSCI China ETF by Participating Dealers. Such services include receiving Applications from, and issuing settlement instructions to, Participating Dealers as well as facilitating the exchange of cash, shares and Units on the Settlement Day.

Indemnities of the Trustee and Manager

The Trustee and the Manager benefit from various indemnities in the Trust Deed. Except as provided under the Trust Deed, the Trustee and the Manager shall be entitled to be indemnified out of, and have recourse to, the MSCI China ETF or the Trust generally, in respect of any liabilities, costs, claims or demands arising directly or indirectly from the proper performance of the Trust. Nothing in any of the provisions of the Trust Deed shall exempt either the Trustee or the Manager (as the case may be) from or indemnify them against any liability for breach of trust or any liability which by virtue of any rule of law would otherwise attach to them in respect of any negligence, fraud, default, breach of duty or trust of which they may be guilty in relation to their duties.

The indemnities summarised above will not be available to the Trustee or Manager in respect of any liability which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default or breach of duty or trust.

Auditor

The Manager has appointed PricewaterhouseCoopers to act as the auditor of the Trust and each of the Index Funds ("Auditor"). The Auditor is independent of the Manager and the Trustee.

Conflicts of Interest

The Manager and the Trustee may from time to time act as trustee, administrator, registrar, secretary, manager, custodian, investment manager or investment adviser or other functions in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of the Trust or any Index Fund.

In addition:–

- the Manager or any of its Connected Persons may enter into investments for the Trust as agent for the Trustee and may, with the consent of the Trustee, deal with the Trust as principal;
- the Trustee, the Manager, the Registrar or any of their Connected Persons may have banking or other financial relationships with any company or party which is the issuer of Securities, financial instruments or investment products held by the Trust;
- the Trustee, the Manager, the Registrar or any of their Connected Persons may hold and deal in Units or in investments held by the Trust either for their own account or for the account of their customers; and
- the monies of the Trust may be deposited with the Manager, the Trustee or any of their Connected Persons or invested in certificates of deposit or banking instruments issued by any of them.

The Trustee, the Manager or the Registrar or their Connected Persons may, in the course of business, have potential conflicts of interest with the Trust or any Index Fund. Each will, at all times, have regard to its obligations to the Trust and to Unitholders and will endeavour to ensure that such conflicts are resolved fairly.

Conflicts of interest may arise due to the widespread business operations of the Trustee, the Manager, the Registrar and the Conversion Agent and their respective holding companies, subsidiaries and affiliates. The foregoing parties may effect transactions where those conflicts arise and shall not, subject to the terms of the Trust Deed, be liable to account for any profit, commission or other remuneration arising. However, all transactions carried out by or on behalf of the Trust (or any Index Fund) will be on arm's length terms. No more than 50% in aggregate of the MSCI China ETF's transactions in any one financial period shall be carried out with or through a broker or dealer connected to the Manager or any Connected Person of the Manager.

Soft Dollars

The Manager (as well as any of its Connected Persons) will not receive or enter into any soft dollar commissions or arrangements in respect of the management of the MSCI China ETF. The Manager (as well as any of its Connected Persons) will not retain any cash rebates from any broker or dealer.

STATUTORY AND GENERAL INFORMATION

Reports and Accounts

The financial year-end of the Trust and the MSCI China ETF is 31 December every year. Audited accounts are to be prepared according to International Financial Reporting Standards and half-yearly unaudited reports are also to be prepared up to the last Dealing Day in June of each year.

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

Audited accounts in English and Chinese will be available from the Manager's website at www.blackrock.com/hk within four months of the end of each financial year-end and unaudited reports will be available from the same website within two months of the end of the semi-financial year-end. Hard copies of these financial reports may also be obtained from the Manager free of charge. Unitholders will be notified of the means of getting access to the financial reports as and when the financial reports are issued and available.

Unitholders will be given at least one month's prior notice of any change to the mode of delivery of these financial reports.

Trust Deed

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

Modification of Trust Deed

The Trustee and the Manager may agree to modify the Trust Deed by supplemental deed provided that in the opinion of the Trustee such modification (i) is not materially prejudicial to the interests of Unitholders, does not operate to release to any material extent the Trustee or the Manager from any responsibility to the Unitholders and (with the exception of the costs incurred in connection with the relevant supplemental deed) does not increase the costs and charges payable out of the assets of any Index Fund or (ii) is necessary in order to make possible compliance with any fiscal, statutory or official requirement (whether or not having the force of law) or (iii) is made to correct a manifest error. In all other cases modifications, alterations and additions require the sanction of an extraordinary resolution of the Unitholders affected.

Except in respect of amendments sanctioned by extraordinary resolution or necessary for the Trust to comply with relevant legal requirements, the Manager will notify affected Unitholders of amendments as soon as practicable after they are made. No such notice will be given if the Trustee is of the opinion that the amendment is not of material significance or is made to correct a manifest error.

Provision of Information

The Manager or the Trustee may, if requested by a regulatory body or department of any government or administration in any jurisdiction, provide such regulatory body or department in any jurisdiction with any information regarding the Trust Fund, the Unitholders and/or beneficial owners of Units, the investments and income of the Trust Fund and/or the provisions of the Trust Deed. The Manager or the Trustee may comply with such request in compliance with all applicable laws and regulations, whether or not it was in fact enforceable. Neither the Trustee nor the Manager shall incur any liability to the Unitholders and/or beneficial owners of Units or any of them or to any other person as a result of or in connection with such compliance.

Voting Rights

Unitholders' meetings may be convened by the Manager, by the Trustee or by Unitholders representing one-tenth or more of the current Units in issue. These meetings may be used to modify the terms of the Trust Deed, including to increase the maximum fees payable to the service providers, to remove the Trustee or to terminate the Trust at any time. Such amendments to the Trust Deed must be considered by holders of at least 25% of the Units in issue and passed by a 75% majority of the votes cast. Unitholders will be given not less than 21 days' notice of such meeting.

Termination

The Trust may be terminated by the Trustee if: (i) the Manager goes into liquidation or a receiver is appointed and not discharged within 60 days; (ii) in the opinion of the Trustee, the Manager is incapable of performing its duties satisfactorily; (iii) the Manager has failed to perform its duties satisfactorily or has, in the opinion of the Trustee, done something calculated to bring the Trust into disrepute or that is harmful to the interests of Unitholders; (iv) a law is passed that renders it illegal, or in the opinion of the Trustee, impracticable or inadvisable to continue the Trust; (v) the Trustee is unable to find an acceptable person to replace the Manager within 30 days after the removal of the Manager, or the person nominated shall fail to be approved by Extraordinary Resolution; or (vi) 30 days after the Trustee notifies the Manager of its intention to retire, no new person willing to act as trustee has been identified.

The Manager may terminate the Trust (or in the case of (iii) any Index Fund) if: (i) after 3 years from the date of the Trust Deed, the aggregate Net Asset Value of all the Units in each Index Fund is less than HK$150 million; (ii) any law is passed or amended or regulatory directive or order is imposed which renders it illegal or in the opinion of the Manager, impracticable or inadvisable to continue the Trust; (iii) any law or regulation is passed or amended or any regulatory directive or order is imposed that affects an Index Fund and which renders such Index Fund illegal or in the good faith opinion of the Manager, makes it impracticable or inadvisable to continue such Index Fund; or (iv) within a reasonable time and using commercially reasonable endeavours, the Manager is unable to find a person acceptable to act as the new trustee after deciding to remove the Trustee in accordance with the Trust Deed.

The Manager may, in its absolute discretion, by notice in writing to the Trustee, terminate any Index Fund if (i) after 1 year from the date of the creation of such Index Fund, the Net Asset Value of such Index Fund is less than HK$150 million; (ii) at any time the Net Asset Value of such Index Fund is less than the Hong Kong dollar equivalent of US$10 million; (iii) its Underlying Index is no longer available for benchmarking or if the Units of the relevant Index Fund are no longer listed on the SEHK or any other Recognised Stock Exchange; (iv) at any time, the Index Fund ceases to have any Participating Dealer; or (v) if, the Manager is unable to implement its investment strategy. In such circumstances, unless the Manager and the Trustee agree that another strategy is: (a) possible, feasible as well as practicable; and (b) in the best interests of the Unitholders, the Units then in issue shall be compulsorily redeemed at the Net Asset Value of the Index Fund. The Manager shall, in such event, notify the SFC in advance in such circumstance and agree with the SFC appropriate methods of notification of Unitholders in the Index Fund prior to such redemption and termination. Further, the Unitholders may at any time authorise termination of the Trust or any Index Fund by extraordinary resolution.

Upon the Manager giving notice to the Trustee to terminate the Trust or an Index Fund pursuant to the Trust Deed, where the assets of the relevant Index Fund include Securities that cannot be traded on exchange or otherwise be disposed of, the Manager may, upon consultation with the Trustee, compulsorily redeem at NAV of all the Units then in issue of the relevant Index Fund, following which the relevant Index Fund may be terminated in accordance with the provisions of the Trust Deed.

Unless previously terminated as described above or under another provision in the Trust Deed, the Trust shall in any event terminate at the expiry of 80 years from the date of the Trust Deed.

Notice of any termination of an Index Fund will be given to the Unitholders after the SFC has approved release of the notice. The notice will contain the reasons for the termination, the consequences to Unitholders of terminating the Index Fund and the alternatives available to them, and any other information required by the Code.

Unless previously terminated, the Trust will terminate on 16 November 2081.

Inspection of Documents

Copies of the constitutive documents are available for inspection free of charge at the offices of the Manager and copies thereof may be obtained from the Manager at a cost of HK$150 per set.

Part XV of the Securities and Futures Ordinance

Part XV of the Securities and Futures Ordinance sets out the Hong Kong disclosure of interests' regime applicable to Hong Kong listed companies. The regime does not apply to unit trusts that are listed on the SEHK like the MSCI China ETF. Consequently, Unitholders are not obliged to disclose their interest in the MSCI China ETF. Further, pursuant to section 323(1)(c)(i) of the Securities and Futures Ordinance, Unitholders are not considered to hold an interest in the underlying shares of a Hong Kong listed company held by the MSCI China ETF.

Anti-Money Laundering Regulations

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

- the investor makes the payment from an account held in the investor's name at a recognised financial institution; or

- the application is made through a recognised intermediary.

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

Liquidity Risk Management

At the level of the MSCI China ETF and primary market trading in the relevant Units, liquidity risk is the risk that (i) a particular position cannot be easily unwound or offset due to insufficient market depth or market disruption; or (ii) the MSCI China ETF's financial obligations arising from investment activity (such as margin calls) or investor redemptions will not be able to be met. An inability to sell a particular underlying security or portion of the MSCI China ETF's assets may have a negative impact to the value of the MSCI China ETF and may have negative implications for investors being able to redeem, on the primary market, in a timely fashion. Additionally, investors who remain invested in an Index Fund may also be adversely affected.

The Manager has established a Liquidity Risk Management Policy (the "**LRM Policy**") which enables it to identify, monitor and manage certain liquidity risks associated with the MSCI China ETF. The LRM Policy, combined with the liquidity management tools available and an oversight committee comprising senior representatives of the Manager, seeks to achieve fair treatment of Unitholders and safeguard the interests of remaining Unitholders against the redemption behaviour of other investors from a liquidity perspective.

Tools to Manage Liquidity Risk

Under the LRM Policy, tools available to the MSCI China ETF to manage liquidity risk include some or all of the following:

- In respect of any Redemption Application, the Manager may deduct from and set off against any amount payable to a Participating Dealer on the Redemption Value such sum (if any) as the Manager may consider represents an appropriate provision for Duties and Charges.

- The MSCI China ETF may borrow up to 10% of its latest available Net Asset Value.

- In respect of the MSCI China ETF, the Manager shall, on receipt of an effective Redemption Application from a Participating Dealer, effect the redemption of the relevant Units in Application Unit size in cash or in-specie (or a combination of both) as determined by the Manager at its discretion.

- The Manager, with the approval of the Trustee, may at its discretion extend the settlement period beyond the Settlement Day, such extension to be on such terms and conditions 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, at its discretion, at any time after giving notice to the Trustee (and where practicable, after consultation with Participating Dealers) suspend the right of Unitholders to redeem Units of the MSCI China ETF and/or delay the payment of any moneys and transfer of any Securities in respect of any Redemption Application in certain circumstances. Please refer to the section "Suspension of Creations and Redemptions" under "Creations and Redemptions (Primary Market)" for further details.

- The Manager may, after giving notice to the Trustee, declare a suspension of the determination of Net Asset Value of the MSCI China ETF in certain circumstances. No Units will be issued or redeemed during any period of suspension of the Net Asset Value. Please refer to the section "Suspension of Net Asset Value" under "Determination of Net Asset Value" for further details.

- The Manager may, in its absolute discretion, by notice in writing to the Trustee, terminate the MSCI China ETF in certain circumstances, including where after 3 years from the date of creation of the MSCI China ETF, the Net Asset Value of the MSCI China ETF is less than HK$150 million.

- The Manager may adjust the value of any investment if, having regard to relevant circumstances, the Manager (following consultation with the Trustee) considers that such adjustment is required to fairly reflect the value of the investment.

Investors should note that there is a risk that the tools available may be ineffective to manage liquidity and redemption risk.

Takeovers Code

Unitholders are advised that any shareholding resulting from redemption of Units will normally be subject to the application of the Takeovers Code. Furthermore, where a Unitholder holds one million Units or more, while one or more of the companies whose shares constitute Index Shares are subject to the governance of the Takeovers Code (such as during an offer period) and the Unitholder is acting in concert with the relevant parties (such as an offeror or offeree company), the Takeovers Code will be applicable. In these circumstances, a Unitholder should consult a solicitor or financial adviser to ensure full compliance with the Takeovers Code.

Change of Underlying Index

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

(a) the Underlying Index ceasing to exist;

(b) the licence to use the Underlying Index being terminated;

(c) a new index becoming available that supersedes the existing Underlying Index;

(d) a new index becoming available that is regarded as the market standard for investors in the particular market and/or would be regarded as more beneficial to the Unitholders than the existing Underlying Index;

(e) investing in the Securities comprised within the Underlying Index becomes difficult;

(f) the Index Provider increasing its licence fees to a level considered too high by the Manager;

(g) the quality (including accuracy and availability of the data) of the Underlying Index having in the opinion of the Manager, deteriorated;

(h) a significant modification of the formula or calculation method of the Underlying Index rendering that index unacceptable in the opinion of the Manager; and

(i) the instruments and techniques used for efficient portfolio management not being available.

The Manager may change the name of the MSCI China ETF if the Underlying Index changes or for any other reasons including if licence to use the Underlying Index is terminated. Any change to the Underlying Index and or the name of the MSCI China ETF will be notified to investors.

Information Available on the Internet

The Manager will publish news and information with respect to the MSCI China ETF, both in the English and in the Chinese languages, on the Manager's website at www.blackrock.com/hk including:

- This Prospectus and the product key facts statement (as revised from time to time);
- Latest financial reports;
- Latest closing Net Asset Value;
- Estimated Net Asset Value throughout each dealing day;
- Latest closing level of the Underlying Index;
- Notices and announcements; and
- Composition of any dividends paid (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months on or after 8 November 2012.

The Manager will publish on its website the constituent securities of the MSCI China ETF at such frequency as is permitted by the Index Provider.

All of the information outlined above can be found on the product webpage of the MSCI China ETF. The product webpage of the MSCI China ETF can be located by using the search function and inserting the stock code of the MSCI China ETF (i.e. 2801) at www.blackrock.com/hk. This website has not been reviewed by the SFC. The product webpage also provides a link to the announcements and notices section of the website where public announcements and notices can be found.

Notices

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

Manager

BlackRock Asset Management North Asia Limited
16/F Champion Tower
3 Garden Road, Central
Hong Kong

Trustee

HSBC Institutional Trust Services (Asia) Limited
1 Queen's Road Central
Hong Kong

Enquiries and Complaints

Investors may contact the Manager at its address as set out above, or by phone at its telephone number: (852) 3903 2823 or by email: iSharesAsiaEnquiry@blackrock.com to seek any clarification regarding the Trust or the MSCI China ETF or to file a complaint. If a query or complaint is received by phone, the Manager will respond orally. If a query or complaint is received in writing, the Manager will respond in writing. Under normal circumstances the Manager will respond to any query or complaint as soon as practicable and in any event within 21 days.

TAXES

The following summary of taxation is of a general nature, for information purposes only, and is not intended to be an exhaustive list of all of the tax considerations that may be relevant to a decision to purchase, own, redeem or otherwise dispose of Units. This summary does not constitute legal or tax advice and does not purport to deal with the tax consequences applicable to all categories of investors. Prospective investors should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, redeeming or disposing of Units both under the laws and practice of Hong Kong and the PRC, and the laws and practice of their respective jurisdictions. The information below is based on the law and practice in force in Hong Kong and the PRC at the date of this Prospectus. The relevant laws, rules and practice relating to tax are subject to change and amendment (and such changes may be made on a retrospective basis). As such, there can be no guarantee that the summary provided below will continue to be applicable after the date of this Prospectus.

Hong Kong

MSCI China ETF

Profits Tax: As the MSCI China ETF has been authorised as a collective investment scheme by the SFC pursuant to section 104 of the Securities and Futures Ordinance, profits of the MSCI China ETF arising from the sale or disposal of securities, net investment income received by or accruing to the MSCI China ETF and other profits of the MSCI China ETF are exempt from Hong Kong profits tax.

Stamp Duty: Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, any Hong Kong stamp duty on the transfer of Securities to the MSCI China ETF by an investor pursuant to an application in specie will be remitted or refunded. Similarly, Hong Kong stamp duty on the transfer of Securities by the MSCI China ETF to an investor upon redemption of Units will also be remitted or refunded.

No Hong Kong stamp duty is payable by the MSCI China ETF on an issue or redemption of Units.

The sale and purchase of Hong Kong stocks by the MSCI China ETF will be subject to stamp duty in Hong Kong at the current rate of 0.2% of the price of the shares being sold and purchased. The MSCI China ETF will be liable to one half of such Hong Kong stamp duty.

Unitholders

Profits Tax: Hong Kong profits tax will not be payable by the Unitholder (other than Unitholders carrying on a trade, profession or business of investing in securities in Hong Kong) on any gains or profits made on the sale, redemption or other disposal of the Units and on any distributions made by the MSCI China ETF. In accordance with the practice of the Inland Revenue Department of Hong Kong (as at the date of this Prospectus) tax should not be payable in Hong Kong in respect of dividends payable to Unitholders.

Stamp Duty: Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, any Hong Kong stamp duty on the transfer of Securities to the MSCI China ETF by an investor pursuant to an application in specie will be remitted or refunded. Similarly, Hong Kong stamp duty on the transfer of Securities by the MSCI China ETF to an investor upon redemption of Units will also be remitted or refunded.

Pursuant to the Stamp Duty (Amendment) Ordinance 2015, with effect from 13 February 2015, no stamp duty is payable on the transfer (purchase or sale) of units of all exchange traded funds on the SEHK. No stamp duty is therefore payable on the transfer of Units of the MSCI China ETF.

PRC

MSCI China ETF

Corporate Income Tax: Under the general taxing provision of the PRC Corporate Income Tax Law ("CIT"), which became effective on 1 January 2008, a PRC non-resident enterprise is subject to 10% withholding tax on passive income (including dividends, interest, capital gains on disposals of PRC equity interests, etc.) derived from the PRC, provided that such non-resident enterprise is not considered to be a tax resident in the PRC by virtue of central management and control or by having a PRC tax establishment. Although it is intended that the MSCI China ETF will be managed and operated such that it would not be considered a tax resident in the PRC or to have a PRC tax establishment, the MSCI China ETF's investing in PRC securities, e.g., H shares, B shares, red chips, P chips, Depositary Receipts etc. may give rise to PRC taxes to the MSCI China ETF in the form of withholding on dividends, interest, capital gains, and/or other business, stamp, and indirect taxes, the tax extent of which will depend on a number of factors, including but not limited to the specific investment type, legislative clarifications provided to-date by the PRC tax authorities pertaining to the specific investment, and current tax practice in the PRC.

To-date, the PRC has yet to enforce tax on capital gains arising from PRC investments made by the MSCI China ETF, and as such, the Manager of the MSCI China ETF does not propose presently to accrue for any potential PRC capital gains tax arising from the sales of the MSCI China ETF's underlying investments. Upon any future resolution or clarity of these tax uncertainties in PRC tax law, the MSCI China ETF will, as soon as practicable, make relevant adjustments to the amount of withholding income tax provision (realized and/or unrealized) as it considers necessary, which may materially affect the net asset value of the MSCI China ETF, and with possible retrospective effect, resulting in an adverse loss to the MSCI China ETF. Any amounts ultimately determined not to be due to the PRC tax authorities, or any tax relief applied for and approved by the PRC tax authorities, will revert to the MSCI China ETF.

H shares: H shares are PRC securities listed on the Hong Kong Stock Exchange. It is intended that with respect to the MSCI China ETF's direct investment in H shares, dividends to be distributed by the PRC resident enterprise will be subject to withholding tax at 10% according to Circular Guoshuihan [2008] No 897. To-date, there is uncertainty as to whether and how capital gains on H shares will be taxed, and there has been no official clarification from the PRC tax authorities in this regard, nor has the PRC tax authorities actively enforced taxation on capital gains arising from sales of H shares by PRC non-resident enterprises.

A shares: The Ministry of Finance ("MOF"), the China Securities Regulatory Commission ("CSRC") and the State Administration of Taxation ("SAT") released Caishui [2014] No.81 ("Circular 81") on 14 November 2014 and Caishui [2016] No. 127 ("Circular 127") on 1 December 2016 respectively, which temporarily exempt PRC capital gains tax arising to all foreign investors (including the MSCI China ETF) trading China A shares via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect respectively. Based on Circular 81 and Circular 127 and professional tax advice, no provision for gross realised or unrealised capital gains derived from trading of China A-Shares via the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect is made by the Manager on behalf of the MSCI China ETF.

Depositary Receipts: Where Depositary Receipts are generally tax efficient, some depository receipts may however be subject to tax in its respective jurisdiction of incorporation, in addition tax in its respective jurisdiction of issuance. Where the MSCI China ETF is unlikely to recover such taxes, the net asset value of the MSCI China ETF may be impacted.

Value Added Tax ("VAT"): According to Circular 81, investors in the Hong Kong market (including enterprises and individuals) are temporarily exempt from Business Tax ("BT") with respect to gains derived from the trading of A-Shares through the Shanghai-Hong Kong Stock Connect. With the expansion of VAT to financial services since 1 May 2016, the above-mentioned BT exemption granted to investors in the Hong Kong market with respect to their gains realized from the trading of A-Shares under Shanghai-Hong Kong Stock Connect has been grandfathered (i.e. investors in the Hong Kong market continue to enjoy exemption on gains under the VAT regime) pursuant to Circular 36.

According to Circular 127, investors in the Hong Kong market (including enterprises and individuals) are temporarily exempt from VAT with respect to gains derived from the trading of A-Shares through the Shenzhen-Hong Kong Stock Connect.

Stamp Tax: Stamp duty under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC's Provisional Rules on Stamp Duty. Stamp duty is levied on the execution or receipt in the PRC of certain documents, including contracts for the sale of PRC shares traded on the PRC stock exchanges. From 19 September 2008 onwards, only the seller, not the buyer of PRC listed shares is taxable for stamp duty at the rate of 0.1% on the sale.

Automatic Exchange of Financial Account Information

The Inland Revenue (Amendment) (No.3) Ordinance (the "**Ordinance**") came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information ("**AEOI**"). The AEOI requires financial institutions ("**FIs**") in Hong Kong to collect certain required information relating to non-Hong Kong tax residents holding financial accounts with the FIs, and report such information to the Hong Kong Inland Revenue Department ("**IRD**") for the purpose of AEOI exchange. Generally, the information will be reported and automatically exchanged in respect of account holders that are tax residents in an AEOI partner jurisdiction(s) with which Hong Kong has a Competent Authority Agreement ("**CAA**") in force; however, the MSCI China ETF and/or its agents may further collect information relating to residents of other jurisdictions.

The MSCI China ETF is required to comply with the requirements of the Ordinance, which means that the MSCI China ETF and/or its agents shall collect and provide to the IRD the required information relating to Unitholders and prospective investors.

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

By investing in the MSCI China ETF and/or continuing to invest in the MSCI China ETF, Unitholders acknowledge that they may be required to provide additional information to the MSCI China ETF, the Manager and/or the MSCI China ETF's agents in order for the MSCI China ETF to comply with the Ordinance. The Unitholder's information (and information on controlling persons including beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such Unitholders that are passive non-financial entities), may be transmitted by the IRD to authorities in other jurisdictions.

Each Unitholder and prospective investor should consult its own professional advisor(s) on the administrative and substantive implications of AEOI on its current or proposed investment in the MSCI China ETF.

FATCA

General Information

The Foreign Account Tax Compliance Act ("FATCA") is a US tax law enacted in March 2010 with the withholding requirements for new accounts scheduled to be effective on 1 July 2014 (1 January 2019 for gross proceeds). FATCA attempts to minimise tax avoidance by US persons investing in foreign assets both through their own accounts and through their investments in foreign entities. Unless an intergovernmental agreement (an "IGA") is in place, FATCA requires foreign financial institutions ("FFIs") to provide information to the US tax authority, the Internal Revenue Service (the "IRS"), regarding their US account holders including substantial US owners of certain non-financial foreign entities ("NFFEs"). FFIs who fail to commit to meeting certain due diligence, withholding and reporting requirements and certain NFFEs who fail to provide required information on their substantial US owners will be subject to 30% FATCA withholding on most types of income from US investments (as further described below).

Payments of U.S. source fixed, determinable, annual, or periodic income ("FDAP"), such as dividends and interest, are subject to withholding beginning on 1 July 2014 when paid to non-participating FFIs ("NPFFIs"), non-compliant NFFEs, recalcitrant account holders at participating FFIs ("PFFIs"), and electing PFFIs. Payments made in the ordinary course of business for non-financial services are excluded from withholding. Gross proceeds from the sale of property that would yield U.S. source dividends or interest are subject to withholding on new accounts beginning 1 January 2019. Payments of foreign source FDAP income may ultimately be subject to withholding; however, this would be no earlier than 1 January 2019 and subject to further regulation.

U.S. tax law has detailed rules for determining the source of income. Different rules apply for each type of income. Interest and dividends, two of the most important types of income for investors, are generally sourced by reference to the residence of the obligor. Specifically, dividends are generally treated as U.S. source income when paid by a U.S. corporation with respect to its stock, and interest is generally treated as U.S. source income when paid by a U.S. borrower of money.

If an IGA is in place between the US and the country where the FFI is domiciled, then the terms of the IGA replace FATCA, meaning that all FFIs in the IGA country will generally be able to apply simpler, less burdensome due diligence and tax information sharing requirements, with generally no FATCA tax withholding. The United States Department of Treasury and Hong Kong has on 13 November 2014 entered into an intergovernmental agreement based on the Model 2 format ("Model 2 IGA"). The Model 2 IGA modifies the foregoing requirements but generally requires similar information to be disclosed to the IRS.

FATCA Registration Status

The Trust and/or the MSCI China ETF will register as "Sponsored FFIs" within the time prescribed by FATCA. The Manager has been registered as a Sponsoring FFI for the Trust and the MSCI China ETF and has obtained its global intermediary identification number.

Impact to the MSCI China ETF and Unitholders

In the event that the MSCI China ETF holds US securities and is not FATCA compliant, the MSCI China ETF may become subject to a 30% FATCA withholding as a result of the FATCA regime, and the value of the Units held by Unitholders may suffer material losses.

The Manager does not support US tax evasion or any request to help investors avoid detection under FATCA. The Manager is not able to provide tax advice and cannot determine the impact or compliance obligations of FATCA or an applicable IGA for investors' business activities. The Manager strongly encourages Unitholders to seek the advice of an experienced tax adviser to determine what actions Unitholders may need to take.

Certification for Compliance with FATCA or Other Applicable Laws

Each investor (i) shall be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the MSCI China ETF (a) to prevent withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the MSCI China ETF receives payments and/or (b) to satisfy reporting or other obligations under the IRS Code and the United States Treasury Regulations promulgated under the IRS Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority in any jurisdiction, (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments or when such form, certificate or other information is no longer accurate, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction (including any law, rule and requirement relating to AEOI) and reporting obligations that may be imposed by future legislation.

Power to Disclose Information to Authorities

Subject to applicable laws and regulations in Hong Kong, the Manager, the Trustee or any of their authorised person (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the IRS and the IRD), certain information in relation to a Unitholder, including but not limited to the Unitholder's name, address, jurisdiction of birth, tax residence, tax identification number (if any), social security number (if any) and certain information relating to the Unitholder's holdings, account balance/value, and income or sale or redemption proceeds, to enable the MSCI China ETF to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any law, rule, requirement, regulation or agreement relating to AEOI and FATCA).

DEFINITIONS

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

"Application" means, in respect of the MSCI China ETF, an application by a Participating Dealer for the creation or redemption of Units through CCASS, in accordance with the procedures for creation and redemption of Units set out in the Operating Guidelines and the terms of the Trust Deed.

"Application Basket" means, in respect of the MSCI China ETF, a portfolio of Index Shares which constitute the Index Basket fixed by the Manager for the MSCI China ETF at the start of business on the relevant Dealing Day for the purpose of the creation and redemption of Units in an Application Unit size, notified on the relevant date by the Manager in accordance with the Operating Guidelines for Applications.

"Application Basket Value" means, in respect of the MSCI China ETF, the aggregate value of the Index Shares constituting the Application Basket at the Valuation Point on the relevant Dealing Day.

"Application Cancellation Fee" means the fee payable by a Participating Dealer in respect of a default, as set out in the Operating Guidelines applicable at the time the relevant Creation Application or Redemption Application is made.

"Application Unit" means, in relation to the MSCI China ETF, such number of Units of a class or whole multiples thereof as specified in this Prospectus or such other multiple of Units of a class from time to time determined by the Manager, approved by the Trustee and notified to Participating Dealers, either generally or for a particular class or classes of Units.

"Business Day" means a day (other than a Saturday) on which the SEHK is open for normal trading and a day on which the relevant Underlying Index is compiled and published, and on which banks in Hong Kong are open for general business provided that, where as a result of a Number 8 Typhoon Signal, Black Rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee otherwise determine.

"Cancellation Compensation" means an amount payable by a Participating Dealer in respect of a default, as set out in the Trust Deed and in the Operating Guidelines applicable at the time the relevant Creation Application or Redemption Application is made.

"Cash Component" means the difference between the aggregate Net Asset Value of the Units comprising an Application Unit and the Application Basket Value.

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

"CCASS Operational Procedures" means the CCASS Operational Procedures as amended from time to time.

"China" or "PRC" means the People's Republic of China but, for the purposes of this prospectus for geographical reference excludes Taiwan, Macau and Hong Kong.

"Code" means the Code on Unit Trusts and Mutual Funds dated June 2010 issued by the SFC (as amended or replaced from time to time).

"Collective investment scheme" has the same meaning as in the Securities and Futures Ordinance.

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

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

(b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or

(c) any member of the group of which that company forms part; or

(d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c).

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

“Creation Application” means, in respect of the MSCI China ETF, an application by a Participating Dealer for the creation and issue of Units of the MSCI China ETF in an Application Unit size (or whole multiples thereof) in exchange for Index Shares constituting the Application Basket relevant to the MSCI China ETF in respect of which the application is made and any applicable Cash Component.

“Dealing Day” means each Business Day during the continuance of the Trust, and/or such other day or days as the Manager may from time to time determine with the approval of the Trustee either generally or for a particular class or classes of Units.

“Dealing Deadline” in relation to any particular place and any particular Dealing Day, means 15 minutes after the SEHK officially closes for trading on that Dealing Day or such other time on that Dealing Day as the Manager (with the approval of the Trustee) may from time to time determine either generally or for a particular class or classes of Units.

“Deposited Property” means, in respect of the MSCI China ETF, all the assets (including cash) for the time being held or deemed to be held upon the trusts of the Trust Deed for the account of the MSCI China ETF excluding (i) the Income Property and (ii) any amount for the time being standing to the credit of the Distribution Account (as defined in the Trust Deed).

“Depositary Receipt” are securities issued by a financial institution or “depository” and evidence ownership interests in foreign issuers. Depositary receipts can include American Depositary Receipts (ADRs), European Depositary Receipts (EDRs), and Global Depositary Receipts (GDRs). For depositary receipts that are ADRs, the depository is typically a U.S. financial institution and generally issues such ADRs in registered form for use in the U.S. securities markets. For other forms of depositary receipts, the depository may be a non-U.S. or a U.S. entity, and the underlying securities may be issued by a non-U.S. or a U.S. issuer.

“Duties and Charges” means, in relation to any particular transaction or dealing, all stamp and other duties, taxes, government charges, brokerage, bank charges, transfer fees, registration fees, transaction levies and other duties and charges whether in connection with the constitution of the deposited property (as defined in the Trust Deed) or the increase or decrease of the deposited property or the creation, issue, transfer, cancellation or redemption of Units or the acquisition or disposal of Securities or otherwise which may have become or may be payable in respect of, and whether prior to, upon or after the occasion of, any transaction or dealing and including but not limited to, in relation to an issue of Units or redemption of Units, a charge (if any) of such amount or at such rate as is determined by the Manager to be made for the purpose of compensating or reimbursing the Trust for the difference between (a) the prices used when valuing the Securities of the Trust for the purpose of such issue or redemption of Units and (b) (in the case of an issue of Units) the prices which would be used when acquiring the same Securities if they were acquired by the Trust with the amount of cash received by the Trust upon such issue of Units and (in the case of a redemption of Units) the prices which would be used when selling the same Securities if they were sold by the Trust in order to realise the amount of cash required to be paid out of the Trust upon such redemption of Units.

“Extension Fee” means any fee payable by a Participating Dealer in accordance with the Operating Guidelines because of the extension of any settlement period.

“Futures Exchange” means the Hong Kong Futures Exchange Limited or its successors.

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

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

“Hong Kong dollar” or “HK$” mean the lawful currency for the time being and from time to time of Hong Kong.

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

“Index Basket” means a portfolio of Index Shares as determined by the Manager substantially similar in composition and weighting to the relevant Underlying Index, provided that such portfolio shall comprise only whole numbers of shares and no fractions or, if the Manager determines, shall comprise only round lots and not any odd lots.

“Index Fund” means a segregated pool of assets and liabilities into which the Trust Fund is divided in accordance with the Trust Deed and where the context requires, only the MSCI China ETF.

“Index Provider” means, in respect of the MSCI China ETF, the person responsible for compiling the Underlying Index against which the MSCI China ETF benchmarks its investments and who holds the right to licence the use of such Underlying Index to the MSCI China ETF.

“Index Shares” means shares of those companies which are at the relevant time the constituent companies of the relevant Underlying Index listed on a Market.

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

“Manager” means BlackRock Asset Management North Asia Limited or its successors.

“Market” means the following, in any part of the world:–

(A) in relation to any Security: the SEHK or a Recognised Stock Exchange; and

(B) in relation to any futures contract: the Futures Exchange or any Recognised Futures Exchange.

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

“MSCI” means MSCI Inc. (formerly known as Morgan Stanley Capital International Inc.)

“MSCI China ETF” means iShares MSCI China Index ETF, the first Index Fund of the Trust.

“Net Asset Value” means the net asset value of the MSCI China ETF or, as the context may require, of a Unit calculated pursuant to the Trust Deed.

“Operating Guidelines” means in relation to the MSCI China ETF, the guidelines for the creation and redemption of Units of the relevant class set out in the Schedule to the Participation Agreement as amended from time to time by the Manager with the approval of the Trustee, the Conversion Agent and HKSCC and following consultation, to the extent reasonably practicable, with the Participating Dealers and as notified in writing to the Participating Dealers (for the avoidance of doubt, different Operating Guidelines may be established for different Index Funds). Unless otherwise specified, references to the Operating Guidelines shall be to the Operating Guidelines for the MSCI China ETF applicable at the time of the relevant Application.

“Participating Dealer” means, in respect of the MSCI China ETF, any licensed broker or dealer who is (or who has appointed an agent who is) admitted by HKSCC as either a Direct Clearing Participant or a General Clearing Participant (as defined in the General Rules of CCASS) in CCASS and who has entered into a Participation Agreement, and any reference in this Prospectus to “Participating Dealer” shall, where the context requires, include a reference to any agent so appointed by the Participating Dealer.

“Participation Agreement” means an agreement entered into between the Trustee, the Manager, HKSCC, the Conversion Agent, a Participating Dealer and (where relevant) a Participating Dealer’s agent, setting out, (amongst other things), the arrangements in respect of the issue of Units for cash and/or Index Shares constituting the Application Basket of the MSCI China ETF and the related Cash Component and the redemption and cancellation of Units for Index Shares constituting the Application Basket of the MSCI China ETF and the related Cash Component.

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

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

“Redemption Application” means, in respect of the MSCI China ETF, an application by a Participating Dealer for the redemption of Units in Application Unit size (or whole multiples thereof) in exchange for Index Shares constituting an Application Basket relevant to the MSCI China ETF in respect of which the application is made, and any applicable Cash Component.

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

“Registrar” means, in respect of the MSCI China ETF, Hong Kong Registrars Limited or such other person as may from time to time be appointed by the Manager to keep the register of Unitholders of an Index Fund.

“Securities” means any share, stock, debenture, unit, loan stock, bond, security, commercial paper, acceptance, trade bill, treasury bill, instrument or note of, or issued by or under the guarantee of, any body, whether incorporated or unincorporated, or of any government or local government authority or supranational body, whether paying interest or dividends or not and whether fully-paid, partly paid or nil paid and includes (without prejudice to the generality of the foregoing):–

(A) any right, option or interest (howsoever described) in or in respect of any of the foregoing, including units in any Unit Trust (as defined in the Trust Deed);

(B) any certificate of interest or participation in, or temporary or interim certificate for, receipt for or warrant to subscribe or purchase, any of the foregoing;

(C) any instrument commonly known or recognised as a security;

(D) any receipt or other certificate or document evidencing the deposit of a sum of money, or any rights or interests arising under any such receipt, certificate or document; and

(E) any bill of exchange and any promissory note.

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

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

"Settlement Day" means the Business Day which is two Business Days after the relevant Dealing Day (or such later Business Day as is permitted in relation to such Dealing Day pursuant to the Operating Guidelines) or such other number of Business Days after the relevant Dealing Day as the Manager and the Trustee may from time to time agree and notify to the relevant Participating Dealers, either generally or for the MSCI China ETF.

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

"Stock Connect" means the securities trading and clearing linked programme with an aim to achieve mutual stock market access between mainland China and Hong Kong. Please refer to Schedule 3 for further details.

"Takeovers Code" means the Code on Takeovers and Mergers dated June 2010 issued by the SFC (as amended, or replaced, from time to time).

"Transaction Fee" means the fee in respect of an Index Fund which may at the discretion of the Manager be charged for the benefit of the Conversion Agent and/or the Trustee to each Participating Dealer on each Dealing Day upon which an Application has been or Applications have been made by the relevant Participating Dealer, the maximum level of which shall be as determined by the Manager from time to time and, in respect of the MSCI China ETF, set out in this Prospectus.

"Trust" means the umbrella unit trust constituted by the Trust Deed and called iShares Asia Trust or such other name as the Trustee and the Manager may from time to time determine.

"Trust Deed" means the trust deed dated 16 November 2001 between the Manager and the Trustee, as amended.

"Trust Fund" means all the property held by the Trust, including all Deposited Property and Income Property, except for amounts to be distributed, in each case in accordance with the terms and provisions of the Trust Deed).

"Trustee" means HSBC Institutional Trust Services (Asia) Limited or its successors.

"Underlying Index" means the MSCI China Index.

"Unit" means one undivided share in the MSCI China ETF.

"Unit Cancellation Fee" means the fee charged by the Conversion Agent in respect of the cancellation of Units in connection with an accepted Redemption Application.

"Unitholder" means a person entered on the register of holders as the holder of Units including, where the context so admits, persons jointly registered.

"US dollar" or "US$" means the lawful currency for the time being and from time to time of the United States of America.

"Valuation Point" means, in respect of the MSCI China ETF, the official close of trading on the Market on which the Index Shares in question are listed on each Dealing Day and, in the case of an Index Fund investing in Index Shares trading on more than one Market, the official close of trading on the last relevant Market to close or such other time or times as determined by the Manager and the Trustee from time to time provided that there shall always be a Valuation Point on each Dealing Day other than where there is a suspension of the creation and redemption of Units.

SCHEDULE 1

Investment Restrictions

If any of the restrictions or limitations set out in this Schedule 1 is breached, the Manager will make it a priority objective to take all necessary steps within a reasonable period to remedy such breach, taking into account the interests of the Unitholders.

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

The investment restrictions applicable to the MSCI China ETF that are included in the Trust Deed are summarised below:

(a) all Index Funds of the Trust may not collectively hold more than 10% of any one class of Security issued by any single issuer, unless otherwise agreed by the SFC;

(b) no more than 10% of the latest available Net Asset Value of the MSCI China ETF may be invested in Securities issued by any single issuer, unless otherwise agreed by the SFC;

(c) no more than 15% of the latest available Net Asset Value of the MSCI China ETF may be invested in Securities which are not quoted, listed or dealt in on a Market, including swaps;

(d) no more than 30% of the latest available Net Asset Value of the MSCI China ETF may be invested in government and other public Securities of the same issue. Subject to the foregoing, any MSCI China ETF may invest all of its assets in government and other public Securities in at least six different issues;

(e) the MSCI China ETF may not hold options and warrants valued at more than 15% of its latest available Net Asset Value, except that this 15% limit will not apply to options and warrants acquired for hedging purposes;

(f) no more than 20% of the latest available Net Asset Value of the MSCI China ETF may be invested in (i) commodities including physical commodities, and other commodity-based investments and excluding, for this purpose, Securities of companies engaged in the production, processing or trading of commodities) and (ii) futures contracts on an unhedged basis (but without prejudice to the Manager's right to take positions in futures contracts in order to protect the assets of the Trust against adverse and unusual currency or market fluctuations);

(g) no more than 10% of the latest available Net Asset Value of the MSCI China ETF may be invested in Units or shares in other collective investment schemes unless otherwise agreed by the SFC and other requirements of the Code are met.

In addition, the Trust is subject to the following additional restrictions. The Manager shall not for the account of the MSCI China ETF:

(a) invest in shares or contracts which are not quoted, listed or dealt in on a Market unless the Manager reasonably believes (either generally or in any particular case) that (i) it is possible to make an investment more advantageously in some other manner and (ii) it is not possible to effect such investment on a Market;

(b) invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in real estate investment trusts (REITs) that are listed on a stock exchange);

(c) make short sales unless (i) the MSCI China ETF's liability to deliver Securities does not exceed 10% of its latest available Net Asset Value; and (ii) the Security which is to be sold short is actively traded on a market where short selling activity is permitted;

(d) grant or create in favour of any person any option and for the avoidance of doubt, write uncovered options;

(e) effect or enter into any underwriting or sub-underwriting contracts in relation to the subscription or purchase of Securities (other than the initial issue of Units);

(f) invest in any Security or other property which involves the assumption of any liability by the Trustee which is unlimited;

(g) lend any monies comprising part of the Trust Fund to any person (but which shall not prohibit the holding or investment of uninvested cash in any of the ways or instruments permitted under the Trust Deed);

(h) assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person;

(i) invest in any Security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5%, or collectively they own more than 5%, of the total nominal amount of all the issued Securities of that class;

(j) invest in any Security where a call is to be made, unless the call could be met in full out of cash or near cash from the MSCI China ETF.

The investment restrictions set out above apply to the MSCI China ETF, subject to the following:

1. A collective investment scheme authorised by the SFC under the Code is usually restricted from making investments which would result in the value of that collective investment scheme's holdings of the securities of any single issuer exceeding 10% of the collective investment scheme's total net asset value. Given the investment objective of the MSCI China ETF and nature of the Underlying Index, the Manager has applied for, and has been granted, a waiver from the Code to allow the MSCI China ETF to hold investments in Securities of any single issuer exceeding 10% of the MSCI China ETF's latest available Net Asset Value. This waiver is limited to any Security that accounts for more than 10% of the weighting of the Underlying Index and the MSCI China ETF's exposure to any particular Security may not exceed the weighting given to that security in the Underlying Index provided that such weightings may be exceeded from time to time as agreed with the SFC subject to further guidelines issued by the SFC.

2. As a result of the representative sampling investment strategy, the Manager is permitted under Paragraph 11(d) of the SFC's Guidelines for Regulating Index Tracking Exchange Traded Funds (the "ETF Guidelines") to overweight the holdings of the MSCI China ETF relative to their respective weightings in the Underlying Index. Such overweighting of holdings may be necessary as certain securities in the Underlying Index may be excluded in view of the comparative illiquidity and possible settlement difficulties which may be experienced with such Securities. In adopting the representative sampling investment strategy, the Manager selects Securities, based on their contribution to certain capitalisation, industry and fundamental investment characteristics, that will, in the aggregate, provide performance like that of the Underlying Index. As a result, the MSCI China ETF may not hold all shares in all the constituent companies of the Underlying Index. The basis for adopting the representative sampling investment strategy is to reduce tracking error so that the MSCI China ETF can meet its investment objective, which is to provide investment results that closely correspond with the performance of the Underlying Index. The MSCI China ETF is allowed to overweight (taking into account any representative sampling investment strategy) on condition that the maximum extra weighting in any constituent will not exceed 3%. Under the ETF Guidelines, the Manager shall report to the SFC on a timely basis in respect of every six months (at the year end and semi-annual year end of the MSCI China ETF) if there is any non-compliance with this limit during such period by the MSCI China ETF. The annual and semi-annual reports of the MSCI China ETF shall also disclose whether or not such limit has been complied with during such period.

3. The MSCI China ETF is permitted to enter futures contracts and options for hedging purposes or to achieve its investment objective. The value of the MSCI China ETF's investments in options (in terms of the total amount of premium paid) and the value of the MSCI China ETF's investments in futures contracts (in terms of the total net aggregate value of outstanding contract prices payable by or to the MSCI China ETF) will not, in the aggregate, exceed 10% of the MSCI China ETF's latest available Net Asset Value. The MSCI China ETF may only enter into futures contracts which are traded on the Futures Exchange or a Recognised Futures Exchange.

Stock Lending

The MSCI ETF currently does not intend to engage in any securities lending activities or repurchase transactions or other similar over the counter transactions. One month's prior notice will be given to Unitholders in the event the Manager intends to engage in such activities.

Borrowing Policy

Borrowing against the assets of the MSCI China ETF is allowed up to a maximum of 10% of its latest available 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 by the MSCI China ETF. The Trustee may at the request of the Manager borrow for the account of the MSCI China ETF any currency, and charge or pledge assets of the MSCI China ETF, for the following purposes:

- facilitating the creation or redemption of Units or defraying operating expenses;
- enabling the Manager to acquire Securities for the account of the MSCI China ETF; or
- for any other proper purpose as may be agreed by the Manager and the Trustee.

The assets of the MSCI China ETF may be charged or pledged to secure such borrowing for the account of the MSCI China ETF.

SCHEDULE 2

Disclaimer by MSCI

The MSCI China ETF is not sponsored, endorsed, sold or promoted by MSCI or any affiliate of MSCI. Neither MSCI, any of its affiliates nor any other party involved in making or compiling any MSCI index makes any representation or warranty, express or implied, to the Unitholders of the MSCI China ETF or any member of the public regarding the advisability of investing in funds generally or in the MSCI China ETF particularly or the ability of any MSCI index to track general stock market performance. MSCI is the licensor of certain trademarks, service marks and trade names of MSCI and of the indices which is determined, composed and calculated by MSCI without regard to the MSCI China ETF or the Manager. MSCI has no obligation to take the needs of the Manager or the Unitholders of the MSCI China ETF into consideration in determining, composing or calculating any MSCI index. MSCI is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the MSCI China ETF to be issued or in the determination or calculation of the equation by which the MSCI China ETF is redeemable for cash. Neither MSCI, any of its affiliates nor any other party involved in making or compiling any MSCI index has any obligation or liability to Unitholders of the MSCI China ETF in connection with the administration, marketing or trading of the MSCI China ETF. No purchaser, seller or holder of the Units in the MSCI China ETF, or any other person or entity, should use or refer to MSCI's trade name, trademark or service mark rights to the designations MSCI® EAFE® or any other MSCI mark, to sponsor, endorse, market or promote the Units in the MSCI China ETF without first contacting MSCI to determine whether MSCI's permission is required. Under no circumstances may any person or entity claim any affiliation with MSCI without the prior written permission of MSCI.

Although MSCI shall obtain information for inclusion in or for use in the calculation of the indices from sources which MSCI considers reliable, neither MSCI, any of its affiliates nor any other party involved in making or compiling any MSCI index guarantees the accuracy and/or the completeness of the indices or any data included therein. Neither MSCI, any of its affiliates nor any other party involved in making or compiling any MSCI index makes any warranty, express or implied, as to results to be obtained by licensee, licensee's customers and counterparties, Unitholders of the MSCI China ETF, or any other person or entity from the use of the indices or any data included therein in connection with the rights licensed hereunder or for any other use. Neither MSCI, any of its affiliates nor any other party involved in making or compiling any MSCI index shall have any liability for any errors, omissions or interruptions of or in connection with the indices or any data included therein. Neither MSCI nor any other party makes any express or implied warranties, and MSCI hereby expressly disclaims all warranties of merchantability or fitness for a particular purpose with respect to the indices or any data included therein. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any other party involved in making or compiling any MSCI index have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

SCHEDULE 3

What is the Stock Connect?

The Stock Connect is a securities trading and clearing linked programme developed by the Hong Kong Exchanges and Clearing Limited ("HKEx"), the Shanghai Stock Exchange ("SSE"), the Shenzhen Stock Exchange ("SZSE") and the China Securities Depository and Clearing Corporation Ltd ("CSDCC"), with an aim to achieve mutual stock market access between the PRC and Hong Kong. It comprises the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect. The Manager intends to utilise such channels to invest in A Shares.

Each of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect comprises a Northbound Trading Link and a Southbound Trading Link. Under the Northbound Trading Link, Hong Kong and overseas investors (including the MSCI China ETF), through their Hong Kong brokers and securities trading service companies (in Shanghai and Qianhai Shenzhen respectively) as established by the SEHK and the HKSCC, are able to trade eligible shares listed on the SSE or the SZSE by routing orders to the SSE or SZSE (as the case may be). Under the Southbound Trading Link, eligible investors, through PRC securities firms and a securities trading service companies as established by the SSE and the SZSE, are able to trade eligible shares listed on the SEHK by routing orders to the SEHK.

Eligible securities

Initially, Hong Kong and overseas investors are able only to trade certain stocks listed on the SSE market (the "SSE Securities") and the SZSE market (the "SZSE Securities"). SSE Securities include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed A Shares that are not included as constituent stocks of the relevant indices but which have corresponding H Shares listed on the SEHK, except the following:

(a) SSE-listed shares which are not traded in RMB; and

(b) SSE-listed shares which are included in the "risk alert board".

SZSE Securities include all the constituent stocks of the SZSE Component Index and the SZSE Small/Mid Cap Innovation Index which have a market capitalisation of not less than RMB 6 billion, and all the SZSE-listed A shares which have corresponding H shares listed on SEHK, except the following:

(a) SZSE-listed shares which are not traded in RMB; and

(b) SZSE-listed shares which are included in the "risk alert board".

At the initial stage of Shenzhen-Hong Kong Stock Connect, shares listed on the ChiNext Board of SZSE under Northbound Trading Link will be limited to institutional professional investors. Subject to resolution of related regulatory issues, other investors may subsequently be allowed to trade such shares.

It is expected that the list of eligible securities will be subject to review.

Trading day

Investors (including the MSCI China ETF) are only allowed to trade SSE Securities and SZSE Securities via the Stock Connect on days where both markets are open for trading, and banking services are available in both markets on the corresponding settlement days.

Trading quota

Trading under the Stock Connect is subject to a daily quota ("Daily Quota") for each of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, which is separate for Northbound and Southbound trading. The Daily Quota limits the maximum net buy value of cross-boundary trades under the Stock Connect each day. The quotas do not belong to the MSCI China ETF and are utilised on a first-come-first-serve basis. The SEHK monitors the quota and publishes the remaining balance of the Northbound Daily Quota at scheduled times on the HKEx's website. The Daily Quota may change in future. The Manager will not notify Unitholders in case of a change of quota.

Settlement and Custody

The HKSCC is responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by Hong Kong market participants and investors. Accordingly investors do not hold SSE Securities or SZSE Securities directly – these are held through their brokers' or custodians' accounts with CCASS.

Corporate actions and shareholders' meetings

Notwithstanding the fact that HKSCC does not claim proprietary interests in the SSE Securities or SZSE Securities held in its omnibus stock account in the CSDCC, the CSDCC as the share registrar for SSE or SZSE listed companies will still treat the HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE Securities or SZSE Securities. The HKSCC monitors the corporate actions affecting SSE Securities or SZSE Securities and keeps participants of CCASS informed of all such corporate actions that require CCASS participants to take steps in order to participate in them.

Currency

Hong Kong and overseas investors (including the MSCI China ETF) trade and settle SSE Securities and SZSE Securities in RMB only.

Trading fees and taxes

In addition to paying trading fees and stamp duties in connection with A Share trading, the MSCI China ETF may be subject to other fees and taxes concerned with income arising from stock transfers which are determined by the relevant authorities. Please refer to the section "Taxes" – "PRC" for information about taxes arising from investment through the Stock Connect.

Coverage of Investor Compensation Fund

The MSCI China ETF's investments through Northbound trading under the Stock Connect is not covered by Hong Kong's Investor Compensation Fund. Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong. Since default in Northbound trading via the Stock Connect do not involve products listed or traded in the SEHK or the Hong Kong Futures Exchanges Limited, they will not be covered by the Investor Compensation Fund. Furthermore, since the MSCI China ETF is carrying out Northbound trading through securities brokers in Hong Kong but not PRC brokers, they are not protected by the China Securities Investor Protection Fund（中國投資者保護基金）in the PRC.

Further information about the Stock Connect is available at the website: **http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm**

Stock Connect Related Risks

The MSCI China ETF's investments through the Stock Connect may be subject to the following risks.

- **Quota and Order Limitation Risk:** The Stock Connect is subject to quota limitations. In particular, once the remaining balance of the Northbound Daily Quota drops to zero or the Northbound Daily Quota is exceeded during the opening call session, new buy orders will be rejected (though investors will be allowed to sell their cross-boundary securities regardless of the quota balance). Furthermore, price limit orders are the only type of orders that can be placed for northbound trading via the Stock Connect. The MSCI China ETF's ability to invest in A Shares through the Stock Connect can be affected by such quota limitations and price limit orders which may increase tracking error of the MSCI China ETF.

- **Legal and Beneficial Ownership Risk:** The SSE Securities and the SZSE Securities in respect of the MSCI China ETF will be held by the Custodian/sub-custodian in accounts in CCASS maintained by the HKSCC as central securities depositary in Hong Kong. The HKSCC in turn holds the SSE Securities and the SZSE Securities, as the nominee holder, through an omnibus securities account in its name registered with the CSDCC. The precise nature and rights of the MSCI China ETF as the beneficial owner of the SSE Securities and the SZSE Securities through HKSCC as nominee is not well defined under PRC law. There is lack of a clear definition of, and distinction between, legal ownership and beneficial ownership under PRC law and there have been few cases involving a nominee account structure in the PRC courts. The exact nature and methods of enforcement of the rights and interests of the MSCI China ETF under PRC law is also uncertain.

  In the unlikely event that HKSCC becomes subject to winding up proceedings in Hong Kong there is a risk that the SSE Securities and the SZSE Securities may not be regarded as held for the beneficial ownership of the MSCI China ETF or as part of the general assets of HKSCC available for general distribution to its creditors.

  For completeness, the CSRC has provided information titled *"Q&A regarding Certain Provisions on Stock Connect between the Mainland and Hong Kong Stock Markets"* dated 27 October 2016 in relation to beneficial ownership – the relevant sections from this Q&A have been extracted and reproduced below:

Do overseas investors enjoy proprietary rights as shareholders in the securities acquired through the Northbound Trading Links under the Stock Connects held through HKSCC? Are the concepts of "nominee holder" and "beneficial owner" recognized under Mainland laws and regulations?

Article 18 of the Administrative Measures for Registration and Settlement of Securities (the "Settlement Measures") states that "securities shall be recorded in the accounts of the securities holders, unless laws, administrative regulations or CSRC rules prescribe that the securities shall be recorded in accounts opened in the name of nominee holders". Hence, the Settlement Measures expressly provides for the concept of nominee shareholding. Article 13 of the Certain Provisions on Stock Connect between the Mainland and Hong Kong Stock Markets states that, among others, "investors are entitled to the rights and interests of the securities acquired through the Northbound Trading Links of the Stock Connect between the Mainland and Hong Kong Stock Markets. … Securities acquired through the Northbound Trading Links shall be registered in the name of HKSCC. …". Hence, it has been set out explicitly that in Northbound Trading, overseas investors shall hold securities acquired through the Northbound Trading Links in the name of HKSCC and enjoy the proprietary interests as shareholders.

How can overseas investors pursue legal actions or file lawsuits in the Mainland in order to exercise their rights over the securities acquired through the Northbound Trading Links under the Stock Connects?

Mainland law does not expressly provide for a beneficial owner under the nominee holding structure to bring legal proceedings, nor does it prohibit a beneficial owner from doing so. As we understand, under the Stock Connects, HKSCC, as the nominee holder and registered holder of the securities acquired by overseas investors through the Northbound Trading Links, may exercise shareholder's rights and pursue legal actions on behalf of overseas investors. In addition, Article 119 of the Civil Procedure Law of the People's Republic of China states that "the claimant in a legal action shall be an individual, legal person or any other organization that has a direct interest in the relevant case;…". As long as the overseas investor can provide evidential proof of its beneficial ownership and direct stakeholdership, the investor may take legal actions in its own name in Mainland courts.

- **Settlement and Corporate Actions Risks:** The HKSCC is responsible for settlement in respect of trades executed for the MSCI China ETF. The HKSCC will also be treated as the shareholder of the SSE Securities and the SZSE Securities which it will monitor and of which it will seek to notify investors such as the MSCI China ETF. The MSCI China ETF will therefore depend on HKSCC for both settlement and notification and implementation of corporate actions.

- **Front-end Monitoring Risk:** PRC regulations require that in order for an investor to sell any A Share on a certain trading day, there must be sufficient A Shares in the investor's account before market opens on that day. If there is insufficient A Share in the investor's account, the sell order will be rejected by the SSE or the SZSE. The SEHK carries out pre-trade checking on SSE Securities and the SZSE Securities sell orders of its participants (i.e. stock brokers) to ensure that this requirement is satisfied. This means that investors must transfer SSE Securities and SZSE Securities to the accounts of its brokers before the market opens on the day of selling (the "trading day"). If an investor fails to meet this deadline, it will not be able to sell SSE Securities or SZSE Securities on the relevant trading day. Because of this requirement, investors may not be able to dispose of holdings of SSE Securities or SZSE Securities in a timely manner. This also raises concerns as to counterparty risks as securities may need to be kept by brokers overnight.

  To facilitate investors whose SSE Securities or SZSE Securities are maintained with custodians to sell their SSE Securities or SZSE Securities without having to pre-deliver the SSE Securities or SZSE Securities from their custodians to their executing brokers, the HKEx introduced an enhanced pre-trade checking model in March 2015, under which an investor may request its custodian to open a Special Segregated Account (SPSA) in CCASS to maintain its holdings in SSE Securities and SZSE Securities. Such investors only need to transfer SSE Securities or SZSE Securities from its SPSA to its designated broker's account after execution and not before placing the sell order. This enhanced model is novel and initial market reaction has been varied. If the MSCI China ETF is unable to utilise this model, it would have to deliver SSE Securities or SZSE Securities to brokers before the trading day and the above risks may still apply.

- **Difference in Trading and Settlement Days Risk:** The Stock Connect is only available on days when both the SEHK and the mainland markets (SSE and SZSE) are open for trading, and banking services are available in both Hong Kong and mainland markets on the corresponding settlement days (i.e. the day after trading day for Northbound trades). Therefore, the MSCI China ETF may be unable to invest in A Shares through the Stock Connect on certain trading days notwithstanding the SEHK is open for trading, for example when the settlement day for a proposed trade falls on a public holiday in the PRC. In such circumstances, the Manager may exercise its power under the Trust Deed to suspend Creation and Redemption Applications and/or delay the payment of any moneys and transfer of any Securities in respect of any Redemption Application during the relevant period. Please refer to the section "Suspension of Creations and Redemptions" for further details.

- **Suspension Risk:** Each of the SEHK, the SSE and the SZSE reserves the right to suspend Northbound and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the Northbound trading is effected, the MSCI China ETF's ability to access the PRC market through the Stock Connect will be adversely affected.

- **Operational Risk:** The Stock Connect provides a new channel for investors from Hong Kong and overseas to access the PRC's stock market directly. Market participants are able to participate in this programme subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house. Market participants may need to address issues arising from these differences (as well as the fact that the securities regime and legal systems of the PRC and Hong Kong differ significantly) on an on-going basis.

  Further, the "connectivity" in the Stock Connect requires routing of orders across the border. This requires the development of new information technology systems on the part of the SEHK and exchange participants. There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems fail to function properly, trading in both markets through the programme could be disrupted.

- **Recalling of Eligible Stocks:** If a stock is recalled from the scope of eligible stocks for trading via the Stock Connect, the stock can only be sold and cannot be bought. This may affect the MSCI China ETF's tracking of the Underlying Index if, for example, a constituent of the Underlying Index is recalled from the scope of eligible stocks.

- **Broker Risk:** The MSCI China ETF may rely on only one broker to invest via Stock Connect. Should, for any reason, the Manager be unable to use the relevant broker, the operation of the MSCI China ETF would be adversely affected and may cause Units to trade at a premium or discount to the MSCI China ETF's Net Asset Value or be unable to track the Underlying Index. The MSCI China ETF may also incur losses due to the acts or omissions of any of the broker(s) in the execution or settlement of any transaction via Stock Connect.

- **Clearing and Settlement Risk:** The HKSCC and the CSDCC establish clearing links and each has become a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house. Should the remote event of CSDCC default occur and the CSDCC be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against the CSDCC. HKSCC will in good faith seek recovery of the outstanding stocks and monies from the CSDCC through available legal channels or through the CSDCC's liquidation. In that event, the MSCI China ETF may suffer delay in the recovery process or may not be able to fully recover its losses from the CSDCC.

- **Regulatory Risk:** The Stock Connect is novel in nature, and will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connect. The regulations are untested and there is no certainty as to how they will be applied, and are subject to change. There can be no assurance that the Stock Connect will not be abolished.

- **No Protection by Investor Compensation Fund Risk:** Investment through the Stock Connect is conducted through broker(s), and is subject to the risks of default by such brokers in their obligations. The MSCI China ETF's investments through Northbound trading under the Stock Connect is not covered by the Hong Kong's Investor Compensation Fund. Therefore the MSCI China ETF is exposed to the risks of default of the broker(s) in their obligations when it engages in its trading in A Shares through the programme. According to the Measures for the Administration of Securities Investor Protection Fund 《證券投資者保護基金管理辦法》, the functions of China Securities Investor Protection Fund ("CSIPF", 中國投資者保護基金) include "indemnifying creditors as required by China's relevant policies in case a securities company is subjected to compulsory regulatory measures including dissolution, closure, bankruptcy and administrative takeover by the CSRC and custodian operation" or "other functions approved by the State Council". As far as the MSCI China ETF is concerned, since it is carrying out Northbound trading through securities brokers in Hong Kong and these brokers are not PRC brokers, therefore they are not protected by CSIPF in the PRC.

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