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# AMUNDI ETF Series

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



# PROSPECTUS

*Manager*

**Amundi Hong Kong Limited**

東方匯理資產管理香港有限公司

**31 December 2019**

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

## IMPORTANT INFORMATION

This Prospectus relates to the offer in Hong Kong of units (the “Units”) in the AMUNDI ETF Series (the “Trust”) and its sub-funds (the “Sub-Funds”). The Trust is an umbrella unit trust established under Hong Kong law by a trust deed dated 16 March 2016, as amended from time to time (the “Trust Deed”) between Amundi Hong Kong Limited 東方匯理資產管理香港有限公司 (the “Manager”) and BOCI-Prudential Trustee Limited (the “Trustee”). The Trust can have a number of sub-funds (the “Sub-Funds” or individually a “Sub-Fund”).

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

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

Each Sub-Fund is a fund falling within Chapter 8.6 of the Code. The Trust and each Sub-Fund are authorised by the SFC in Hong Kong under Section 104 of the Securities and Futures Ordinance. The SFC takes no responsibility for the financial soundness of the Trust, the Sub-Funds or for the correctness of any statements made or opinions expressed in this Prospectus. SFC authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

You should consult your financial adviser, consult your tax advisers and take legal advice as appropriate as to whether any governmental or other consents are required, or other formalities need to be observed, to enable you to acquire Units as to whether any taxation effects, foreign exchange restrictions or exchange control requirements are applicable and to determine whether any investment in a Sub-Fund is appropriate for you.

Dealings in the Units of AMUNDI Hang Seng HK 35 Index ETF and AMUNDI FTSE China A50 Index ETF on The Stock Exchange of Hong Kong Limited (the “SEHK”) have already commenced. The Units of AMUNDI Hang Seng HK 35 Index ETF and AMUNDI FTSE China A50 Index ETF have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“HKSCC”) for deposit, clearance and settlement in the Central Clearing and Settlement System (“CCASS”). Settlement of transactions between participants of the SEHK is required to take place in CCASS on the second CCASS Settlement Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No action has been taken to permit an offering of Units or the distribution of this Prospectus in any jurisdiction other than Hong Kong and, accordingly, this Prospectus does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The Units have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or any other United States Federal or State law and, except in a transaction which does not violate the Securities Act, may not be directly or indirectly offered to or sold in the United States of America or any of its territories or for the benefit of a US Person (as defined in Regulation S of the Securities Act). The Trust and the Sub-Funds have not been and will not be registered as an investment company under the United States Investment Company Act of 1940, as amended. Units may not be acquired or owned by (i) an employee benefit plan, as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), that is subject to Title I of ERISA, (ii) a plan, as defined in Section 4975(e)(1) of the United States Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), that is subject to Section 4975 of the Internal Revenue Code, (iii) a plan that is subject to any other law, regulation, rule or restriction that is substantially similar to ERISA or Section 4975 of the Internal Revenue Code (“Similar Law”) or (iv) an entity whose assets are deemed to include the assets of such an employee benefit plan or plan for purposes of ERISA, Section 4975 of the Internal Revenue Code or Similar Law, unless the purchase, holding and disposition of units will not constitute a violation under ERISA, Section 4975 of the Internal Revenue Code and any applicable Similar Law.

The Units cannot be offered or sold, directly or indirectly, in the United States of America (including its territories and possessions), to or for the benefit of a “U.S. Person”, as defined in the U.S. “Regulation S” adopted by the Securities and Exchange Commission (the “SEC”).

The Manager may impose restrictions on the Unitholders by any “U.S. Person” and operate (i) compulsory redemption of Units or (ii) transfer of Units held by such “U.S. Person”.

Such power covers any person (a) who appears to be directly or indirectly in breach of the laws or regulations of any country or governmental authority, or (b) in the opinion of the Manager, might result in a Sub-Fund suffering any disadvantage which such Sub-Fund might not otherwise have incurred or suffered.

“U.S. Person” means: (a) any natural person resident in the U.S.; (b) any partnership or corporation organised or incorporated under the laws of the U.S.; (c) any estate of which any executor or administrator is a U.S. Person; (d) any trust of which any trustee is a U.S. Person; (e) any agency or branch of a non-U.S. entity located in the U.S.; (f) any non-discretionary or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person; (g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated or (if an individual) resident in the U.S.; and (h) any partnership or corporation if (i) organised or incorporated under the laws of any non-U.S. jurisdiction and (ii) formed by a U.S. Person principally for the purpose of investing in securities not registered under the Securities Act unless it is organised or incorporated, and owned, by accredited investors (as defined under Rule 501(a) under the Securities Act) who are not natural persons, estates or trusts.

Furthermore, distribution of this Prospectus shall not be permitted unless it is accompanied by a copy of the latest annual financial statements of the Sub-Funds (where existing) and, if later, its most recent interim report.

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

## **Questions and Complaints**

Investors may raise any questions on or make any complaints about the Trust (including the Sub-Funds) by contacting the Manager at its address as set out in the Directory of this Prospectus or calling the Manager on +852 2521 4231 during normal office hours.

## DIRECTORY

### *Manager*

**Amundi Hong Kong Limited**  
東方匯理資產管理香港有限公司  
901-908, One Pacific Place  
88 Queensway  
Hong Kong

### *Trustee*

**BOCI-Prudential Trustee Limited**  
12/F & 25/F, Citicorp Centre  
18 Whitfield Road  
Causeway Bay  
Hong Kong

### *Custodian*

**Bank of China (Hong Kong) Limited**  
14/F, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

### *Legal Counsel to the Manager*

**Simmons & Simmons**  
30/F, One Taikoo Place  
979 King's Road  
Hong Kong

### *Auditors*

**PricewaterhouseCoopers**  
22/F, Prince's Building  
10 Chater Road  
Central  
Hong Kong

### *Registrar*

**Computershare Hong Kong Investor  
Services Limited**  
1712-1716, 17/F, Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

### *Conversion Agent or Service Agent*

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

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

Part 1 of this Prospectus includes information relevant to the Trust and all Sub-Funds established under the Trust and listed on the SEHK.

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

## DEFINITIONS

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

“After Listing” means the period which commences on the Listing Date and continues until the Sub-Funds are terminated.

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

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

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

“Application Unit”, in relation to each Sub-Fund, means such number of Units or whole multiples thereof as specified in this Prospectus or such other whole multiple of Units from time to time determined by the Manager, approved by the Trustee and notified to the Participating Dealers.

“Business Day” in respect of a Sub-Fund, means, unless the Manager and the Trustee otherwise agree, a day on which (a)(i) the SEHK is open for normal trading; and (ii) the relevant securities market on which Securities comprised in the relevant Index are traded is open for normal trading; or (iii) if there is more than one such securities market, the securities market designated by the Manager is open for normal trading, and (b) the Index is compiled and published, or such other day or days as the Manager and the Trustee may agree from time to time provided that if on any such day, the period during which the relevant securities market is open for normal trading is reduced as a result of a Number 8 Typhoon Signal, Black Rainstorm warning or other similar event, such day shall not be a Business Day unless the Manager and the Trustee otherwise agree.

“Cancellation Compensation” means an amount payable by a Participating Dealer for the account of a Sub-Fund in respect of a Default, or a cancellation of Creation Application or Redemption Application in accordance with the Trust Deed, as set out in the Trust Deed, the Participation Agreement and/or the Operating Guidelines applicable at the time the relevant Creation Application or Redemption Application is made.

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

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

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

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

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

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

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

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

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

“CSDCC” means the China Securities Depository and Clearing Co., Ltd.

“CSRC” means the China Securities Regulatory Commission.

“Custodian” means Bank of China (Hong Kong) Limited.

“Dealing Day” means, in relation to a Sub-Fund, each Business Day during the continuance of the Sub-Funds, and/or such other day or days as the Manager may from time to time determine in consultation with the Trustee.

“Dealing Deadline” means, in relation to any particular place and any particular Dealing Day, the time on each Dealing Day specified in the Appendix of a Sub-Fund or such other time or day as the Manager may from time to time, in consultation with the Trustee, determine.

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

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

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

“Dual Counter” means the facility by which the Units of a Sub-Fund traded in RMB and traded in HKD are each assigned separate stock codes on the SEHK and are accepted for deposit, clearance and settlement in CCASS in more than one eligible currency (RMB or HKD) as described in the relevant Appendix of this Prospectus.

“Duties and Charges” means, in relation to any particular transaction or dealing, all stamp and other duties, taxes, government charges, brokerage fees, bank charges, transfer fees, registration fees, transaction levies and other duties and charges whether in connection with the constitution of the Deposited Property or the increase or decrease of the Deposited Property or the creation, issue, transfer, cancellation or redemption of Units or the acquisition or disposal of Securities or otherwise which may have become or may be payable in respect of, and whether prior to, upon or after the occasion of, such transaction or dealing and including but not limited to, in relation to an issue of Units or redemption of Units, a charge (if any) of such amount or at such rate as is determined by the Manager or the Trustee to be made for the purpose of compensating or reimbursing the Trust for the difference between (a) the prices used when valuing the Securities in the Trust Fund for the purpose of such issue or redemption of Units and (b) (in the case of an issue of Units) the prices which would be used when acquiring the same Securities 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 Fund upon such redemption of Units. For the avoidance of doubt, when calculating subscription and redemption prices, duties and charges may include (if applicable) any provision for bid and ask spreads (to take into account the difference between the price at which assets were valued for the purpose of calculating the Net Asset Value and the estimated price at which such assets shall be bought as a result of a subscription or sold as a result of a redemption), but may not include (if applicable) any commission payable to agents on sales and purchases of the Units or any commission, taxes, charges or costs which may have been taken into account in ascertaining the Net Asset Value of Units).

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

“Entities within the Same Group” means entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognised accounting standards.

“Extension Fee” means the fee payable to the Trustee on each occasion the Manager, upon a Participating Dealer’s request, grants the Participation Dealer an extended settlement in respect of a Creation Application or Redemption Application.

“FDIs” means financial derivative instruments.

“Government and other Public Securities” has the meaning as set out in the Code.

“HKD” means Hong Kong dollars, the lawful currency of Hong Kong.

“HKEx” means Hong Kong Exchanges and Clearing 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 PRC.

“IFRS” means International Financial Reporting Standards.

“Income Property” means, in respect of the Sub-Funds, (a) all interest, dividends and other sums deemed by the Manager, (after consulting the auditors either on a general or case by case basis), to be in the nature of income (including taxation repayments, if any) received or receivable by the Trustee in respect of the Deposited Property of the Sub-Funds (whether in cash or, without limitation, by warrant, cheque, money, credit or otherwise or the proceeds of sale or transfer of any Income Property received in a form other than cash); (b) all interest and other sums received or receivable by the Trustee in respect of (a), (c) or (d) of this definition; (c) all cash payments received or receivable by the Trustee for the account of the Sub-Funds in respect of an Application; (d) all Cancellation Compensation received by the Trustee for the account of the Sub-Funds; and (e) any payments to be received or are receivable by the Trustee under any contractual agreements in the nature of investments for the benefit of the relevant Sub-Fund but excluding (i) other Deposited Property; (ii) any amount for the time being standing to the credit of the distribution account for the account of the Sub-Funds or previously distributed to Unitholders; (iii) gains for the account of the Sub-Funds 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 Sub-Funds.

“Index” means, the index or benchmark, if any, against which a Sub-Fund may be benchmarked or may otherwise be referenced as set out in the relevant Appendix.

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

“Initial Issue Date” means the date of the first issue of Units, which shall be the Business Day immediately before the Listing Date.

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

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

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

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

“Macau” means the Macao Special Administrative Region of the People’s Republic of China.

“Manager” means Amundi Hong Kong Limited 東方匯理資產管理香港有限公司 or such other person or persons for the time being duly appointed pursuant to the Trust Deed as manager of the Trust in succession thereto being approved by the SFC under the Code.

“Market” means in any part of the world:

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

and any over-the-counter market or other organised Securities market in any country in any part of the world regularly dealing in Securities or futures contract which is open to the international public that the Manager may from time to time elect for a Sub-Fund.

“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.

“Money Market Instrument” includes government bill, certificate of deposit, commercial paper, short-term note and bankers’ acceptance, and may include asset-backed securities such as asset-backed commercial papers.

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

“Operating Guidelines” means, in respect of a Sub-Fund, the guidelines for the creation and redemption of Units of a class as set out in the schedule to each Participation Agreement as amended from time to time by the Manager with the approval of the Trustee, and where applicable, with the approval of HKSCC and the Conversion Agent, and following consultation, to the extent reasonably practicable, with the relevant Participating Dealers subject always, in respect of the relevant Operating Guidelines for a Participating Dealer, any amendment being notified in writing

by the Manager in advance to the relevant Participating Dealer. Unless otherwise specified, references to the Operating Guidelines shall be to the Operating Guidelines for the Sub-Funds applicable at the time of the relevant Application.

“Participating Dealer” means any licensed broker or dealer who has entered into a Participation Agreement in form and substance acceptable to the Manager and the Trustee and includes an agent of the Participating Dealer which is a participant of CCASS.

“Participation Agreement” means an agreement entered into between, among others, the Trustee, the Manager and a Participating Dealer (and its agent, if applicable), and if determined necessary by the Manager (in its absolute discretion), each of HKSCC and the Conversion Agent, setting out, (amongst other things), the arrangements in respect of the Applications.

“PBOC” means the People’s Bank of China.

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

“PRC” means the People’s Republic of China, excluding for the purposes of interpretation of this Prospectus only, Hong Kong, Macau and Taiwan.

“PRC Custodian” means such custodian in the PRC appointed in respect of any Sub-Fund from time to time as specified in the relevant Appendix.

“PRC Custody Agreement” means, in respect of a Sub-Fund which utilises RQFII, the custodian agreement entered into between the RQFII Holder and the PRC Custodian and other party(ies) (as the case may be), as amended from time to time.

“PRC Participation Agreement” means, in respect of a Sub-Fund which utilises RQFII, the participation agreement entered into between the Trustee, the Manager, (where the Manager is not the RQFII Holder) the RQFII Holder, the Custodian and the PRC Custodian, as amended from time to time.

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

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

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

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

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

“Registrar” means Computershare Hong Kong Investor Services Limited or such person as may from time to time be appointed as registrar by the Trustee pursuant to the Registrar Agreement in respect of each Sub-Fund in accordance with the Trust Deed to keep the register of Unitholders.

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

“Registrar Agreement” means, in respect of a Sub-Fund where applicable, the agreement entered into between the Trustee, the Manager and the Registrar appointing the Registrar, as

amended from time to time.

“RMB” or “Renminbi” means Renminbi Yuan, the lawful currency of the PRC.

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

“RQFII Holder” means Amundi Asset Management or such other entity as the Manager may appoint in respect of any Sub-Fund from time to time as specified in the relevant Appendix.

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

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

“SAT” means the State Administration of Taxation of the PRC.

“Securities” means any shares, stocks, debentures, loan stocks, bonds, securities, commercial paper, acceptances, trade bills, warrants, participation notes, certificates, structured products, treasury bills, instruments or notes of, or issued by or under the guarantee of, any body, whether incorporated or unincorporated, and whether listed or unlisted, or of any government or local government authority or supranational body, whether paying interest or dividends or not and whether fully-paid, partly paid or nil paid and includes (without prejudice to the generality of the foregoing):

- (a) any right, option or interest (howsoever described) in or in respect of any of the foregoing, including units in any unit trust (as defined in the Trust Deed);
- (b) any certificate of interest or participation in, or temporary or interim certificate for, receipt for or warrant to subscribe or purchase, any of the foregoing;
- (c) any instrument commonly known or recognised as a security;
- (d) any receipt or other certificate or document evidencing the deposit of a sum of money, or any rights or interests arising under any such receipt, certificate or document; and
- (e) any bill of exchange and any promissory note.

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

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

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

“Service Agent’s Fee” means the fee which may be charged for the benefit of the Service Agent to each Participating Dealer or PD Agent (as the case may be) on each book-entry deposit or withdrawal transaction made by the relevant Participating Dealer or PD Agent (as the case may be), the maximum level of which shall be determined by the Service Agent and set out in this Prospectus.

“Service Agreement” means each agreement by which the Service Agent provides its services in respect of a Sub-Fund entered amongst the Trustee, the Manager, the Registrar, the Participating Dealer, the PD Agent (where applicable), the Service Agent and HKSCC.

“Settlement Day” means the Business Day which is 2 Business Days after the relevant Dealing Day (or such other Business Day as is permitted in relation to such Dealing Day (including the Dealing Day itself) pursuant to the Operating Guidelines) or such other number of Business Days

after the relevant Dealing Day as determined by the Manager in consultation with the Trustee from time to time and notified to the relevant Participating Dealers or as otherwise described in the relevant Appendix.

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

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

“Stock Connect” means the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect or any successor programme.

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

“Transaction Fee” means the fee, in respect of the Sub-Funds, which may be charged for the benefit of the Trustee, the Registrar and/or the Conversion Agent or the Service Agent (as the case may be) to each Participating Dealer on each Dealing Day upon which an Application has been or Applications have been made by the relevant Participating Dealer.

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

“Trust Deed” means the trust deed dated 16 March 2016 between the Manager and the Trustee constituting the Trust (as amended from time to time).

“Trust Fund” means all the property held by the Trustee in respect of each Sub-Fund, including the Deposited Property and Income Property attributable to the relevant Sub-Fund, except for amounts to be distributed, in accordance with the Trust Deed.

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

“Unit” means a unit representing an undivided share in a Sub-Fund.

“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 of a Sub-Fund.

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

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

“Valuation Point” means, in respect of a Sub-Fund, unless otherwise specified in the relevant Appendix of a Sub-Fund, the official close of trading on the Market on which the Securities constituting the Index are listed on each Dealing Day or if more than one, the official close of trading on the last relevant Market to close or such other time or times as determined by the Manager in consultation with the Trustee from time to time provided that there shall always be a Valuation Point on each Dealing Day other than where there is a suspension of the creation and redemption of Units.

## INTRODUCTION

### **The Trust**

The Trust is an umbrella unit trust created by the Trust Deed between the Manager and the Trustee made under Hong Kong law. The Trust and each Sub-Fund is authorised as a collective investment scheme by the SFC under Section 104 of the SFO and each Sub-Fund falls within Chapter 8.6 of the Code. SFC authorisation is not a recommendation or endorsement of a Sub-Fund nor does it guarantee the commercial merits of a Sub-Fund or its performance. It does not mean that a Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

### **The Sub-Funds**

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

The Manager and the Trustee reserve the right to establish other Sub-Funds and/or issue further classes of Units relating to a Sub-Fund or Sub-Funds in the future in accordance with the provisions of the Trust Deed. Where indicated in the relevant Appendix, Units in a Sub-Fund may be available for trading on the SEHK using a Dual Counter. Each Sub-Fund will have its own Appendix.

## THE OFFERING PHASES

### Initial Offer Period

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

To be dealt with during the Initial Offer Period, the relevant Participating Dealer must submit the Creation Applications to the Manager (with a copy to the Trustee) on a Business Day no later than 3 Business Days prior to the Listing Date unless otherwise stated in the relevant Appendix.

Unless otherwise stated in the Appendix, if a Creation Application is received by the Manager and Trustee after 3 Business Days prior to the Listing Date, that Creation Application shall be carried forward and deemed to be received at the opening of business on the next following Dealing Day, which shall be the Dealing Day for the purposes of that Creation Application.

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

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

### After Listing

The After Listing phase commences on the Listing Date and continues until the relevant Sub-Fund is terminated.

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

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

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

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

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

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

#### *Creations and Redemptions Through Participating Dealers*

Units will continue to be created and redeemed in the primary market at the Issue Price and Redemption Value respectively through Participating Dealers in Application Unit size or multiples thereof. Where stated in the relevant Appendix, in-kind creations or in-kind redemptions may be permitted by the Manager. The Application Unit size and currency for settlement are as set out in the relevant Appendix.

To be dealt with on a Dealing Day, the relevant Participating Dealer must submit the Creation Applications to the Manager (with a copy to the Trustee) before the Dealing Deadline on the relevant Dealing Day. If a Creation Application is received on a day which is not a Dealing Day or is received after the relevant Dealing Deadline on a Dealing Day, that Creation Application shall be treated as having been received at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Creation Application. Participating Dealers are under no obligation to create or redeem generally or for their clients and may charge their clients such fee or fees as such Participating Dealers determine.

Settlement in cash for subscribing Units in cash is due by such time as agreed in the Operating Guidelines on the relevant Dealing Day or for redeeming Units is due 2 Business Days (unless as otherwise stated in the relevant Appendix) after the Dealing Day, unless the Manager agrees with the relevant Participating Dealer to accept later settlement generally or in any particular case. Notwithstanding any Dual Counter (if applicable) for Units, all settlement is in the base currency of the relevant Sub-Fund only.

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

## **Timetable**

### *Initial Offer Period*

The Initial Offer Period and the Listing Date of a new Sub-Fund is set out in the Appendix of the new Sub-Fund.

The purpose of the Initial Offer Period is to enable Participating Dealers to subscribe for Units either on their own account or for their clients, in accordance with the Trust Deed and the Operating Guidelines. During this period, Participating Dealers (acting for themselves or for their clients) may apply for Units to be available for trading on the Listing Date by creation. No redemptions are permitted during the Initial Offer Period.

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

Participating Dealers may have their own application procedures for their respective clients and may set application and payment cut-off times for their respective clients which are earlier than those set out in this Prospectus and which may change from time to time. The Dealing Deadline in respect of Units in a Sub-Fund may also change due to market related events. Investors are therefore advised to consult with the relevant Participating Dealer on its requirements if they want a Participating Dealer to subscribe for Units on their behalf.

### *After Listing*

"After Listing" commences on the Listing Date and continues until the relevant Sub-Fund is terminated.

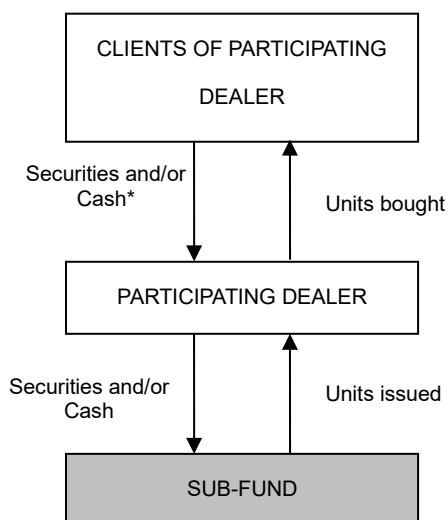
All investors may buy and sell Units in the secondary market on the SEHK and Participating Dealers (for themselves or for their clients) may apply for creation and redemption of Units in the primary market.



## Diagrammatic Illustration of Investment in a Sub-Fund

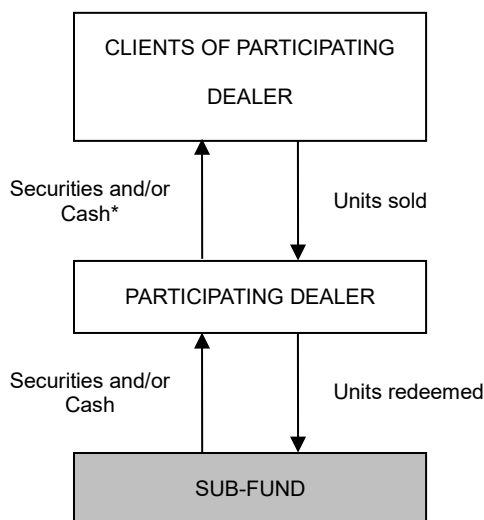
The diagrams below illustrate the issue or redemption and the buying or selling of Units:

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



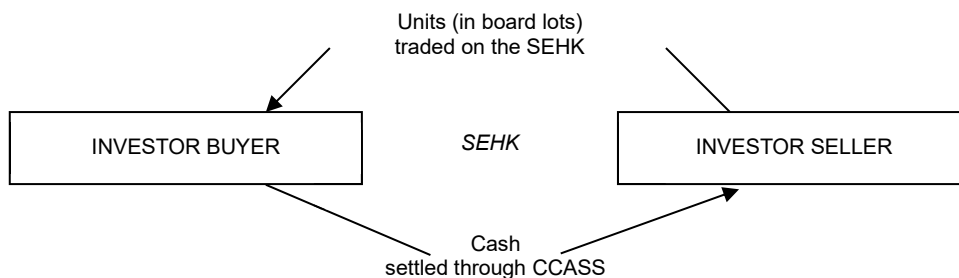
*\* Clients of a Participating Dealer may agree with the Participating Dealer settlement in a different currency to the creation currency.*

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



*\* Clients of a Participating Dealer may agree with the Participating Dealer settlement in a different currency to the redemption currency.*

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



**Summary of Offering Methods and Related Fees**

*Initial Offer Period*

<u>Method of Offering*</u>	<u>Minimum Number of Units (or multiple thereof)</u>	<u>Channel</u>	<u>Available to</u>	<u>Consideration, Fees and Charges**</u>
Cash creation	Application Unit size (see relevant Appendix)	Through Participating Dealers	Any person acceptable to the Participating Dealer as its client	Cash Transaction Fee Any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it) Duties and Charges
In-kind creation	Application Unit size (see relevant Appendix)	Through Participating Dealers	Any person acceptable to the Participating Dealer as its client	Portfolio of Securities Cash component Transaction Fee Any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it) Duties and Charges

After Listing

<b><u>Method of Acquisition or Disposal of Units*</u></b>	<b><u>Minimum Number of Units (or multiple thereof)</u></b>	<b><u>Channel</u></b>	<b><u>Available to</u></b>	<b><u>Consideration, Fees and Charges**</u></b>
Purchase and sale in cash through brokers on the SEHK (secondary market)	Board lot size (see relevant Appendix)	On the SEHK	Any investor	Market price of Units on SEHK Brokerage fees and Duties and Charges
Cash creation and redemption	Application Unit size (see relevant Appendix)	Through Participating Dealers	Any person acceptable to the Participating Dealer as its client	Cash Transaction Fee Any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it) Duties and Charges
In-kind creation and redemption	Application Unit size (see relevant Appendix)	Through Participating Dealers	Any person acceptable to the Participating Dealer as its client	Portfolio of Securities Cash component Transaction Fee Any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it) Duties and Charges

\* The methods of creation available to the Participating Dealers in respect of each Sub-Fund, whether in-kind or in cash, are specified in the relevant Appendix.

\*\* Please refer to "Fees and Expenses" for further details. The currency for payment of subscription monies is specified in the relevant Appendix.

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

### **Investment Objective**

The investment objective of each Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the relevant Index unless otherwise stated in the relevant Appendix.

### **Investment Strategy**

Each Sub-Fund will adopt either a full replication or a representative sampling strategy. The investment strategy of each Sub-Fund is stated in the relevant Appendix.

#### *Replication Strategy*

Where a Sub-Fund adopts a replication strategy as its investment strategy, it will invest in substantially all the Securities constituting the Index in substantially the same weightings (i.e. proportions) as these Securities have in the Index. When a Security ceases to be a constituent of the Index, rebalancing occurs which involves, among other things, selling the outgoing Security and potentially using the proceeds to invest in the incoming Security.

#### *Representative Sampling Strategy*

Where a Sub-Fund adopts a representative sampling strategy as its investment strategy, it will invest, directly or indirectly, in a representative sample of the Securities in the relevant Index that collectively reflects the investment characteristics of such Index. A Sub-Fund adopting a representative sampling strategy may or may not hold all of the Securities that are included in the relevant Index, and may hold a portfolio of Securities which are not included in the Index, provided that these collectively feature a high correlation with the Index.

#### *Switching Between Strategies*

Whilst the replication strategy is likely to track the performance of the relevant Index more closely when compared to the representative sampling strategy, it may not be the most efficient way to track the performance of the relevant Index. Also, it may not always be possible or it may be difficult to buy or hold certain Securities comprising the Index. The Manager may therefore, in the appropriate circumstances, choose to use a representative sampling strategy, having regard to the number of Securities constituting the Index, the liquidity of such Securities, any restrictions on the ownership of such Securities, the transaction expenses and other trading costs, and tax and other regulatory restrictions.

Investors should note that the Manager may switch between the above investment strategies, without prior notice to investors, in its absolute discretion as it believes appropriate in order to achieve the investment objective of the relevant Sub-Fund by tracking the relevant Index as closely (or efficiently) as possible for the benefit of investors.

In addition to the investment strategies set out above, Sub-Funds may be launched with synthetic or futures-based strategies as described in the relevant Appendix for each such Sub-Fund.

### **Investment Restrictions**

Unless otherwise specifically provided for in the relevant Appendix, the investment restrictions applicable to each Sub-Fund are summarised below:

- (a) the aggregate value of a Sub-Fund's investments in, or exposure to, any single entity through the following may not exceed 10% of the Net Asset Value of such Sub-Fund, save as permitted by Chapter 8.6(h) and as varied by Chapter 8.6(h)(a) of the Code but subject always to a limit of 20% (or 35% in exceptional circumstances such as when the

Security is highly dominant in the regulated market in which it trades, provided that at any one time a Sub-Fund may only hold Securities of one single issuer up to the 35% limit) of the Net Asset Value of the Sub-Fund;

- (1) investments in Securities issued by such entity;
  - (2) exposure to such entity through underlying assets of FDIs; and
  - (3) net counterparty exposure to such entity arising from transactions of over-the-counter FDIs;
- (b) subject to (a) above and Chapter 7.28(c) of the Code and unless otherwise approved by the SFC, the aggregate value of a Sub-Fund's investments in, or exposure to, Entities within the Same Group through the following may not exceed 20% of the Net Asset Value of the Sub-Fund:
- (1) investments in Securities issued by such entities;
  - (2) exposure to such entities through underlying assets of FDIs; and
  - (3) net counterparty exposure to such entities arising from transactions of over-the-counter FDIs;
- (c) unless otherwise approved by the SFC, the value of a Sub-Fund's cash deposits made with the same entity or Entities within the Same Group may not exceed 20% of the Net Asset Value of the Sub-Fund, unless:
- (1) the cash is held before the launch of the Sub-Fund and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested, or
  - (2) the cash is proceeds from liquidation of investments prior to the merger or termination of a Sub-Fund, whereby the placing of cash deposits with various financial institutions may not be in the best interest of investors; or
  - (3) the cash is proceeds received from subscriptions pending investments and held for the settlement of redemption and other payment obligations, whereby the placing of cash deposits with various financial institutions is unduly burdensome and the cash deposits arrangement would not compromise investors' interests;

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

- (d) ordinary shares issued by any single entity held for the account of a Sub-Fund, when aggregated with other holdings of ordinary shares of the same entity held for the account of all other Sub-Funds under the Trust collectively may not exceed 10% of the nominal amount of the ordinary shares issued by a single entity;
- (e) not more than 10% of the Net Asset Value of a Sub-Fund may be invested in Securities which are neither listed, quoted nor dealt in on a stock exchange, over-the-counter market or other organised securities market which is open to the international public and on which such Securities are regularly traded;
- (f) notwithstanding (a), (b), (d) and (e), where direct investment by a Sub-Fund in a market is not in the best interests of investors, a Sub-Fund may invest through a wholly-owned subsidiary company established solely for the purpose of making direct investments in such market. In this case:
- (1) the underlying investments of the subsidiary, together with the direct investments made by the Sub-Fund, must in aggregate comply with the requirements of

Chapter 7 of the Code;

- (2) any increase in the overall fees and charges directly or indirectly borne by the Unitholders or the Sub-Fund as a result must be clearly disclosed in the Prospectus; and
  - (3) the Sub-Fund must produce the reports required by the Code in a consolidated form to include the assets (including investment portfolio) and liabilities of the subsidiary company as part of those of the Sub-Fund;
- (g) notwithstanding (a), (b) and (d), not more than 30% of the Net Asset Value of a Sub-Fund may be invested in Government and other public securities of the same issue;
- (h) subject to **Error! Reference source not found.**, a Sub-Fund may fully invest in Government and other Public Securities in at least six different issues. Subject to the approval of the SFC, a Sub-Fund which has been authorised by the SFC as an index fund may invest all of its assets in Government and other Public Securities in any number of different issues;
- (i) unless otherwise approved by the SFC, a Sub-Fund may not invest in physical commodities or any other commodity-based investments (excluding, for this purpose, Securities of companies engaged in producing, processing or trading in commodities);
- (j) for the avoidance of doubt, exchange traded funds that are:
- (1) authorised by the SFC under Chapter 8.6 or 8.10 of the Code; or
  - (2) listed and regularly traded on internationally recognised stock exchanges open to the public (nominal listing not accepted) and (i) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under Chapter 8.6 of the Code; or (ii) the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under Chapter 8.10 of the Code,

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

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

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

- (i) the objective of each underlying scheme may not be to invest primarily in

any investment prohibited by Chapter 7 of the Code, and where that underlying scheme's objective is to invest primarily in investments restricted by Chapter 7 of the Code, such investments may not be in contravention of the relevant limitation prescribed by Chapter 7 of the Code. For the avoidance of doubt, a Sub-Fund may invest in scheme(s) authorised by the SFC under Chapter 8 of the Code (except for hedge funds under Chapter 8.7 of the Code), eligible scheme(s) (as determined by the SFC) of which the net derivative exposure (as defined in the Code) does not exceed 100% of its total Net Asset Value, and exchange traded funds satisfying the requirements in paragraph (j) above in compliance with paragraph (k)(1) and (k)(2);

- (ii) where the underlying schemes are managed by the same management company as that of a Sub-Fund that invests in them, or by other companies within the same group that the Manager belongs to, then paragraphs (a), (b), (d) and (e) above are also applicable to the investments of the underlying scheme;
  - (iii) the objective of the underlying schemes may not be to invest primarily in other collective investment scheme(s);
  - (iv) where an investment is made in any underlying scheme(s) managed by the Manager or any of its Connected Persons, all initial charges and redemption charges on the underlying scheme(s) must be waived; and
  - (vi) the Manager or any person acting on behalf of the Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or the management company of an underlying scheme, or quantifiable monetary benefits in connection with investments in any underlying scheme;
- (l) a Sub-Fund may invest 90% or more of its total Net Assets Value in a single collective investment scheme and may be authorised as a feeder fund by the SFC. In this case:
- (1) the underlying scheme ("**master fund**") must be authorised by the SFC;
  - (2) the relevant Appendix must state that:
    - (i) the Sub-Fund is a feeder fund into the master fund;
    - (ii) for the purpose of complying with the investment restrictions, the Sub-Fund and its master fund will be deemed a single entity;
    - (iii) the Sub-Fund's annual report must include the investment portfolio of the master fund as at the financial year end date; and
    - (iv) the aggregate amount of all the fees and charges of the Sub-Fund and its underlying master fund must be clearly disclosed;
  - (3) unless otherwise approved by the SFC, no increase in the overall total of initial charges, redemption charges, management company's annual fee, or any other costs and charges payable to the Manager or any of its Connected Persons borne by the Unitholders or by the Sub-Fund may result, if the master fund in which the Sub-Fund invests is managed by the Manager or by its Connected Person; and
  - (4) notwithstanding paragraph (k)(iii) above, the master fund may invest in other collective investment scheme(s) subject to the investment restrictions as set out in paragraph (k); and
- (m) if the name of a Sub-Fund indicates a particular objective, investment strategy,

geographic region or market, the Sub-Fund should, under normal market circumstances, invest at least 70% of its Net Asset Value in securities and other investments to reflect the particular objective, investment strategy or geographic region or market which the Sub-Fund represents.

### **Investment Prohibitions**

A Sub-Fund shall not:

- (a) invest in a security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5% of the total nominal amount of all the issued securities of that class or the directors and officers of the Manager collectively own more than 5% of those securities;
- (b) invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in real estate investment trusts (REITs) and in the case of investments in such shares and REITs, they shall comply with the investment restrictions and limitations set out in sub-paragraphs (a), (b), (d), (e) and (k) under the section entitled "Investment Restrictions" above where applicable;
- (c) make short sales;
- (d) lend or make a loan out of the assets of a Sub-Fund except to the extent that the acquisition of bonds or the making of a deposit (within the applicable investment restrictions) might constitute a loan;
- (e) subject to Chapter 7.3 of the Code, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person, save and except for Reverse Repurchase Transactions in compliance with the Code;
- (f) enter into any obligation in respect of a Sub-Fund or acquire any asset or engage in any transaction for the account of a Sub-Fund which involves the assumption of any liability which is unlimited. For the avoidance of doubt, the liability of Unitholders is limited to their investment in the relevant Sub-Fund; or
- (g) apply any part of a Sub-Fund in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call is due to be made for any sum unpaid on such investments unless such call could be met in full out of cash or near cash forming part of a Sub-Fund whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transactions in FDIs).

*Note:* The investment restrictions set out above apply to each Sub-Fund, subject to the following: A collective investment scheme authorised by the 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 entity exceeding 10% of the collective investment scheme's total net asset value. Given the investment objective of each Sub-Fund and nature of the relevant Index, a Sub-Fund is allowed under Chapter 8.6(h) of the Code to hold investments in Securities of any single entity exceeding 10% of the relevant Sub-Fund's latest available Net Asset Value if such constituent Securities account for more than 10% of the weighting of the Index and the relevant Sub-Fund's holding of any such constituent Securities does not exceed their respective weightings in the Index, except where the weightings are exceeded as a result of changes in the composition of the Index and the excess is only transitional and temporary in nature. However, the Manager may cause a Sub-Fund to deviate from the Index weighting (in pursuing a representative sampling strategy) under Chapter 8.6(h)(a) of the Code on the condition that the maximum deviation from the index weighting of any constituent will not exceed the percentage as determined by the Manager after consultation with the SFC, as disclosed in the relevant Appendix. In determining this limit, the relevant Sub-Fund must consider the characteristics of the underlying constituent securities, their weightings and the investment



objectives of the index and any other suitable factors. The Manager shall report to the SFC on a timely basis if there is any non-compliance with this limit. The annual and interim financial statements of the relevant Sub-Fund shall also disclose whether or not such limit has been complied with during such period and account for any non-compliance in those reports.

### **Securities Financing Transactions**

There is no current intention for any Sub-Fund to engage in Securities Lending Transactions, repurchase transactions or Reverse Repurchase Transactions or other similar over-the-counter transactions ("**securities financing transactions**"), but this may change in light of market circumstances and where a Sub-Fund does engage in these types of transactions, prior approval shall be obtained from the SFC and no less than one month's prior notice will be given to the Unitholders.

### **Borrowing**

Subject always to the provisions of the Trust Deed and the Code, borrowing against the assets of each Sub-Fund is allowed up to a maximum of 10% of its total Net Asset Value. Notwithstanding the foregoing, borrowing against assets of a Sub-Fund for investment purposes is not permitted. Where the Manager so determines, a Sub-Fund's permitted borrowing level may be a lower percentage as set out in the relevant Appendix. The Trustee may at the request of the Manager borrow for the account of a Sub-Fund any currency, and charge or pledge assets of a Sub-Fund, for the following purposes:

- (a) facilitating the creation or redemption of Units or defraying operating expenses;
- (b) enabling the Manager to acquire Securities for the account of the Sub-Funds; or
- (c) for any other proper purpose as may be instructed by the Manager to the Trustee.

### **Financial Derivative Instruments**

Subject always to the provisions of the Trust Deed and the Code, the Manager may on behalf of a Sub-Fund enter into any transactions in relation to swaps or other FDIs, for hedging or non-hedging (investment) purposes.

Please refer to the relevant Appendix for the policy regarding use of FDIs for each Sub-Fund. Where a Sub-Fund invests in FDIs, the Manager will set out its policy regarding FDIs and collateral in the relevant Appendix.

A Sub-Fund may acquire FDIs for hedging purposes. FDIs are considered as being acquired for hedging purpose if they meet all of the following criteria:

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

Where specified in the relevant Appendix, a Sub-Fund may acquire FDIs for non-hedging purposes ("**investment purposes**"), subject to the limit that the Sub-Fund's net exposure relating to these FDIs ("**net derivative exposure**") does not exceed 20% of its total Net Asset Value (unless otherwise approved by the SFC).

For the avoidance of doubt:

- (a) for the purpose of calculating net derivative exposure, the positions of FDIs acquired by a Sub-Fund for investment purposes are converted into the equivalent position in the underlying assets of the FDIs, taking into account the prevailing market value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the position;
- (b) the net derivative exposure should be calculated in accordance with the requirements and guidance issued by the SFC which may be updated from time to time; and
- (c) FDIs acquired for hedging purposes will not be counted towards the 20% limit referred to in this paragraph so long as there is no residual derivative exposure arising from such hedging arrangement.

Subject to 7.26 and 7.28 of the Code, a Sub-Fund may invest in FDIs provided that the exposure to the underlying assets of the FDI, together with the other investments of the Sub-Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets and investments as set out in the relevant provisions of Chapter 7 of the Code.

The FDIs invested by a Sub-Fund shall be either listed or quoted on a stock exchange, or dealt in over-the-counter market and comply with the following provisions:

- (a) the underlying assets consist solely of shares in companies, debt Securities, Money Market Instruments, units/shares of collective investment schemes, deposits with substantial financial institutions, Government and other Public Securities, highly-liquid physical commodities (including gold, silver, platinum and crude oil), financial indices, interest rates, foreign exchange rates or currencies, in which the Sub-Fund may invest according to its investment objectives and policies;
- (b) the counterparties to over-the-counter FDI transactions or their guarantors are substantial financial institutions;
- (c) subject to paragraphs (a) and (b) under the section entitled "Investment Restrictions" above, the net counterparty exposure to a single entity arising from transactions of the over-the-counter FDIs may not exceed 10% of the Net Asset Value of the Sub-Fund; and
- (d) the valuation of the FDIs is marked-to-market daily, subject to regular, reliable and verifiable valuation and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the initiative of the Sub-Fund. The FDIs can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the initiative of the Sub-Fund. Further, the calculation agent/fund administrator should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the financial derivative instruments on a regular basis.

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

- in the case of FDI transactions which will, or may at the Sub-Fund's discretion, be cash settled, the Sub-Fund should at all times hold sufficient assets that can be liquidated within a short timeframe to meet the payment obligation; and
- in the case of FDI transactions which will, or may at the counterparty's discretion, require physical delivery of the underlying assets, the Sub-Fund should hold the underlying assets in sufficient quantity at all times to meet the delivery obligation. If the Manager considers the underlying assets to be liquid and tradable, the Sub-Fund may hold other alternative assets in sufficient quantity as cover, provided that such assets may be readily converted into the underlying assets at any time to meet the delivery obligation. Where it

is holding alternative assets as cover, the Sub-Fund should apply safeguard measures such as to apply haircut where appropriate to ensure that such alternative assets held are sufficient to meet its future obligations.

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

## **Collateral**

Collateral received from counterparties shall comply with the following requirements:

- Liquidity – collateral must be sufficiently liquid and tradable that it can be sold quickly at a robust price that is close to pre-sale valuation;
- Valuation – collateral should be marked-to-market daily by using independent pricing source;
- Issuer credit quality – asset used as collateral must be of high credit quality and should be replaced immediately as soon as the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral;
- Haircut – collateral should be subject to prudent haircut policy which should be based on the market risks of the assets used as collateral in order to cover potential maximum expected decline in collateral values during liquidation before a transaction can be closed out with due consideration on stress period and volatile markets. For the avoidance of doubt the price volatility of the asset used as collateral should be taken into account when devising the haircut policy;
- Diversification – collateral must be appropriately diversified to avoid concentrated exposure to any single entity and/or Entities within the Same Group and a Sub-Fund's exposure to issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in Chapter 7 of the Code;
- Correlation – the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty or the issuer of the FDIs in such a way that would undermine the effectiveness of the collateral. As such, securities issued by the counterparty or the issuer of the FDIs or any of their related entities should not be used as collateral;
- Management of operational and legal risks – the Manager shall have appropriate systems, operational capabilities and legal expertise for proper collateral management;
- Independent custody – collateral must be held by the Trustee;
- Enforceability – collateral must be readily accessible/enforceable by the Trustee without further recourse to the issuer of the FDIs;
- Cash collateral – any re-investment of cash collateral received for the account of the Sub-Fund shall be subject to the following requirements:
  - (i) cash collateral received may only be reinvested in short-term deposits, high quality Money Market Instruments and money market funds authorised under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the Code. For this purpose, In assessing whether a Money Market Instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the Money Market Instruments must be taken into account.

- (ii) the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in Chapter 8.6(f) and (n) of the Code;
- (iii) cash collateral received is not allowed to be further engaged in any securities financing transactions; and
- (iv) when the cash collateral received is reinvested into other investment(s), such investment(s) is/are not allowed to be engaged in any securities financing transactions;

Non-cash collateral received may not be sold, re-invested or pledged;

- Encumbrances – collateral should be free of prior encumbrances; and
- Collateral should generally not include (i) structured products whose payouts rely on embedded FDIs or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitised products; or (iv) unlisted collective investment schemes.

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

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

## CREATIONS AND REDEMPTIONS (PRIMARY MARKET)

### Investment in a Sub-Fund

There are 2 methods of making an investment in a Sub-Fund and of disposing of Units to realise an investment in a Sub-Fund.

The first method is to create or to redeem Units at the Issue Price directly with the Sub-Fund in the primary market through a Participating Dealer, being a licensed dealer that has entered into a Participation Agreement in respect of the relevant Sub-Fund. Where a Sub-Fund has a Dual Counter, although a Participating Dealer may subject to arrangement with the Manager, elect to CCASS to have Units which it creates deposited in RMB counter Units or HKD counter Units, all creation and redemption for all Units must be in the base currency of that Sub-Fund. Because of the size of the capital investment (i.e. Application Unit size) required either to create or redeem Units through the Participating Dealer in the primary market, this method of investment is more suitable for institutional investors and market professionals. Participating Dealers are under no obligations to create or redeem Units for their clients and may impose terms, including charges, for handling creation or redemption orders as they determine appropriate, as described in more detail in this section.

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

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

### Creation of Units Through Participating Dealers

Any application for the creation of Units of a Sub-Fund must only be made through a Participating Dealer in respect of an Application Unit size or whole multiple thereof as set out in the “Key Information” section. Investors cannot acquire Units directly from a Sub-Fund. Only Participating Dealers may submit Creation Applications to the Manager (with a copy to the Trustee).

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

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

- (a) any period during which (i) the creation or issue of Units of the relevant Sub-Fund, (ii) the redemption of Units of the relevant Sub-Fund, and/or (iii) the determination of Net Asset Value of the relevant Sub-Fund is suspended;
- (b) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to any of the Securities in the relevant Index;
- (c) where acceptance of the creation request or any Security in connection with such creation request would render the Participating Dealer in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Participating Dealer necessary for compliance with applicable legal and regulatory requirements; or

- (d) circumstances outside the control of the Participating Dealer which make it for all practicable purposes impossible to process the creation request.

#### *Requirements Relating to Creation Requests by Potential Investors*

The methods and currency of creation available to the Participating Dealers in respect of each Sub-Fund, whether in-kind (i.e. the creation of Units in exchange for a transfer of Securities) or in cash or both in-kind and in cash, are specified in the relevant Appendix. A Participating Dealer may in its absolute discretion require a creation request received from its client be effected in a particular method. The Manager nonetheless reserves its right to require a Creation Application be effected in a particular method. Specifically, the Manager has the right to (a) accept cash equal to or in excess of the market value at the Valuation Point for the relevant Dealing Day of such Security in lieu of accepting such Security as constituting part of the Creation Application; or (b) accept cash collateral on such terms as it determines if (i) such Security is likely to be unavailable for delivery or available in insufficient quantity for delivery to the Trustee in connection with the Creation Application; or (ii) the Participating Dealer is restricted by regulation or otherwise from investing or engaging in a transaction in that Security.

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

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

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

#### *Creation Process*

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

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

- (a) be given by a Participating Dealer in accordance with the Trust Deed, the relevant Participation Agreement and the relevant Operating Guidelines;

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

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

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

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

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

Where the Manager accepts a Creation Application from a Participating Dealer, it shall instruct the Trustee to effect (i) for the account of the Sub-Fund, the creation of Units in Application Unit size in

exchange for a transfer of cash and/or Securities (at the discretion of the Participating Dealer but subject to the Manager's agreement); and (ii) the issue of Units to the Participating Dealer, both in accordance with the Operating Guidelines and the Trust Deed.

### *Issue of Units*

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

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

Units are denominated in the Base Currency of the relevant Sub-Fund (unless otherwise determined by the Manager) as set out in the relevant Appendix and no fractions of a Unit shall be created or issued by the Trustee.

The creation and issue of Units pursuant to a Creation Application shall be effected on the 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 the relevant Settlement Day or the Dealing Day immediately following the Settlement Day if the settlement period is extended. If a Creation Application is received on a day which is not a Dealing Day or is received after the relevant Dealing Deadline on a Dealing Day, that Creation Application shall be treated as having been received at the opening of business on the next Dealing Day, which shall be the relevant Dealing Day for the purposes of that Creation Application.

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

### *Fees Relating to Creation Applications*

The Conversion Agent, the Service Agent, the Registrar and/or the Trustee may charge a Transaction Fee in respect of Creation Applications and may on any day vary the rate of the Transaction Fee they charge (but not as between different Participating Dealers in respect of the same Sub-Fund). The Transaction Fee shall be paid by or on behalf of the Participating Dealer applying for such Units. See the section on "Fees and Expenses" for further details.

In relation to cash creation of Units, the Manager reserves the right to require the Participating Dealer to pay or cause to be paid an additional sum as the Manager in its discretion considers appropriate for the Duties and Charges. The Participating Dealer may pass on to the relevant investor such additional sum.

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

### **Cancellation of Creation Applications**

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

The Trustee, after consultation with the Manager may cancel a creation order in respect of any



Units deemed created pursuant to a Creation Application if it has not received good title to all Securities and/or cash (including Transaction Fees, Duties and Charges) relating to the Creation Application by the Settlement Day, provided that the Manager may at its discretion, with the approval of the Trustee (a) extend the settlement period (either for the Creation Application as a whole or for a particular Security) 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 and in accordance with the provisions of the Operating Guidelines; or (b) partially settle the Creation Application to the extent to which Securities and/or cash has been vested in the Trustee, on such terms and conditions the Manager may determine including terms as to any extension of the settlement period for the outstanding Securities, futures contracts or cash.

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

Upon the cancellation of any creation order of any Units deemed created pursuant to a Creation Application as provided for above or if a Participating Dealer otherwise withdraws subject to the Manager's consent a Creation Application (other than in certain circumstances contemplated in the Trust Deed such as when the Manager declares a suspension of creations of Units), any Securities or any cash received by or on behalf of the Trustee in connection with a Creation Application shall be redelivered to the Participating Dealer (without interest) as soon as practicable and the relevant Units shall be deemed for all purposes never to have been created and the Participating Dealer shall have no right or claim against the Manager, the Trustee, the Conversion Agent and/or the Service Agent in respect of such cancellation provided that:

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

### **Redemption of Units Through Participating Dealers**

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

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

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

- (a) any period during which (i) the creation or issue of Units of the relevant Sub-Fund, (ii) the redemption of Units of the relevant Sub-Fund, and/or (iii) the determination of Net Asset Value of the relevant Sub-Fund is suspended;
- (b) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to any of the Securities in the Index;
- (c) where acceptance of the redemption request would render the Participating Dealer in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Participating Dealer necessary for compliance with applicable legal and regulatory requirements; or
- (d) circumstances outside the control of the Participating Dealer make it for all practicable purposes impossible to process the redemption request.

#### *Requirements Relating to Redemption Requests by Potential Investors*

The methods and currency of redemption available to the Participating Dealers in respect of each Sub-Fund, whether in-kind (i.e. the redemption of Units in exchange for a transfer of Securities plus any cash amount) or in cash only, are as set out in the relevant Appendix. A Participating Dealer may in its absolute discretion require a redemption request received from its client be effected in a particular method. The Manager nonetheless reserves its right to require a Redemption Application be effected in a particular method. Specifically, the Manager has the right to instruct the Trustee to deliver cash equivalent of any Security in connection with the Redemption Application to the Participating Dealer if (a) such Security is likely to be unavailable for delivery or available in insufficient quantity for delivery in connection with the Redemption Application; or (b) the Participating Dealer is restricted by regulation or otherwise from investing or engaging in a transaction in that Security.

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

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

#### *Redemption Process*

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

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

To be effective, a Redemption Application must:

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

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

- (a) any period during which (i) the creation or issue of Units of the relevant Sub-Fund, (ii) the redemption of Units of the relevant Sub-Fund, and/or (iii) the determination of Net Asset Value of the relevant Sub-Fund is suspended;
- (b) where in the opinion of the Manager, acceptance of the Redemption Application would have an adverse effect on either the relevant Sub-Fund or on a market on which a security (that is a constituent of the Index of the relevant Sub-Fund) has its primary listing;
- (c) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to any of the Securities in the relevant Index;
- (d) where acceptance of the Redemption Application would render the Manager in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Manager necessary for compliance with applicable legal and regulatory requirements;
- (e) circumstances outside the control of the Manager make it for all practicable purposes impossible to process the Redemption Application; or
- (f) during any period when the business operations of the Manager, the Trustee, the Registrar, or any agent of the Trustee or the Manager in relation to the redemption of Units in the relevant Sub-Fund are substantially interrupted or closed as a result of or arising from epidemic, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God.

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

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

Where the Manager accepts a Redemption Application from a Participating Dealer, it shall (i) effect the redemption and cancellation of the relevant Units; and (ii) require the Trustee to transfer to the Participating Dealer Securities and/or cash in accordance with the Operating Guidelines and the Trust Deed.

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

### *Redemption of Units*

Any accepted Redemption Application will be effected on the Settlement Day provided that a Redemption Application duly signed by a Participating Dealer (to the satisfaction of the Manager and the Trustee) has been received and provided further that the Trustee shall have received (unless otherwise provided in the Operating Guidelines) the full amount of any amount payable by the Participating Dealer including the Transaction Fee and any other Duties and Charges have been either deducted or otherwise paid in full.

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

The Redemption Value of Units tendered for redemption and cancellation shall be the Net Asset Value per Unit of a Sub-Fund on the relevant Dealing Day rounded to the nearest 4 decimal places (0.00005 or above being rounded up, and less than 0.00005 being rounded down). The benefit of any rounding adjustments will be retained by the Sub-Fund. For the purpose of valuation, the relevant Valuation Point shall be the Valuation Point for the Dealing Day on which the Redemption Application is treated as having been received.

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

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

### *Fees Relating to Redemption Applications*

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

In relation to cash redemption of Units, the Manager reserves the right to require the Participating Dealer to pay an additional sum as the Manager in its discretion considers appropriate for the Duties and Charges. The Participating Dealer may pass on to the relevant investor such additional sum.

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

Where a Sub-Fund redeems in-kind in respect of SEHK listed Securities, a corporate action fee is also payable to HKSCC in respect of a Redemption Application and the Conversion Agent may charge a Unit Cancellation Fee in connection with each accepted Redemption Application.

### **Cancellation of Redemption Applications**

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

No Security shall be transferred and/or no cash amount shall be paid in respect of any Redemption Application unless Units, which are the subject of the Redemption Application, have been delivered to the Trustee free and clear of any Encumbrance for redemption by such time on the Settlement Day or other dealing set forth in the Trust Deed and/or Operational Guidelines 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 Trustee for redemption in accordance with the foregoing or are not free and clear of any Encumbrance (other than in certain circumstances contemplated in the Trust Deed such as when the Manager declares a suspension of redemptions of Units):

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

### **Deferred Redemption**

In the event that redemption requests are received for the redemption of Units representing in aggregate more than 10% (or such higher percentage as the Manager may determine in respect of the Sub-Fund and as determined by the SFC) of the total number of Units in a Sub-Fund then in issue, the Manager may direct the Trustee to reduce the requests rateably and pro rata amongst all Unitholders seeking to redeem Units on the relevant Dealing Day and carry out only sufficient

redemptions which, in aggregate, amount to 10% (or such higher percentage as the Manager may determine in respect of a Sub-Fund and as determined by the SFC) of the total number of the Units in the relevant Sub-Fund then in issue. Units which are not redeemed but which would otherwise have been redeemed will be redeemed on the next Dealing Day (subject to further deferral if the deferred requests in respect of the relevant Sub-Fund themselves exceed 10% (or such higher percentage as the Manager may determine in respect of that Sub-Fund and as determined by the SFC) of the total number of the Units in the relevant Sub-Fund then in issue) in priority to any other Units in the relevant Sub-Fund for which redemption requests have been received. Units will be redeemed at the Redemption Value prevailing on the Dealing Day on which they are redeemed.

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

The Manager may at its discretion (in consultation with the Trustee and, in respect of redemptions, where practicable following consultation with the relevant Participating Dealers), suspend the creation or issue of Units of any Sub-Fund, suspend the redemption of Units of any Sub-Fund and/or (subject to all applicable legal or regulatory requirements where payment of redemption proceeds exceeds one calendar month) delay the payment of any monies and transfer of any Securities in respect of any Creation Application and/or Redemption Application in the following circumstances:

- (a) during any period when trading on the SEHK or any other Recognised Stock Exchange or Recognised Futures Exchange is restricted or suspended;
- (b) during any period when a market on which a Security (that is a constituent of the Index of the relevant Sub-Fund) has its primary listing, or the official clearing and settlement depository (if any) of such market, is closed;
- (c) during any period when dealing on a market on which a Security (that is a constituent of the Index of the relevant Sub-Fund) has its primary listing is restricted or suspended;
- (d) during any period when, in the opinion of the Manager, settlement or clearing of Securities in the official clearing and settlement depository (if any) of such market is disrupted;
- (e) during the existence of any state of affairs as a result of which delivery or purchase of Securities, as appropriate or disposal of investments for the time being comprised in the relevant Sub-Fund cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Unitholders of the relevant Sub-Fund;
- (f) during any period when the relevant Index is not compiled or published;
- (g) during any breakdown in any of the means normally employed in determining the Net Asset Value of the relevant Sub-Fund or the Net Asset Value per Unit of the relevant class or when for any other reason the value of any Securities or other property for the time being comprised in the relevant Sub-Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained;
- (h) during any period when the determination of the Net Asset Value of the relevant Sub-Fund is suspended or if any circumstance specified in the section on "Suspension of Determination of Net Asset Value" below arises; or
- (i) during any period when the business operations of the Manager, the Trustee, the Registrar, or any agent of the Trustee or the Manager in respect of the creation or redemption of Units in the relevant Sub-Fund are substantially interrupted or closed as a result of or arising from epidemic, acts of war, terrorism, insurrection, revolution, civil unrest, riot, strikes or acts of God.

The Manager may, in consultation with the Trustee, suspend the right to subscribe for Units of the relevant Sub-Fund if, or if as a result of the investment of the proceeds of issue of such Units in

accordance with its investment objective, the Trust collectively holds or would hold in aggregate more than 10% of the ordinary shares issued by any single entity. In addition, where the Sub-Funds under the Trust hold in aggregate more than the limit of 10% of the ordinary shares issued by any single entity and the SFC has not agreed to waive this prohibition under the Code, the Manager will make it a priority objective to take all other necessary steps within a reasonable period to remedy such breach, taking into account the interests of the Unitholders.

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

The Manager shall consider any Redemption Application or any Creation Application received during the period of suspension (that has not been otherwise withdrawn) as having been received immediately following the termination of the suspension. The period for settlement of any redemption will be extended by a period equal to the length of the period of suspension.

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

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

### **Evidence of Unitholding**

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

### **Restrictions on Unitholders**

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

- (a) a breach of the law or requirements of any country or governmental authority or any stock exchange on which the Units are listed in circumstances which, in the Manager's opinion, might result in the Trust or the Sub-Fund suffering any adverse effect which the Trust or the Sub-Fund might not otherwise have suffered; or
- (b) in the circumstances which, in the Manager's opinion, may result in the Trust or the Sub-Fund incurring any tax liability or suffering any other pecuniary disadvantage which the Trust or the Sub-Fund 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.

### **Transfer of Units**

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



## EXCHANGE LISTING AND TRADING (SECONDARY MARKET)

### *General*

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

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

The Manager will use its best endeavours to put in place arrangements so that at least one Market Maker will maintain a market for the Units of each Sub-Fund. Where a Dual Counter has been adopted in respect of a Sub-Fund the Manager will use its best endeavours to put in place arrangements so that there is at least one Market Maker for each available counter although these Market Makers may be the same entity. 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 may make available to a Market Maker, the portfolio composition information made available to a Participating Dealer.

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

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

Application has been made to the Listing Committee of the SEHK for the listing of, and permission to deal in, the Units in the Sub-Funds.

Subject to compliance with the stock admission requirements of HKSCC, the Units in the Sub-Funds will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Units in that Sub-Fund on the SEHK or on any other date HKSCC chooses. Settlement of transactions between participants of the SEHK is required to take place in CCASS on the second CCASS Settlement Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

Units are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Units of any Sub-Fund on one or more other stock exchanges.

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

Please also refer to the sub-sections on "General", "Renminbi Equity Trading Support Facility" and "Dual Counter" in the relevant Appendix of the Sub-Fund for additional disclosures on secondary market trading.

## **DETERMINATION OF NET ASSET VALUE**

### **Calculation of Net Asset Value**

The Net Asset Value of each Sub-Fund will be determined by the Trustee in the base currency of the relevant Sub-Fund as at each Valuation Point applicable to the relevant Sub-Fund by valuing the assets of the relevant Sub-Fund and deducting the liabilities of the relevant Sub-Fund, in accordance with the terms of the Trust Deed.

Set out below is a summary of how various Securities held by the relevant Sub-Fund are valued:

- (a) Securities that are quoted, listed, traded or dealt in on any Market shall unless the Manager (in consultation with the Trustee) determines that some other method is more appropriate, be valued by reference to the price appearing to the Manager to be the official closing price or, if unavailable, the last traded price/last closing bid price/last available bid 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 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 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 last available bid or offer price for such unit, share or other interest;
- (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 relevant Sub-Fund in the acquisition of such investment (including, in each case the amount of stamp duties, commissions and other acquisition expenses) provided that the Manager may at the request of the Trustee cause a revaluation to be made on a regular basis 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 after consultation with the Trustee, any adjustment should be made to reflect the value thereof; and
- (f) notwithstanding the foregoing, the Manager may in consultation with the Trustee adjust the value of any investment if, having regard to relevant circumstances, the Manager considers that such adjustment is required to fairly reflect the value of the investment.

Currency conversion will be performed at such rates as determined by the Manager (after consultation with the Trustee where the Manager considers appropriate) from time to time.

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

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

The Manager may, in consultation with the Trustee, declare a suspension of the determination of

the Net Asset Value of the relevant Sub-Fund for the whole or any part of any period during which:

- (a) there exists any state of affairs prohibiting the normal disposal and/or purchase of the investments of the relevant Sub-Fund;
- (b) 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 Sub-Fund or it is not possible to do so without seriously prejudicing the interest of Unitholders of the relevant Sub-Fund;
- (c) for any other reason the prices of investments of the relevant Sub-Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained;
- (d) there is any breakdown in any of the means normally employed in determining the Net Asset Value of the relevant Sub-Fund or the Net Asset Value per Unit of the relevant class or when for any other reason the value of any Securities or other property for the time being comprised in the relevant Sub-Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained;
- (e) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, the Securities of the relevant Sub-Fund or the subscription or redemption of Units of the relevant class is delayed or cannot, in the opinion of the Manager, be carried out promptly or at normal rates of exchange; or
- (f) the business operations of the Manager, the Trustee, the Registrar, or any agent of the Trustee or the Manager in relation to the determination of the Net Asset Value of the relevant Sub-Fund are substantially interrupted or closed as a result of or arising from epidemic, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God.

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

The Manager shall notify the SFC and publish a notice of suspension following the suspension, and at least once a month during the suspension, on the Trust's website at [www.amundiETF.com.hk](http://www.amundiETF.com.hk) (the contents of which and of other websites referred to in this Prospectus have not been reviewed by the SFC) or in other appropriate manner.

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

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

The Issue Price which is the subject of a Creation Application during the Initial Offer Period of a Sub-Fund will be a fixed amount per Unit, or a percentage of the closing level of the relevant Index (expressed in the base currency of the relevant Sub-Fund) as at the last day of the Initial Offer Period, rounded to the nearest 4 decimal places (0.00005 or above being rounded up, and less than 0.00005 being rounded down), or such other amount from time to time determined by the Manager and approved by the Trustee. The Issue Price during the Initial Offer Period of each Sub-Fund will be set out in the relevant Appendix.

After the expiry of the Initial Offer Period, the Issue Price of Units created and issued by a Creation Application, will be the prevailing Net Asset Value of the relevant Sub-Fund as at the relevant Valuation Point divided by the total number of Units in issue rounded to the nearest 4 decimal places (0.00005 or above being rounded up, and less than 0.00005 being rounded down).

The Redemption Value on a Dealing Day shall be the prevailing Net Asset Value of the relevant Sub-Fund as at the relevant Valuation Point divided by the total number of Units in issue rounded to the nearest 4 decimal places (0.00005 or above being rounded up, and less than 0.00005 being rounded down).

The benefit of any rounding adjustments will be retained by the relevant Sub-Fund.

The latest Net Asset Value of the Units will be available on the Trust's website at [www.amundietaf.com.hk](http://www.amundietaf.com.hk) (the contents of which and of other websites referred to in this Prospectus have not been reviewed by the SFC) or published in such other publications as the Manager decides.

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

## FEES AND EXPENSES

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

<b>Fees and expenses payable by Participating Dealers on creations and redemptions (as applicable) of Units (applicable both during the Initial Offer Period and After Listing)</b>	<b>Amount</b>
Transaction Fee	
(i) Cash creation / redemption	See Appendix
(ii) In-kind creation / redemption	See Appendix
Application cancellation fee	See Appendix
Extension Fee	See Appendix
Stamp duty	Nil
All other Duties and Charges incurred by the Trustee or the Manager in connection with the creation or redemption	As applicable

<b>Fees and expenses payable by investors</b>	<b>Amount</b>
<b><i>(i) Fees payable by clients of the Participating Dealers in respect of creations and redemptions (as applicable) via the Participating Dealer (applicable both during the Initial Offer Period and After Listing)</i></b>	
Fees and charges imposed by the Participating Dealer <sup>1</sup>	Such amounts as determined by the relevant Participating Dealer
<b><i>(ii) Fees payable by all investors in respect of dealings in the Units on SEHK (applicable After Listing)</i></b>	
Inter-counter transfer	HKD5.00 <sup>2</sup>
Brokerage	Market rates
Transaction levy	0.0027% <sup>3</sup> of the trading price

<sup>1</sup> The Participating Dealer may increase or waive the level of its fees in its discretion. Information regarding these fees and charges is available upon request to the relevant Participating Dealer.

<sup>2</sup> HKSCC will charge each CCASS participant a fee of HKD5 per instruction for effecting an inter-counter transfer from one counter to another (if applicable). Investors should check with their respective brokers regarding any additional fees.

<sup>3</sup> Transaction levy of 0.0027% of the trading price of the Units, payable by each of the buyer and the seller.

SEHK trading fee	0.005% <sup>4</sup> of the trading price
Stamp duty	Nil

<b>Fees and expenses payable by a Sub-Fund</b>	See Appendix
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No money should be paid to any intermediary in Hong Kong which is not licensed or registered to carry on Type 1 regulated activity under Part V of the SFO.

## **Fees and Expenses Payable by a Sub-Fund**

### *Management Fee*

The Manager is entitled to receive a management fee of up to the maximum percentage as specified in the Trust Deed, as applicable to the relevant Sub-Fund. The current management fee percentage in respect of each Sub-Fund is set out in the relevant Appendix and is accrued daily and calculated as at each Dealing Day and payable monthly in arrears. This fee is payable out of the Trust Fund.

Some Sub-Funds may employ a single management fee structure, and details will be set out in the relevant Appendix of the Sub-Fund. For Sub-Funds which do not employ a single management fee structures, the following fees and expenses may be payable out of and borne by the Sub-Funds: The Trustee's fee, Registrar's fees, Custodian's fees, PRC Custodian's Fees (if any), fees of Service Agents, fees and expenses of the auditors, ordinary out-of-pocket expenses incurred by the Manager or the Trustee and costs and expenses of licensing indices used in connection with the Sub-Fund.

The Manager may pay a distribution fee to any distributor or sub-distributors of the Sub-Funds out of the management fees it receives from such Sub-Funds. A distributor may re-allocate an amount of the distribution fee to the sub-distributors.

### *Estimated Ongoing Charges*

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

### *Promotional Expenses*

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

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<sup>4</sup> Trading fee of 0.005% of the trading price of the Units, payable by each of the buyer and the seller.

**Establishment Costs**

The cost of establishing the Trust and the initial Sub-Fund (namely AMUNDI Hang Seng HK 35 Index ETF) including the initial preparation of this Prospectus, inception fees, the costs of seeking and obtaining the listing and authorisation by the SFC and all initial legal and printing costs have been borne by the Manager. The costs of establishing subsequent Sub-Funds and the relevant amortisation policy (if applicable) in respect of such costs will be set out in the relevant Appendix of each Sub-Fund.

**Increase in Fees**

The current fees in respect of each Sub-Fund payable to the Manager as described in the relevant Appendix may be increased on not less than one month's notice to Unitholders, subject to the maximum rates set out in the Trust Deed).

## **RISK FACTORS**

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

### **Risks Associated with Investment in Any Sub-Fund**

#### *Investment Objective Risk*

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

#### *Market Risk*

The Net Asset Value of each Sub-Fund 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 an investor will achieve profits or avoid losses, significant or otherwise. The capital return and income of the Sub-Funds are based on the capital appreciation and income on the Securities it holds, less expenses incurred. A Sub-Fund's return may fluctuate in response to changes in such capital appreciation or income. Furthermore, each Sub-Fund may experience volatility and decline in a manner that broadly corresponds with the relevant Index. Investors in the Sub-Funds are exposed to the same risks that investors who invest directly in the underlying Securities 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 Index).

#### *Asset Class Risk*

Although the Manager is responsible for the continuous supervision of the investment portfolio of each Sub-Fund, the returns from the types of Securities in which the Sub-Fund 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.

#### *Passive Investment Risk*

The Sub-Funds are not actively managed. Accordingly, a Sub-Fund may be affected by a decline in the market segments relating to the relevant Index or Indices. The Manager will not take defensive positions in declining markets. Investors may lose a significant part of their respective investments if the Index falls. Each Sub-Fund invests in the Securities included in or representative of the relevant Index regardless of their investment merit, except to the extent of any representative sampling strategy. The Manager does not attempt to 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 Sub-Funds will mean a decline in the Index or Indices are expected to result in corresponding falls in the Net Asset Values of the Sub-Funds, and investors may lose substantially all of their investment.



### *Representative Sampling Risk*

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

### *Possible Business Failure Risk*

Global markets may experience very high level of volatility and an increased risk of corporate failures. The insolvency or other corporate failures of any one or more of the constituents of the Index may have an adverse effect on the Index's and therefore the relevant Sub-Fund's performance. You may lose money by investing in any Sub-Fund.

### *Management Risk*

Because there can be no guarantee that each Sub-Fund will fully replicate the relevant Index, 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 comprising a Sub-Fund. There can be no guarantee that the exercise of such discretion will result in the investment objective of a Sub-Fund being achieved.

### *Single Country / Concentration Risk*

A Sub-Fund may be subject to concentration risk as a result of tracking the performance of a single geographical region or country (such as the PRC) and the Index may be comprised of a limited number of stocks. A Sub-Fund may therefore likely be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value of the Index resulting from adverse conditions in the particular geographical region or country. Where a Sub-Fund's Index tracks a particular region or country or where the Index has a small number of constituents, risk factors specific to the relevant Sub-Fund are set out in its Appendix. Please refer to each Sub-Fund's Appendix for details.

### *Securities Risk*

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

### *Counterparty Risk*

Counterparty risk involves the risk that a counterparty or third party will not fulfil its obligations to a Sub-Fund and settle a transaction in accordance with market practice. A Sub-Fund may be exposed to the risk of a counterparty through investments.

### *Equity Risk*

Investment in equity Securities by a Sub-Fund (where permitted) may offer a higher rate of return than a fund investing in short term and longer term debt securities. However, the risks associated with investments in equity Securities may also be higher, because the investment performance of equity Securities depends upon factors which are difficult to predict. Such factors include the possibility of sudden or prolonged market declines and risks associated with individual companies. The fundamental risk associated with any equity portfolio is the risk that the value of the investments it holds might suddenly and substantially decrease in value.

### *Tracking Error Risk*

A Sub-Fund's returns may deviate from the Index due to a number of factors. For example, the fees and expenses of a Sub-Fund, any adoption of a representative sampling strategy, liquidity of the market, imperfect correlation of returns between a Sub-Fund's assets and the Securities constituting its Index, rounding of share prices, foreign exchange costs, changes to the Indices and regulatory policies may affect the Manager's ability to achieve close correlation with the Index of each Sub-Fund. Further, a Sub-Fund may receive income (such as interests and dividends) from its assets while the Index does not have such sources of income. There can be no guarantee or assurance of exact or identical replication at any time of the performance of the Index or that a Sub-Fund will achieve its investment objective at any time of corresponding to the performance of the relevant Index. In addition there is no guarantee or assurance that the use of representative sampling strategy would help avoid the tracking error and each Sub-Fund's returns may therefore deviate from its Index.

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

### *Trading Risk*

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

### *Trading Error Risk*

Trading errors are an intrinsic factor in any investment process, and may occur, notwithstanding the execution of due care and special procedures designed to prevent such errors.

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

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

### *Indemnity Risk*

Under the Trust Deed, the Trustee and the Manager have the right to be indemnified against any liability for performing their respective duties except as a result of their own negligence, fraud, breach of trust for which they may be liable in relation to their duties. Any reliance by the Trustee or the Manager on the right of indemnity in respect of a Sub-Fund would reduce the assets of the relevant Sub-Fund and the value of its Units.

### *Dividends May Not be Paid Risk*

Whether a Sub-Fund will pay distributions on its Units is subject to the Manager's distribution policy (as described in the relevant Appendix) and also mainly depends on dividends declared and paid in respect of the Securities comprising the Index. In addition, dividends received by a Sub-Fund may be applied towards meeting the costs and expenses of that Sub-Fund. 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.

### *Early Termination Risk*

A Sub-Fund may be terminated early under certain circumstances, including but not limited to (i) the aggregate Net Asset Value of all the Units is less than HKD100 million or (ii) any law is passed or amended or regulatory directive or order is imposed which renders it illegal or in the opinion of the Manager, impracticable or inadvisable to continue the relevant Sub-Fund or (iii) within a reasonable time and using commercially reasonable endeavours, the Manager is unable to find a person acceptable to act as the new trustee after deciding to remove the Trustee in accordance with the Trust Deed or (iv) the relevant Index is no longer available for benchmarking or if the Units are no longer listed on the SEHK or any other Recognised Stock Exchange or (v) at any time, the relevant Sub-Fund ceases to have any Participating Dealer. Upon a Sub-Fund being terminated, the Trustee will distribute the net cash proceeds (if any) derived from the realisation of the investments comprised in the relevant Sub-Fund to the Unitholders in accordance with the Trust Deed. Investors may suffer a loss where a Sub-Fund is terminated because any such amount distributed may be more or less than the capital invested by the Unitholder.

### *Foreign Exchange Risk*

If a Sub-Fund's assets are generally invested in non-Hong Kong Securities, and if a substantial portion of the revenue and income of a Sub-Fund is received in a currency other than HKD, any fluctuation in the exchange rate of the HKD relative to the relevant foreign currency will affect the Net Asset Value of a Sub-Fund denominated in the HKD regardless of the performance of its underlying portfolio. If the relevant Sub-Fund's Net Asset Value is determined on the basis of the HKD, an investor may lose money if it invests in any Sub-Fund if the local currency of a foreign market depreciates against the HKD, even if the local currency value of an investment fund's holdings goes up.

### *Collateral and FDI Risks*

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

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

## **Risks Associated with Market Trading**

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

Although Units of each Sub-Fund 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 each Sub-Fund themselves have limited trading markets, or if the spreads are wide, this may adversely affect the price of the Units and the ability of an investor to dispose of its Units at the desired price. If an investor needs to sell his, her or its Units at a time when no active market for them exists, the price received for the Units – assuming an investor is able to sell them – is likely to be lower than the price received if an active market did exist.

### *Suspension of Trading Risk*

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

### *Effect of Redemptions Risk*

If significant redemptions of Units are requested by the Participating Dealers, it may not be possible to liquidate the relevant Sub-Fund's investments at the time such redemptions are requested or the Manager may be able to do so only at prices which the Manager believes does not reflect the true value of such investments, resulting in an adverse effect on the return to investors. Where significant redemptions of Units are requested by the Participating Dealers, the right of Participating Dealers to require redemptions in excess of 10% of the total number of Units in the Sub-Funds then in issue (or such higher percentage as the Manager may determine) may be deferred, or the period for the payment of redemption proceeds may be extended.

In addition, the Manager may also in certain circumstances suspend the determination of the Net Asset Value of the Sub-Funds for the whole or any part of any period. Please see the section on "Determination of Net Asset Value" for further details.

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

Units may trade on the SEHK at prices above or below the most recent Net Asset Value. The Net Asset Value per Unit of each Sub-Fund is calculated at the end of each Dealing Day and fluctuates with changes in the market value of the relevant Sub-Fund's holdings. The trading prices of the Units fluctuate continuously throughout the trading hours based on market supply and demand rather than Net Asset Value. The trading price of the 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 relevant Sub-Fund trading at a premium or discount to the Net Asset Value. On the basis that Units can be created and redeemed in Application Units at Net Asset Value, the Manager believes that large discounts or premiums to Net Asset Value are not likely to be sustained over the long-term.

While the creation/redemption feature is designed to make it likely that the Units will normally trade at prices close to the relevant Sub-Fund's next calculated Net Asset Value, trading prices are not expected to correlate exactly with the relevant Sub-Fund'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.

#### *Restrictions on Creation and Redemption of Units Risk*

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

#### *Borrowing Risks*

The Trustee, at the request of the Manager, may borrow for the account of the Sub-Funds (up to 10% of the Net Asset Value of each Sub-Fund unless otherwise specified in the Appendix) for various reasons, such as facilitating redemptions or to acquire investments for the account of the Sub-Funds. Borrowing involves an increased degree of financial risk and may increase the exposure of a Sub-Fund to factors such as rising interest rates, downturns in the economy or deterioration in the conditions of the assets underlying its investments. There can be no assurance that a Sub-Fund will be able to borrow on favourable terms, or that the relevant Sub-Fund's indebtedness will be accessible or be able to be refinanced by the relevant Sub-Fund at any time.

#### *Cost of Trading Units Risk*

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

#### *No Right to Control the Sub-Fund's Operation Risk*

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

#### *Secondary Market Trading Risk*

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

### *New Manager and reliance on the Amundi Group risk*

It should be noted that whilst Amundi Group has significant exchange traded fund experience in Europe, the initial Sub-Funds are the only exchange traded funds listed on the SEHK to be managed by the Manager. As such the Manager will substantially make use of and rely on the expertise and systems of Amundi Group to support the investments of each Sub-Fund in the relevant markets. In the event of a breakdown or disruption in communications with or the provision by Amundi Group of its assistance to the Manager, the operations of a Sub-Fund may be adversely affected. The occurrence of such events could cause a deterioration in each Sub-Fund's performance and investors may lose money in those circumstances.

### *Reliance on Market Makers Risk*

Although it is a requirement that the Manager uses its best endeavours to put in place arrangements so that there is at least one Market Maker to maintain a market for the Units of each Sub-Fund, it should be noted that liquidity in the market for the Units may be adversely affected if there is no Market Maker for the Units traded in one or more counters of the relevant Sub-Fund, for example the Market Maker ceases to act or to fulfil its role. The Manager will seek to mitigate this risk by using its best endeavours to put in place arrangements so that at least one Market Maker for each counter of the Sub-Fund gives not less than 3 months' notice prior to terminating market making under the relevant market making agreement(s). It is possible that at listing of Units and/or thereafter there is only one SEHK Market Maker to a Sub-Fund and that the Manager may not be able to engage a substitute Market Maker within the termination notice period of a Market Maker. There is also no guarantee that any market making activity will be effective.

### *Reliance on Participating Dealers Risk*

The creation and redemption of Units may only be effected through Participating Dealers. A Participating Dealer may charge a fee for providing this service. Participating Dealers will not be able to create or redeem Units during any period when, amongst other things, dealings on the SEHK are restricted or suspended, settlement or clearing of Securities through the CCASS is disrupted or the Index is not compiled or published. In addition, Participating Dealers will not be able to issue or redeem Units if some other event occurs that impedes the calculation of the Net Asset Value of the relevant Sub-Fund or disposal of the relevant Sub-Fund's Securities cannot be effected. Since the number of Participating Dealers at any given time will be limited, and there may even be only one Participating Dealer at any given time, there is a risk that investors may not always be able to create or redeem Units freely.

## **Risks Associated with the Indices**

### *Fluctuations Risk*

The performance of the Units should, before fees and expenses, correspond closely with the performance of the relevant Index. If the relevant Index experiences volatility or declines, the price of the Units of the Sub-Fund which tracks that Index will vary or decline accordingly.

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

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

### *Compilation of Index Risk*

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

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

The Securities constituting an Index will change as the Securities of the Index are delisted, or as the Securities mature or are redeemed or as new Securities are included in the Index or where the methodology of the Index is changed by the Index Provider. When this happens the weightings or composition of the Securities owned by the Sub-Funds will change as considered appropriate by the Manager to achieve the investment objective. Thus, an investment in Units will generally reflect the 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 Sub-Funds will, at any given time accurately reflect the composition of the Index (please refer to the section on “Tracking Error Risk”).

### *Difficulties in Valuation of Investments Risk*

Securities acquired on behalf of a Sub-Fund may subsequently become illiquid due to events relating to the issuer of the securities, market and economic conditions and regulatory sanctions. In cases where no clear indication of the value of a Sub-Fund’s portfolio securities is available (for example, when the secondary markets on which a security is traded have become illiquid) the Manager may in consultation with the Trustee apply valuation methods to ascertain the fair value of such securities, pursuant to the Trust Deed.

## **Risks Associated with Regulation**

### *Withdrawal of SFC Authorisation Risk*

The Trust and each Sub-Fund have been authorised as a collective investment scheme under the Code by the SFC under Section 104 of the SFO. SFC authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. This does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. The SFC reserves the right to withdraw the authorisation of the Trust or the Sub-Funds if the Index is no longer considered acceptable or impose such conditions as it considers appropriate. If the Manager does not wish the Trust or the Sub-Funds to continue to be authorised by the SFC, the Manager will give Unitholders at least three months’ notice of the intention to seek SFC’s withdrawal of such authorisation. In addition, any authorisation granted by the SFC may be subject to certain conditions which may be withdrawn or varied by the SFC. If, as a result of such withdrawal or variation of conditions, it becomes illegal, impractical or inadvisable to continue the Trust or the Sub-Funds, the Trust or the Sub-Funds (as applicable) will be terminated.

### *General Legal and Regulatory Risk*

The Sub-Funds 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 Sub-Funds. Furthermore, such change in the laws may have an impact on the market sentiment which may in turn affect the performance of the Indices and as a result, the performance of the Sub-Funds. It is impossible to predict whether such an impact caused by any change of law will be positive or negative for the Sub-Funds. In the worst case scenario, a Unitholder may lose a material part of its investments in a Sub-Fund.

#### *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 any of the Sub-Funds 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 of a Sub-Fund are delisted from the SEHK, Unitholders will have the option to redeem their Units by reference to the Net Asset Value of the Sub-Fund. Where the relevant Sub-Fund remains authorised by the SFC, such procedures required by the Code will be observed by the Manager including as to notices to Unitholders, withdrawal of authorisation and termination, as may be applicable. Should the SFC withdraw authorisation of a Sub-Fund for any reason it is likely that Units may also have to be delisted.

#### *Taxation Risk*

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

#### *FATCA Related Risks*

The United States Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act ("FATCA") aims to reinforce the fight against U.S. tax avoidance by the "U.S. Persons" holding accounts in foreign countries. Pursuant to FATCA, any non-U.S. financial institution (foreign financial institution or "FFI"), e.g. banks, management companies, investment funds etc., either has certain reporting obligations with respect to certain incomes of U.S. Persons or is required to withhold tax at the rate of 30% on (i) certain U.S. source income (including, among other types of income, dividends and interests), (ii) gross proceeds from the sale or disposition of assets of a type that produce U.S. sourced dividend or interest, and (iii) foreign passthru payments made to certain FFIs, that do not comply with FATCA and to any investor (unless otherwise exempt from FATCA) that does not provide identification information with respect interests maintained by a participating FFI, subject to forthcoming clarification and additional guidance by the IRS. Otherwise the non-compliant FFIs will be subject to a 30% withholding tax on relevant US-sourced payments to them.

Hong Kong and the US signed a "Model 2" intergovernmental agreement ("Hong Kong IGA") on 13 November 2014, and according to the terms of the Hong Kong IGA, Hong-Kong FFIs are required to register with the IRS by 1 July 2014 at the latest, and agree to comply with the requirements of an FFI Agreement, including with respect to due diligence, reporting, and withholding to be qualified as a "Reporting Model 2 FFI". It is expected that Hong Kong FFIs will not, under certain circumstances, be subject to the above described withholding under FATCA.

The Hong Kong IGA modifies the foregoing requirements but generally requires similar information to be disclosed to the IRS. An FFI will generally not be required to impose FATCA withholding tax at 30% on certain payments made to recalcitrant account holders or close accounts of such account holders provided that certain requirements are met.

Although the Manager and the Trustee in respect of the Trust and the Sub-Funds intend to satisfy any obligations imposed on them to avoid the imposition of FATCA withholding tax, no assurance can be given that the Manager and the Trustee in respect of the Trust and the Sub-Funds will be able to satisfy all these obligations. If the Trust and/or any Sub-Fund becomes subject to a withholding tax as a result of FATCA, the Net Asset Value of such Sub-Fund may be adversely



affected and such Sub-Fund and its Unitholders may suffer material loss. Any amounts withheld under FATCA may not be refundable by the IRS.

In the event a Unitholder does not provide the requested information and/or documentation, whether or not that actually leads to compliance failures by the Trust or the relevant Sub-Fund, or a risk of the Trust or the relevant Sub-Fund being subject to withholding tax under FATCA, the Manager and the Trustee on behalf of the Trust and each of such relevant Sub-Fund reserves the right to take any action and/or pursue all remedies at its disposal including, without limitation, to the extent permitted by applicable laws and regulations, (i) reporting the relevant information of such Unitholder to the US IRS; (ii) withholding, deducting from such Unitholder's account, or otherwise collecting any such tax liability from such Unitholder; and/or (iii) giving such Unitholder notice to transfer or realise all his Units in the Fund. The Manager and the Trustee in taking any such action or pursuing any such remedy shall act in good faith and on reasonable grounds and in compliance with all applicable laws and regulations.

Please also refer to the sub-section entitled "FATCA and Compliance with US Withholding Requirements" under the section headed "Taxation" in this Prospectus for further details on FATCA and related risks.

All prospective investors and Unitholders should consult with their own tax advisers regarding the possible implications of FATCA and the tax consequences on their investments in a Sub-Fund. Unitholders who hold their Units through intermediaries should also confirm the FATCA compliance status of those intermediaries.

#### *Valuation and Accounting Risk*

The Manager intends to adopt IFRS in drawing up the annual financial reports of the Sub-Funds. However, the calculation of the Net Asset Value in the manner described under the section on "Determination of Net Asset Value" will not necessarily be in compliance with generally accepted accounting principles, that is, IFRS. To the extent that the basis adopted by a Sub-Fund for subscription and redemption purposes deviates from IFRS, the Manager may make necessary adjustments in the annual financial reports for the financial reports to be in compliance with IFRS. Any such adjustments will be disclosed in the annual financial reports, including a reconciliation.

#### *Contagion Risk*

The Trust Deed allows the Trustee and the Manager to issue Units in separate Sub-Funds. The Trust Deed provides for the manner in which the liabilities are to be attributed across the various Sub-Funds under the Trust (liabilities are to be attributed to the specific Sub-Fund in respect of which the liability was incurred). A person to whom such a liability is owed has no direct recourse against the assets of the relevant Sub-Fund (in the absence of the Trustee granting that person a security interest). However, the Trustee will have a right of reimbursement and indemnity out of the assets of the Trust as a whole or any part thereof, against any action, costs, claims, damages, expenses or demands relating to the Trust as a whole, which may result in Unitholders of one sub-fund being compelled to bear the liabilities incurred in respect of other Sub-Funds in which such Unitholders do not themselves own Units, if there are insufficient assets in that other Sub-Fund to satisfy the amount due to the Trustee. Accordingly, there is a risk that liabilities of one Sub-Fund may not be limited to that particular Sub-Fund and may be required to be paid out of one or more other Sub-Funds.

#### *Cross Liability Risk*

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

## MANAGEMENT OF THE TRUST AND SUB-FUNDS

### The Manager

The Manager of the Trust and each Sub-Fund is Amundi Hong Kong Limited 東方匯理資產管理香港有限公司, a limited liability company incorporated under the laws of Hong Kong and regulated by the SFC. The Manager is licensed to carry out the following regulated activities in Hong Kong: Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) under the SFO with CE Number AAB444.

The Manager is a wholly-owned subsidiary of Amundi Asset Management. Amundi Asset Management is 100% owned by Amundi. Amundi has been listed on Euronext regulated market in Paris since 12 November 2015. The Manager's operations in Asia were established in 1982 as the Asian investment specialist for Amundi. The primary commercial responsibility for North Asia lies with the Manager, while South East Asia is covered by its other affiliates. The coverage of Asia has been further enhanced with the opening of the representative office in Beijing in 2006, the establishment of a presence in Sydney in 2007, the opening of Amundi Taiwan Limited in 2012 and the opening of Amundi Mutual Fund Brokerage Securities (Thailand) Limited in Bangkok in 2014.

The Manager may from time to time appoint other sub-investment managers or investment delegates in relation to any Sub-Fund subject to prior SFC approval. The details of any sub-investment manager or investment delegate will be disclosed in the Appendix of the relevant Sub-Fund. The remuneration of such sub-investment manager or investment delegates will be borne by the Manager unless otherwise stated in the relevant Appendix.

The Directors of the Manager are:

Vincent MORTIER  
Bernard CARAYON  
Laurent BERTIAU  
Jean-Yves GLAIN  
Xiaofeng ZHONG

### The Trustee

The Trustee of the Trust is BOCI-Prudential Trustee Limited, which is a registered trust company in Hong Kong. The Trustee is a joint venture founded by BOC Group Trustee Company Limited and Prudential Corporation Holdings Limited. BOC Group Trustee Company Limited is owned by BOC International Holdings Limited and Bank of China (Hong Kong) Limited, which are subsidiaries of Bank of China Limited. The principal activity of the Trustee is the provision of trustee services.

Under the Trust Deed, the Trustee is responsible for the safekeeping of the assets of the Trust and each Sub-Fund in accordance with the provisions and subject to the terms of the Trust Deed.

The Trustee may from time to time appoint such person or persons as it thinks fit (including, without limitation any of its Connected Persons) to hold, as custodian, nominee or agent, all or any of the investments, assets or other property comprised in the Trust Fund or any of the Sub-Funds and may empower any such person to appoint, with no objection in writing from the Trustee, co-custodians and/or sub-custodians (each such custodian, nominee, agent, co-custodian and sub-custodian a "custodian").

The Trustee is required to (a) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of such custodians and (b) be satisfied that such custodians retained remain suitably qualified and competent on an ongoing basis to provide the relevant services to the Sub-Fund. The Trustee shall be responsible for the acts and omissions of any custodian which is a Connected Person of the Trustee as if the same were the acts or omissions of the Trustee, but provided that the Trustee has discharged its obligations set out in (a) and (b) as set out in this paragraph, the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any custodian which is not a Connected Person of the Trustee.

Subject as provided in the Trust Deed, the Trustee shall be indemnified out of the Trust against any action, costs, claims, damages, liabilities, expenses or demands (other than those arising out of any liability or obligation to the Holders imposed on the Trustee pursuant to the laws of Hong Kong or the proper law of the Trust Deed (if different) or resulting from the negligence, fraud or wilful default of the Trustee, its agents or delegates) to which it may be put as Trustee and for this purpose shall have recourse to the assets of the relevant Sub-Fund in respect of which such action, costs, claims, damages, expenses or demands have been made or arose out of or, where such action, costs, claims, damages, expenses or demands relate to the Trust as a whole, the Trust Fund or any part thereof. This indemnity, subject to the Trust Deed, shall survive the retirement, removal or discharge of the Trustee. For the purposes of such indemnity and reimbursement, the Trustee may from time to time realise such property of the Trust in such manner and at such time as the Trustee thinks fit upon prior written notice to the Manager.

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

The Manager has sole responsibility for making investment decisions in relation to the Trust and/or any Sub-Fund and, save as provided in the Trust Deed or expressly stated in this Prospectus or required by the Code (or applicable law), the Trustee (including its delegate) is not responsible and has no liability for any investment decision made by the Manager. Except as expressly stated in the Trust Deed, this Prospectus and/or required by the Code, neither the Trustee nor any of its employees, service providers or agents are or will be involved in the business affairs, organisation, sponsorship or investment management of the Trust or any Sub-Fund, and they are not responsible for the preparation or issue of this Prospectus other than the description under the sections on "The Trustee", "The Custodian" and in any Appendix, where applicable, under "Trustee and Custodian" and "PRC Custodian". The Trustee is independent of the Manager.

### **The Custodian**

Bank of China (Hong Kong) Limited has been appointed as the Custodian of the Trust by the Trustee.

The Custodian was incorporated in Hong Kong on 16 October, 1964. As a locally incorporated licensed bank, it has been re-structured from 1 October 2001 to its present form by combining the businesses of ten of the twelve banks in Hong Kong originally belonging to the Bank of China Group.

In addition, it holds shares in Nanyang Commercial Bank Limited and Chiyu Banking Corporation Limited, both of which are incorporated in Hong Kong, as well as BOC Credit Card (International) Limited.

BOC Hong Kong (Holdings) Limited was incorporated in Hong Kong on 12 September 2001 to hold the entire equity interest in the Custodian, its principal operating subsidiary. After a successful global initial public offering, BOC Hong Kong (Holdings) Limited began trading on the SEHK on 25 July 2002 with stock code "2388" and became a Hang Seng Index constituent stock on 2 December 2002.

With a network of over 260 branches, servicing more than 600,000 corporates and two million retail customers, the Custodian is the second largest banking group in Hong Kong. It offers a full range of banking services, including global custody and also fund-related services for institutional clients.

Pursuant to the Custodian Agreement, the Custodian will act as the custodian of the Trust's assets, which will be held directly by the Custodian or through its agents, sub-custodians (including the PRC Custodian, if any), nominees or delegates pursuant to the Custodian Agreement. The Custodian shall (i) exercise reasonable care and diligence in the selection, appointment and ongoing monitoring of such agents, nominees or sub-custodians; (ii) be satisfied that such agents, nominees or sub-custodians remain suitably qualified and competent to provide the relevant services; and (iii) shall remain liable for their acts, omissions, negligence or wilful default in relation to assets forming part of the property of the Trust.

### **The Service Agent or Conversion Agent**

Where a Sub-Fund creates and redeems in-kind in respect of SEHK listed Securities, HK Conversion Agency Services Limited may act as Conversion Agent under the terms of the Conversion Agency Agreement. HK Conversion Agency Services Limited otherwise acts as Service Agent under the terms of the Service Agreement. The Service Agent or Conversion Agent performs, through HKSCC, certain of its services in connection with the creation and redemption of Units in the Sub-Fund by Participating Dealers.

### **The Registrar**

Computershare Hong Kong Investor Services Limited acts as the registrar of the Sub-Funds unless otherwise stated in the Appendix. The registrar provides services in respect of the establishment and maintenance of the register of the Unitholders of the Sub-Funds

### **The Auditor**

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

### **The Participating Dealers**

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

### **The Market Makers**

A Market Maker is a broker or dealer permitted by the SEHK to make a market for the Units in the secondary market and whose obligations include quoting bid prices to potential sellers and offer prices to potential buyers when there is a wide spread between the prevailing bid prices and offer prices for the Units on the SEHK. Market Makers facilitate the efficient trading of Units by providing liquidity in the secondary market when it is required, in accordance with the market making requirements of the SEHK.

Subject to applicable regulatory requirements, the Manager will use its best endeavours to put in place arrangements so that there is at all times at least one Market Maker for Units in each available counter. If the SEHK withdraws its permit to the existing Market Maker(s), the Manager will use its best endeavours to put in place arrangements so that there is at least one other Market Maker for each available counter of each Sub-Fund to facilitate the efficient trading of Units. The Manager will seek to ensure that at least one Market Maker per Sub-Fund gives not less than 3 months' notice prior to terminating market making under the relevant market making agreement. The latest list of Market Makers for each Sub-Fund is available at <http://www.hkex.com.hk> and [www.amundietf.com.hk](http://www.amundietf.com.hk) (the contents of which and of any other website referred to in this Prospectus have not been reviewed by the SFC). Please refer to the section on "Website Information" for the warning and the disclaimer regarding information contained in such website.

### **The Listing Agent**

In respect of each Sub-Fund, the Manager may appoint a Listing Agent for the relevant Sub-Fund in accordance with The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited in respect of the Sub-Funds' listing on the SEHK. Any Listing Agent will be a registered institution or licensed corporation which is registered or licensed by the SFC to carry out, amongst others, Type 6 (advising on corporate finance) regulated activity under the SFO. The name of the Listing Agent for each Sub-Fund is set out in the relevant Appendix for that Sub-Fund.

### **Conflicts of Interest and Soft Dollars**

The Manager and the Trustee may, from time to time, act as manager, sub-investment manager, investment delegate, trustee or custodian or in such other capacity in connection with any collective

investment scheme separate and distinct from the Trust and the Sub-Funds and retain any profit or benefit made in connection therewith.

In addition:

- (a) The Manager or any of its Connected Persons may purchase and sell investments for the account of the Sub-Funds as agent for the Sub-Fund or deal with any Sub-Fund as principal with the prior written consent of the Trustee.
- (b) The Trustee, the Manager and any of their Connected Persons may contract or enter into any financial, banking or other transaction with one another or with any Unitholder or any company or body any of whose shares or securities form part of the relevant Sub-Fund's assets.
- (c) The Trustee or the Manager or any of their Connected Persons may become the owner of Units and hold, dispose or otherwise deal with them with the same rights which it would have had if it had not been the Trustee or the Manager or any of their Connected Persons.
- (d) The Trustee, the Manager and any of their Connected Persons may buy, hold and deal in any securities or other property for their own account or for the account of their other customers notwithstanding that similar securities or other property may be held by the Sub-Funds.
- (e) Any arrangements for the borrowing or deposit of any monies for the account of the Sub-Funds may be made with any of the Trustee, the Manager, any investment delegate or any of their Connected Persons being a banker or other financial institution provided that such person shall charge or pay (as the case may be) interest or fees at a rate or amount no higher (in the case of a borrowing) or lower (in the case of a deposit) than the prevailing rates or amounts for transactions of similar type, size and term, in the same currency and with institutions of similar standing, negotiated at arm's length in accordance with ordinary and normal course of business. Any such deposits shall be maintained in a manner that is in the best interests of Unitholders.
- (f) Neither the Trustee nor the Manager nor any of their Connected Persons shall be liable to account to each other or to the Sub-Funds or to the Unitholders for any profits or benefits made or derived from or in connection with any such transaction mentioned above.

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

Subject to applicable rules and regulations, the Manager, its delegate or any of its Connected Persons may enter into portfolio transactions for or with the Sub-Funds as agent in accordance with normal market practice, provided that commissions charged to the Sub-Funds in these circumstances do not exceed customary full service brokerage rates. If a broker does not provide research or other lawful services in addition to brokerage execution, such broker will generally charge a brokerage commission that is discounted from customary full service brokerage rates. Where the Manager invests the Sub-Funds in shares or units of a collective investment scheme managed by the Manager, its delegates or any of its Connected Persons, the manager of the scheme in which the investment is being made by the Sub-Funds must waive any preliminary or initial charge which it is entitled to charge for its own account in relation to the acquisition of shares or units and there must be no increase in the overall total of annual management fees (or other costs and charges payable to the Manager or any of its Connected Persons) borne by the Sub-Funds.

None of the Manager, its delegates (including investment delegates if any) or any of their Connected Persons shall, retain any cash commission rebates or other payment or benefit (except as otherwise provided for in this Prospectus or in the Trust Deed) received from a third party (either directly or indirectly) arising out of the sale or purchase or loan of investments for the Sub-Funds, and any such rebates or payments or benefits which are received shall be credited to the account of the Sub-Funds.

The Manager, its delegates (including investment delegates, if any) or any of their Connected Persons may receive, and are entitled to retain, goods, services or other benefits, such as research and advisory services, economic and political analysis, portfolio analysis (including valuation and performance measurement), market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publication (known as soft dollar benefits) which are of demonstrable benefit to the Sub-Funds as a whole and may contribute to an improvement in the performance of the relevant Sub-Fund or of the Manager and/or any of its Connected Persons in providing services to the relevant Sub-Fund (as may be permitted under the Code, applicable rules and regulations), from brokers and other persons through whom investment transactions are carried out ("brokers") provided that the quality of transaction execution is consistent with best execution standards, brokerage rates are not in excess of customary institutional full-service brokerage rates and the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer. For the avoidance of doubt, such goods and services do not include travel accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments. Details of soft commission arrangements will be disclosed in the relevant Sub-Funds' annual report.

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

Conflicts of interest may also arise due to the widespread business operations of the Trustee, the Manager, the Registrar, the Custodian, sub-custodians, the Conversion Agent or the Service Agent (as the case may be) 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 Sub-Funds will be on arm's length terms and in the best interests of Unitholders. For so long as the Sub-Funds is/are authorised by the SFC and it is an applicable requirement of the Code, the Manager, if transacting with brokers or dealers connected to the Manager, investment delegates, the Trustee or any of their respective Connected Persons, must ensure it complies with the following obligations:

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

## STATUTORY AND GENERAL INFORMATION

### Financial Reports

The financial year-end of the Trust (and each Sub-Fund) is 30 September every year. Audited financial reports are to be prepared (in accordance with IFRS) and published on the Manager's website in English only within 4 months of each financial year-end. Half-yearly unaudited financial reports are also to be prepared up to 31 March of each year and published on the Manager's website within 2 months of such date. Once these financial reports are made available on the Manager's website, investors will be notified within the relevant timeframe.

Only an English version of the audited financial reports and the half-yearly unaudited financial reports of each of the Sub-Funds will be available. Printed copies may be requested free of charge from the Manager by contacting it, as described below under "Notices".

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

### Trust Deed

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

### Indemnities of the Trustee and Manager

The Trustee and the Manager benefit from various indemnities in the Trust Deed. Except as provided under the Trust Deed, the Trustee and the Manager shall be entitled to be indemnified out of, and have recourse to, the Trust Fund in respect of any action, costs, claims, damages, expenses or demands arising directly or indirectly from the proper performance of the Sub-Fund. Nothing in any of the provisions of the Trust Deed shall (i) exempt either the Trustee or the Manager (as the case may be) from or against any liability to Unitholders for breaches of trust through fraud or negligence or any liability to Unitholders imposed by virtue of any Hong Kong law in relation its duties nor (ii) indemnify either the Trustee or the Manager (as the case may be) against such liability by Unitholders or at Unitholders' expense.

### Modification of the Trust Deed

The Trustee and the Manager may agree to modify, alter or add to the provisions of the Trust Deed by supplemental deed provided that the Trustee shall certify in writing that such modification, alteration or addition (i) does not materially prejudice the interests of Unitholders in any Sub-Fund, does not operate to release to any material extent the Trustee or the Manager or any other person from any liability to the Unitholders and (with the exception of the costs, charges, fees and expenses incurred in connection with the relevant supplemental deed) does not increase the costs and charges payable out of the assets of any Sub-Funds or (ii) is necessary in order to make possible compliance with any fiscal, statutory, regulatory or official requirement (whether or not having the force of law) or (iii) is made to correct a manifest error. In all other cases involving material changes, modifications, alterations and additions require the sanction of an extraordinary resolution of the Unitholders where the interests of the Unitholders as a whole are affected or an extraordinary resolution of the Unitholders of a Sub-Fund or of a class of Units where only the interests of such Unitholders are affected. The SFC must (where such approval is required) also give its prior

approval to all amendments to the Trust Deed.

The Manager will notify affected Unitholders of the amendments if such notification is required by the SFC or the Code.

### **Meetings of Unitholders**

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

### **Voting Rights**

Unitholders' meetings may be convened by the Manager, by the Trustee or by Unitholders representing at least 10% of the Units in issue, on not less than 21 calendar days' notice.

These meetings may be used to modify the terms of the Trust Deed, including increasing the maximum fees payable to the service providers, removing the Manager or terminating the Sub-Funds at any time. Such amendments to the Trust Deed must be considered by Unitholders of at least 25% of the Units in issue and passed by a 75% or more of the votes cast.

Other matters that require an ordinary resolution being passed would be considered by Unitholders of at least 10% of the Units in issue and passed by a simple majority of more than 50% of the votes cast. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to such day and time not being less than 15 days thereafter and to such place as may be appointed by the chairman of the meeting. At such adjourned meeting, the Unitholders present in person or by proxy shall be a quorum. Notice of any adjourned meeting of Unitholders shall be given in the same manner as for an original meeting and such notice shall state that the Unitholders present at the adjourned meeting, whatever their number and the number of Units held by them, will form a quorum.

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

### **Termination**

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

The Manager may terminate the Trust if: (i) after one year from the date of the Trust Deed, the aggregate Net Asset Value of all the Units in each Sub-Fund is less than HKD100 million; (ii) any law or regulation is passed or amended or any regulatory directive or order is imposed that affects the Trust and which renders the Trust illegal or in the good faith opinion of the Manager, makes it impracticable or inadvisable to continue the Trust; (iii) if in the opinion of the Manager, it is



impracticable or inadvisable to continue the Trust (including without limitation, a situation where it is no longer economically viable to operate the Trust); (iv) the respective Indice(s) of all Sub-Fund(s) is/are no longer available for benchmarking or if the Units of all the relevant Sub-Fund(s) are no longer listed on the SEHK or any such other stock exchange from time to time determined by the Manager; (v) at any time, all Sub-Funds ceases to have any Participating Dealer; or (vi) 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 retirement of the Trustee or after deciding to remove the Trustee in accordance with the Trust Deed.

The Manager may, in its absolute discretion, by notice in writing to the Trustee, terminate a Sub-Fund if: (i) after one year from the date of establishment of the Sub-Fund, the aggregate Net Asset Value of all the Units in the relevant Sub-Fund is less than HKD100 million; (ii) any law or regulation is passed or amended or any regulatory directive or order is imposed that affects the relevant Sub-Fund and which renders the relevant Sub-Fund illegal or in the good faith opinion of the Manager makes it impracticable or inadvisable to continue that Sub-Fund; (iii) its Index is no longer available for benchmarking or if the Units of the relevant Sub-Fund are no longer listed on the SEHK or any such other stock exchange from time to time determined by the Manager; (iv) at any time, the relevant Sub-Fund ceases to have any Participating Dealer; or (v) the Manager is unable to implement its investment strategy. Further, the Unitholders may at any time authorise termination of the Trust or the relevant Sub-Funds by extraordinary resolution.

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

Notice of the termination of the Trust or the Sub-Funds will be given to the Unitholders after the SFC has approved the notice. The notice will contain the reasons for the termination, the consequences to Unitholders of terminating the Trust or the relevant Sub-Fund and the alternatives available to them, and any other information required by the Code. Any unclaimed proceeds or other monies held by the Trustee in the event of a termination may at the expiration of 12 calendar months from the date upon which the same became payable be paid into court, subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

### **Distribution Policy**

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

### **Inspection of Documents**

Copies of the following documents in respect of each Sub-Fund are available for inspection free of charge at the offices of the Manager and copies thereof may be obtained from the Manager in the case of (f) free of charge and in the case of (a) to (e) at a cost of HKD150 per set of copy documents:

- (a) Trust Deed;

- (b) PRC Participation Agreement(s) (if applicable);
- (c) PRC Custodian Agreement(s) (if applicable);
- (d) Service Agreement(s) and Conversion Agency Agreement(s);
- (e) Participation Agreement(s); and
- (f) Most recent annual financial statements of the Trust and the Sub-Funds (if any) and the most recent interim financial statements of the Trust and the Sub-Funds (if any).

## **Part XV of the SFO**

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

## **Anti-money Laundering Regulations**

As part of the Manager's, the Trustee's, the Registrar's and the Participating Dealer's responsibility for the prevention of money laundering and to comply with all applicable laws to which the Manager, the Trustee, the Registrar, the Sub-Funds or the relevant Participating Dealer is subject, the Manager, the Trustee, the Registrar or the relevant Participating Dealer may require a detailed verification of an investor's identity and the source of payment of any applications for Units at any time as they think appropriate.

Delay or failure to provide with the required documents may result in delay or refusal of application or withholding of redemption proceeds. For the purpose of anti-money laundering and/or counter-terrorist financing, the Manager may compulsorily redeem the Units held by any Unitholder.

The Manager may, to the extent permitted by law, share, for the purposes of combating money laundering and terrorist financing, the information in connection with the Unitholders with its affiliates.

## **Material Changes to an Index**

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

## **Replacement of an Index**

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

- (a) the relevant Index ceasing to exist;
- (b) the licence to use the Index being terminated;
- (c) a new index becoming available that supersedes the existing Index;
- (d) a new index becoming available that is regarded as the market standard for investors in the particular market and/or would be regarded as more beneficial to the Unitholders than the existing Index;
- (e) investing in the Securities comprised within the 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 Index having in the opinion of the Manager, deteriorated;
- (h) a significant modification of the formula or calculation method of the 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 Sub-Fund if the relevant Index changes or for any other reasons including if licence to use the Index is terminated. Any change to (i) the use by the relevant Sub-Fund of the Index and/or (ii) the name of the relevant Sub-Fund will be notified to investors.

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

The Manager will publish important news and information with respect to each Sub-Fund (including in respect of the relevant Index), in the English and Chinese languages (unless otherwise specified), on the following website [www.amundiETF.com.hk](http://www.amundiETF.com.hk) (which has not been reviewed or approved by the SFC) and, where applicable, HKEX's website [www.hkex.com.hk](http://www.hkex.com.hk) including:

- (a) this Prospectus and the product key facts statement in respect of each of the Sub-Funds (as revised from time to time);
- (b) the latest annual financial reports and interim half yearly unaudited financial reports (in English only);
- (c) any notices relating to material changes to any of the Sub-Funds which may have an impact on its investors such as material alterations or additions to this Prospectus (including each product key facts statement) or any of the constitutive documents of the Trust and/or a Sub-Fund;
- (d) any public announcements made by the Manager in respect of any of the Sub-Funds, including information with regard to a Sub-Fund and the Sub-Fund's Index, the suspension of creations and redemptions of Units, the suspension of the calculation of its Net Asset Value, changes in its fees and the suspension and resumption of trading in its Units;
- (e) the near real time indicative Net Asset Value per Unit of each Sub-Fund (updated every 15 seconds throughout each Dealing Day in HKD and, if there is a RMB counter, in RMB as well);
- (f) the last Net Asset Value of each Sub-Fund in the base currency of the Sub-Fund and the last Net Asset Value per Unit of each Sub-Fund in HKD and, if there is a RMB counter, in RMB as well (updated on a daily basis);
- (g) the past performance information of each Sub-Fund;
- (h) the annual tracking difference and tracking error of each Sub-Fund;
- (i) the full portfolio information of each Sub-Fund (updated on a daily basis unless otherwise specified in the relevant Appendix);
- (j) the latest list of the Participating Dealers and Market Makers; and
- (k) if applicable to a Sub-Fund, the composition of distributions (i.e. the relative amounts paid out of (i) net distributable income, and (ii) capital), if any, for a 12-month rolling period.

The near real time indicative Net Asset Value per Unit (in HKD and, if there is a RMB counter, in RMB) referred to above is indicative and for reference only. This is updated every 15 seconds during SEHK trading hours and is calculated by Interactive Data Hong Kong Limited.

Where the base currency of a Sub-Fund is RMB, the near real time indicative Net Asset Value per Unit in HKD is calculated using the near real time indicative Net Asset Value per Unit in RMB multiplied by a near real time HKD:RMB foreign exchange rate for offshore RMB (CNH) quoted by Interactive Data Hong Kong Limited. The last Net Asset Value per Unit in HKD is indicative and for reference only and is calculated by the Trustee using the official last Net Asset Value per Unit in RMB multiplied by an assumed foreign exchange rate (i.e. not a real time exchange rate) being the fixing exchange rate provided by Bloomberg for offshore RMB (CNH) at 3:00 p.m. (Hong Kong time) as of the same dealing day.

Where the base currency of a Sub-Fund is HKD, the near real time indicative Net Asset Value per Unit in RMB is calculated using the near real time indicative Net Asset Value per Unit in HKD multiplied by a near real time RMB:HKD foreign exchange rate for offshore RMB (CNH) quoted by Interactive Data Hong Kong Limited. The last Net Asset Value per Unit in RMB is indicative and for reference only and is calculated by the Trustee using the official last Net Asset Value per Unit in HKD multiplied by an assumed foreign exchange rate (i.e. not a real time exchange rate) being the fixing exchange rate provided by Bloomberg for offshore RMB (CNH) at 3:00 p.m. (Hong Kong time) as of the same dealing day.

Real-time updates about the Index can be obtained through other financial data vendors. It is your own responsibility to obtain additional and the latest updated information about the Index (including without limitation, a description of the way in which the Index is calculated, any change in the composition of the Index, any change in the method for compiling and calculating the Index) via the Manager's website and the Index Provider's website (neither of which, nor any other website referred to in this Prospectus, has been reviewed by the SFC). Please refer to the section on "Website Information" below for the warning and the disclaimer regarding information contained in such website.

## **Notices**

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

### ***Manager***

Amundi Hong Kong Limited  
東方匯理資產管理香港有限公司  
901-908, One Pacific Place  
88 Queensway  
Hong Kong

### ***Trustee***

BOCI-Prudential Trustee Limited  
12/F & 25/F, Citicorp Centre  
18 Whitfield Road  
Causeway Bay  
Hong Kong

## **Website Information**

The offer of the Units is made solely on the basis of information contained in this Prospectus. All references in this Prospectus to other websites and sources where further information may be obtained are merely intended to assist you to access further information relating to the subject matter indicated and such information does not form part of this Prospectus. Neither the Manager nor the Trustee accepts any responsibility for ensuring that the information contained in such other websites and sources, if available, is accurate, complete and/or up-to-date, and no liability is accepted by the Manager and the Trustee in relation to any person's use of or reliance on the information contained in these other websites and sources save, in respect of the Manager, the Trust's website [www.amundi.tf.com.hk](http://www.amundi.tf.com.hk) (the contents of which and of other websites referred to in this Prospectus have not been reviewed by the SFC). The information and materials included in these websites have not been reviewed by the SFC or any regulatory body. You should exercise an appropriate degree of caution when assessing the value of such information.

## TAXATION

*The following summary of taxation is of a general nature, 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 laws and practice of their respective jurisdictions. The information below is based on the law and practice in force at the date of this Prospectus. The relevant laws, rules and practice relating to tax are subject to change and amendment (and such changes may be made on a retrospective basis). As such, there can be no guarantee that the summary provided below will continue to be applicable after the date of this Prospectus. Furthermore, tax laws can be subject to different interpretations and no assurance can be given that relevant tax authorities will not take a contrary position to the tax treatments described below. Investors should refer to additional summaries of applicable taxation, where appropriate, as set out in the Appendix relevant to a Sub-Fund.*

### **Taxation of the Trust and Sub-Funds**

#### *Profits Tax*

As the Trust and each Sub-Fund have been authorised as a collective investment scheme by the SFC under Section 104 of the SFO, profits of the Trust and the Sub-Funds are exempt from Hong Kong profits tax.

### **Taxation of the Unitholders**

#### *Profits Tax*

Where the Unitholders do not carry on a trade, profession or business in Hong Kong or the Units in the Sub-Funds are held by the Unitholders as capital assets for Hong Kong profits tax purposes, gains arising from the sale or disposal or redemption of the Units in the Sub-Funds should not be taxable. For Unitholders carrying on a trade, profession or business in Hong Kong, such gains may be subject to Hong Kong profits tax (which is currently charged at the rate of 16.5% in the case of corporations, and 15% in the case of individuals and unincorporated business) if the gains in question arise in or are derived from such trade, profession or business and sourced in Hong Kong and are of a revenue nature. Unitholders should take advice from their own professional advisers as to their particular tax position.

Distributions by the Trust/Sub-Funds should generally not be subject to Hong Kong profits tax in the hands of the Unitholders according to the practice of the Inland Revenue Department of Hong Kong (as at the date of this Prospectus).

#### *Stamp Duty*

Hong Kong stamp duty is payable on the transfer of Hong Kong stock. "Hong Kong stock" is defined as "stock" the transfer of which is required to be registered in Hong Kong. The Units fall within the definition of "Hong Kong stock" in the Stamp Duty Ordinance (Cap.17) of Hong Kong (the "Stamp Duty Ordinance").

Under a remission order issued by the Secretary for the Treasury on 20 October 1999, no Hong Kong stamp duty is payable on an issue or redemption of Units.

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

## **FATCA and Compliance with US Withholding Requirements**

The United States Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act (“FATCA”) aims to reinforce the fight against U.S. tax avoidance by the “U.S. Persons” holding accounts in foreign countries. Pursuant to FATCA, any non-U.S. financial institution (foreign financial institution or “FFI”), e.g. banks, management companies, investment funds etc., either has certain reporting obligations with respect to certain incomes of U.S. Persons or is required to withhold tax at the rate of 30% on (i) certain U.S. source income (including, among other types of income, dividends and interests), (ii) gross proceeds from the sale or disposition of assets of a type that produce U.S. sourced dividend or interest, and (iii) foreign passthru payments made to certain FFIs, that do not comply with FATCA and to any investor (unless otherwise exempt from FATCA) that does not provide identification information with respect interests maintained by a participating FFI, subject to forthcoming clarification and additional guidance by the IRS. Otherwise the non-compliant FFIs will be subject to a 30% withholding tax on relevant US-sourced payments to them.

Hong Kong and the US signed a “Model 2” intergovernmental agreement (“Hong Kong IGA”) on 13 November 2014, and according to the terms of the Hong Kong IGA, Hong-Kong FFIs are required to register with the IRS by 1 July 2014 at the latest, and agree to comply with the requirements of an FFI Agreement, including with respect to due diligence, reporting, and withholding to be qualified as a “Reporting Model 2 FFI”. It is expected that Hong Kong FFIs will not, under certain circumstances, be subject to the above described withholding under FATCA.

The Hong Kong IGA modifies the foregoing requirements but generally requires similar information to be disclosed to the IRS. An FFI will generally not be required to impose FATCA withholding tax at 30% on certain payments made to recalcitrant account holders or close accounts of such account holders provided that certain requirements are met.

The Trust has registered with the IRS as a Reporting Model 2 FFI. The Trust’s Global Intermediary Identification Number (“GIIN”) is 903A7A.99999.SL.344. The Sub-Funds under the Trust will be treated as one legal arrangement and hence one FFI for FATCA purpose. The GIIN covers the Trust and the Sub-Funds of the Trust.

In order to protect Unitholders and avoid being subject to withholding under FATCA, it is the Manager’s and Trustee’s intention to satisfy the requirements imposed under FATCA. Hence it is possible that this may require each of the Manager and the Trustee (through its agents or service providers) as far as legally permitted, to report information on the holdings or investment returns of any Unitholder to the IRS pursuant to the terms of the Hong Kong IGA and insofar as possible exercise the Manager’s and Trustee’s general right to withhold under the provisions of the Trust Deed on relevant Unitholders. Any such withholding will be done in accordance with applicable laws and regulations, and the discretion to do so will be exercised by the Manager and the Trustee acting in good faith and on reasonable grounds.

Although the Manager and the Trustee in respect of the Trust and the Sub-Funds intend to satisfy any obligations imposed on them to avoid the imposition of FATCA withholding tax, no assurance can be given that the Manager or the Trustee in respect of the Trust and the Sub-Funds will be able to fully satisfy these obligations. If any Sub-Fund becomes subject to a withholding tax as a result of FATCA, the Net Asset Value of such Sub-Fund may be adversely affected and such Sub-Fund and its Unitholders may suffer material loss. Any amounts withheld under FATCA may not be refundable by the IRS.

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

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

The Organisation for Economic Cooperation and Development (“OECD”) released in July 2014 the standard on automatic exchange of financial account information (“AEOI”), calling on governments to collect from financial institutions (“FIs”) financial account information of overseas tax residents and exchange the information with jurisdictions of residence of the relevant account holders on an annual basis. Hong Kong indicated in the Global Forum on Transparency and Exchange of Information for Tax Purposes in September 2014 its commitment for implementing AEOI, with a view to commencing the first information exchanges by the end of 2018.

Under the OECD standard for AEOI (comprising among others, model Competent Authority Agreement (“CAA”) and Common Reporting Standard (“CRS”)), an FI is required to conduct due diligence procedures, so as to identify reportable accounts held by tax residents of reportable jurisdictions (i.e. in the context of Hong Kong, non-Hong Kong tax residents who are liable to tax by reason of residence in the AEOI partner jurisdictions with which Hong Kong has entered into an AEOI arrangement), and collect the reportable information in respect of these relevant accounts. FIs are also required to report such information to the tax authority in a specified format. Upon receipt of the information from FIs, the tax authority will exchange the relevant information with their counterparts in the reportable jurisdictions concerned on an annual basis.

To provide a legislative framework for the implementation of AEOI in Hong Kong, the Inland Revenue (Amendment) (No. 3) Ordinance 2016 was gazetted on 30 June 2016 to amend the Inland Revenue Ordinance (Cap. 112) (“IRO”) to incorporate the essential requirements of the AEOI standard, namely key provisions of CAA and due diligence requirements as laid down in CRS. In addition, the Hong Kong Inland Revenue Department (“IRD”) published guidance for FIs to assist them in complying with the CRS obligations on 9 September 2016. On 1 March 2019, the Inland Revenue (Amendment) (No. 2) Ordinance 2019 was gazetted to refine the IRO with respect to the legislative framework of AEOI and expand Hong Kong’s network for tax information exchange.

Under the IRO and the guidance published, details of the Unitholders (i.e. financial account holders), including but not limited to their name, date and place of birth, address, jurisdiction of tax residence, tax identification number, account details, account balance/value and income/sale or redemption proceeds may be reported to the IRD, which will as a matter of course exchange the same with the competent authority of the relevant reportable jurisdiction(s).

Unitholders and prospective investors should consult their professional advisors on the possible tax and other consequences with respect to the implementation of the AEOI.

## **PART 2 – SPECIFIC INFORMATION RELATING TO EACH SUB-FUND**

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

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

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



**APPENDIX 1:**

**AMUNDI Hang Seng HK 35 Index ETF**

*(a Sub-Fund of Amundi ETF Series which is  
authorised under Section 104 of the SFO)*

(HKD Counter Stock Code: 03012)  
(RMB Counter Stock Code: 83012)

31 December 2019

## AMUNDI Hang Seng HK 35 Index ETF

### Key information

*Set out below is a summary of key information in respect of this Sub-Fund which should be read together with the full text of this Appendix and this Prospectus.*

<b>Index</b>	Hang Seng HK 35
<b>Type of Index</b>	Total return, i.e. the performance of the Index is calculated on the basis that dividends are reinvested
<b>Listing Date (SEHK)</b>	12 April 2016
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	03012 – HKD counter 83012 – RMB counter
<b>Trading Board Lot Size</b>	500 Units – HKD counter 500 Units – RMB counter
<b>Base Currency</b>	Hong Kong Dollars (HKD)
<b>Trading Currency</b>	Renminbi (RMB) – RMB counter Hong Kong dollars (HKD) – HKD counter
<b>Distribution Policy</b>	The Manager intends to pay distributions to Unitholders at least semi-annually (in June and December each year beginning June 2016). Distributions may be made out of capital or effectively out of capital as well as income at the Manager’s discretion. Where distributions are made out of capital or effectively out of capital, this may result in an immediate reduction in the Net Asset Value per Unit. Distributions on all Units (RMB counter Units and HKD counter Units) will be in HKD only#
<b>Creation/Redemption Policy</b>	In-kind only
<b>Application Unit Size (only by or through Participating Dealers)</b>	Minimum 500,000 Units (or multiples thereof)
<b>Dealing Deadline</b>	4:15 p.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager (with the approval of Trustee) may determine on any day when the trading hours of the SEHK are reduced
<b>Management Fee</b>	Currently 0.28% per year of the Net Asset Value
<b>Investment Strategy</b>	Full replication. Please refer to the section on “What is the investment strategy?” below
<b>Financial Year End</b>	30 September
<b>Listing Agent</b>	Altus Capital Limited

<b>Market Makers<sup>#</sup></b>	<ul style="list-style-type: none"> <li>• BNP Paribas Securities (Asia) Limited</li> <li>• HSBC Securities Brokers (Asia) Limited</li> <li>• Merrill Lynch Far East Limited</li> <li>• SG Securities (HK) Limited</li> </ul>
<b>Participating Dealers<sup>#</sup></b>	<ul style="list-style-type: none"> <li>• ABN AMRO Clearing Hong Kong Limited</li> <li>• BNP Paribas Securities Services</li> <li>• China Merchants Securities (HK) Co., Limited</li> <li>• Deutsche Securities Asia Limited</li> <li>• Merrill Lynch Far East Limited</li> <li>• The Hongkong and Shanghai Banking Corporation Limited</li> </ul>
<b>Conversion Agent</b>	HK Conversion Agency Services Limited
<b>Website</b>	<a href="http://www.amundi.tf.com.hk">www.amundi.tf.com.hk</a>

<sup>#</sup> Both HKD traded Units and RMB traded Units will receive distributions in HKD only.

<sup>#</sup> Please refer to the Manager's website for the latest lists of Market Makers and Participating Dealers.

### **What is the investment objective?**

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

### **What is the investment strategy?**

In seeking to achieve the Sub-Fund's investment objective, the Manager currently uses a full replication strategy through investing directly in Securities included in the Index in substantially the same weightings in which they are included in the Index. The Manager may also use a representative sampling strategy where it will invest, directly or indirectly, in a representative sample of the Securities in the Index that collectively reflects the investment characteristics of the Index. Investors should note that the Manager may switch between the replication and representative sampling strategies without notice to investors and in its absolute discretion.

The Sub-Fund may also invest in money market funds and in cash deposits for cash management purposes although such investments are not anticipated to exceed 5% of the Net Asset Value of the Sub-Fund.

Currently, the Manager has no intention to invest the Sub-Fund in any FDIs (including structured products or instruments) for hedging or non-hedging (i.e. investment) purposes, and will not enter into Securities Lending Transactions, Sale and Repurchase Transactions, Reverse Repurchase Transactions or other similar over-the-counter transactions. Where required, the Manager will seek the prior approval of the SFC and provide at least one month's prior notice to Unitholders before the Manager engages in any such investments.

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

Notwithstanding the investment and borrowing restrictions set out in Part 1 of this Prospectus, the Sub-Fund shall not invest in units or shares of other collective investment schemes.

### **Risk factors specific to the Sub-Fund**

In addition to the risk factors presented in Part 1 of this Prospectus, the risk factors set forth below

are also specific risks, in the opinion of the Manager, considered to be relevant and presently applicable to the Sub-Fund.

#### *Distributions out of or effectively out of capital risk*

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

#### *Single region / concentration risk*

The Sub-Fund is subject to concentration risk as a result of tracking the performance of a single geographical region (Hong Kong) and the Index is comprised of a limited number of stocks (35). The Net Asset Value of the Sub-Fund may therefore likely be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value of the Index resulting from adverse conditions in the particular geographical region.

#### *Dual Counter risks*

The SEHK's Dual Counter model in Hong Kong is relatively recent. The Sub-Fund will be an exchange traded fund with Dual Counter traded Units which means that Units are traded and settled in RMB under the RMB counter and traded and settled in HKD under the HKD counter. The nature of the Dual Counter for exchange traded funds may make investment in the Units riskier than in single counter units or shares of an SEHK listed issuer for example where for some reason there is a settlement failure on an inter-counter transfer if the Units of one counter are delivered to CCASS at the last settlement on a trading day, leaving not enough time to transfer the Units to the other counter for settlement on the same day.

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

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

Investors without RMB accounts may buy and sell HKD traded Units only. However such investors will not be able to buy or sell RMB traded Units and should note that distributions are made in HKD only. As such, investors may suffer a foreign exchange loss and incur foreign exchange associated fees and charges to receive their distribution.

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

#### *Reliance on Market Makers risk*

Although the Manager will use its best endeavours to put in place arrangements so that there is at least one RMB Counter Market Maker for RMB counter and one HKD Counter Market Maker for HKD counter to maintain a market for the Units traded in each counter, it should be noted that liquidity in the market for the Units may be adversely affected if there is no Market Maker for the HKD traded Units or no Market Maker for the RMB traded Units. The Manager will seek to mitigate this risk by using its best endeavours to put in place arrangements so that at least one Market Maker for each counter gives not less than 3 months' notice prior to terminating market making arrangement under the relevant market making agreements. There may be less interest by potential market makers in making a market in RMB denominated or traded Units. Furthermore, any disruption to the availability of RMB may adversely affect the capability of Market Makers in providing liquidity for such RMB traded Units. It is possible that there is only one SEHK Market Maker to a counter (RMB or HKD) or to the Sub-Fund or the Manager may not be able to engage a substitute Market Maker within the termination notice period of a Market Maker, and there is also no guarantee that any market making activity will be effective.

#### *RMB currency and conversion risk*

Investors in RMB traded Units whose assets and liabilities are predominantly in HKD or in currencies other than RMB should take into account the potential risk of loss arising from fluctuations in value between the such currencies and RMB. There is no guarantee that RMB will appreciate in value against HKD or any other currency, or that the strength of RMB may not weaken. In such case an investor may enjoy a gain in RMB terms but suffer a loss when converting funds from RMB back into Hong Kong dollars (or any other currency).

RMB is currently not freely convertible and is subject to exchange controls and restrictions. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors in RMB traded Units.

#### **The offering**

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

Dealings in the Units on the SEHK commenced on 12 April 2016.

The current Dealing Deadline After Listing is 4:15 p.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager (with the approval of Trustee) may determine on any day when the trading hours of the SEHK are reduced.

Creation Applications may be made in-kind only on any Dealing Day through a Participating Dealer. Units which are created must be deposited in CCASS in the HKD counter initially.

Investors may apply for the redemption of Units on any Dealing Day through a Participating Dealer.

Participating Dealers will then be required to deliver to HKSCC a duly completed redemption request through the relevant CCASS screen.

### *Participating Dealers*

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

### **RMB payment procedures**

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

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

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

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

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

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

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

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

Please also refer to the RMB related risk factors in the section on "Risk factors specific to the Sub-Fund" above for further details.

### **Exchange listing and trading (secondary market)**

#### *General*

Dealings on the SEHK in Units began on 12 April 2016. Units are traded on the SEHK in board lots of 500 Units for HKD traded Units and 500 Units for RMB traded Units.

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

#### *Renminbi Equity Trading Support Facility*

The Renminbi Equity Trading Support Facility (the "TSF") was launched on 24 October 2011 by HKEx to provide a facility to enable investors who wish to buy RMB traded shares (RMB shares) in the secondary market with Hong Kong dollars if they do not have sufficient RMB or have difficulty in obtaining RMB from other channels. With effect from 6 August 2012, the coverage of TSF was extended and the Sub-Fund is eligible for the TSF. As such the TSF is currently available to investors who wish to invest in the Sub-Fund by purchasing Units trading in RMB on the SEHK. Investors should consult their financial advisers if they have any questions concerning the TSF. More information with regard to the TSF is available on HKEx's website [https://www.hkex.com.hk/Global/Exchange/FAQ/Featured/RMB-Readiness-and-Services/RMB-Equity-Trading-Support-Facility?sc\\_lang=en](https://www.hkex.com.hk/Global/Exchange/FAQ/Featured/RMB-Readiness-and-Services/RMB-Equity-Trading-Support-Facility?sc_lang=en).

#### *Dual Counter*

With effect from the Listing Date, the Manager has arranged for the Units to be available for trading on the secondary market on the SEHK under a Dual Counter arrangement. Units are denominated in HKD. Despite the Dual Counter arrangement, the creation and redemption of new Units in the primary market are in HKD only. The Sub-Fund offers two trading counters on the SEHK (i.e. RMB counter and HKD counter) to investors for secondary trading purposes. Units traded in RMB counter will be settled in RMB and Units traded in HKD counter will be settled in HKD. Apart from settlement in different currencies, the trading prices of Units in the two counters may be different as the RMB counter and HKD counter are two distinct and separate markets.

Units traded on both counters are of the same class and all Unitholders of both counters are treated equally. The two counters will have different stock codes, different stock short names and different ISIN numbers as follows: RMB counter and traded Units have a SEHK stock code 83012 and a short name "AMUNDI HK35-R" whilst the HKD counter and traded Units have a SEHK stock code 03012 and a short name "AMUNDI HK35". The ISIN number for RMB counter and traded Units is HK0000286812 and the ISIN for HKD counter and traded Units is HK0000286804.

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

More information with regard to the Dual Counter is available in the frequently asked questions in respect of the Dual Counter published on HKEx's website [https://www.hkex.com.hk/Global/Exchange/FAQ/Featured/RMB-Readiness-and-Services/Dual-Tranche-Dual-Counter-Model?sc\\_lang=en](https://www.hkex.com.hk/Global/Exchange/FAQ/Featured/RMB-Readiness-and-Services/Dual-Tranche-Dual-Counter-Model?sc_lang=en).

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

## **Redemptions**

Redemption Applications may be made in-kind only. Both RMB traded Units and HKD traded Units can be redeemed in-kind directly (through a Participating Dealer). Investors may apply for the redemption of Units on any Dealing Day through Participating Dealers. Participating Dealers will then be required to deliver to HKSCC a duly completed redemption request through the relevant CCASS screen.

The proceeds of a redemption request may be split between Index constituents and cash (HKD) in different degrees in limited circumstances. Such a split may be effected by the Manager only in circumstances where it would (in the discretion of the Manager) be fair and reasonable to do so. For instance, in the event that one or more Index stock are unavailable or available in insufficient quantity to be included in the Index Basket then the Manager may in its discretion substitute a cash payment equal in value to those Index shares. In the event that a redeeming investor is restricted by regulation or otherwise from holding any one or more of the Index shares comprised in the Index Basket, then the Manager may substitute, in lieu of those Index shares, a cash payment equivalent in value to the Index shares. If a redeeming investor requests, and the Manager and the Trustee approve, a redemption request may be effected for Index shares which do not comprise an Index Basket, but instead reflect a differing composition of Index shares notified to the Manager by the redeeming investor. This type of redemption will only occur in very limited circumstances, for example where it is necessary to maintain Sub-Fund's correspondence with the composition and weighting of the Index. Whenever a cash payment in lieu of Index shares is made to a redeeming investor, additional Duties and Charges may also be charged (for the account of the Sub-Fund) to that investor as determined by the Manager in its discretion.

## **Distribution policy**

The Manager intends to declare and distribute dividends to Unitholders at least semi-annually (in June and December each year). The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in HKD only. Distributions may be made out of capital as well as income at the Manager's discretion. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the



Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. 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.

Each Unitholder will receive distributions in HKD (whether holding RMB traded Units or HKD traded Units).

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

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

The composition of distributions payable on Units (i.e. the relative amounts of distributions paid and the percentages of dividends out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the website [www.amundietf.com.hk](http://www.amundietf.com.hk). The Manager may amend the Sub-Fund's distribution policy with respect to the distributions out of capital or effectively out of capital of the Sub-Fund subject to the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

## **Fees and expenses**

### *Management Fee*

The Sub-Fund employs a single management fee structure, with the Sub-Fund 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 Management Fee include, but are not limited to, the Manager's fee, Trustee's fee, Registrar's fees, Custodian's fees, fees and expenses of the auditors, ordinary out-of-pocket expenses incurred by the Manager or the Trustee, and the costs and expenses of licensing the Index. The Management Fee does not include brokerage and transaction costs, fees and extraordinary items such as litigation expenses.

The current Management Fee in respect of the Sub-Fund is 0.28% per year of the Net Asset Value and is accrued daily and calculated as at each Dealing Day. It is payable out of the Sub-Fund monthly in arrears in HKD.

### *Establishment costs*

The cost of establishing the Sub-Fund, including the preparation of this Prospectus, inception fees, the costs of seeking and obtaining the listing and authorisation by the SFC and all initial legal and printing costs relating to the Sub-Fund are borne by the Manager.

*Fees payable by Participating Dealers*

<b>Fees and expenses on creations</b>	<b>Amount</b>
Transaction Fee	HKD10,000 <sup>1</sup> per Application for the benefit of the Trustee  <u>Plus</u> Conversion Agent's Fee (See Note <sup>1</sup> )
Application Cancellation Fee	HKD10,000 <sup>2</sup> per Application
Extension Fee	HKD10,000 <sup>3</sup> per Application
Stamp duty	Nil
Corporate action fee	HKD0.80 per board lot <sup>4</sup>
All other Duties and Charges incurred by the Trustee or the Manager in connection with the creation	As applicable

<b>Fees and expenses on redemptions</b>	<b>Amount</b>
Transaction Fee	HKD10,000 <sup>1</sup> per Application for the benefit of the Trustee  <u>Plus</u> Conversion Agent's Fee (See Note <sup>1</sup> )
Application Cancellation Fee	HKD10,000 <sup>2</sup> per Application
Extension Fee	HKD10,000 <sup>3</sup> per Application
Stamp duty	Nil

<sup>1</sup> *The Transaction Fee comprises two components: (a) HKD10,000 per Application payable for the benefit of the Trustee; and (b) a Conversion Agent's Fee which ranges from HKD5,000 to HKD12,000 per day per Participating Dealer which is payable for the benefit of the Conversion Agent. The exact amount of Conversion Agent's Fee will depend on the aggregate HKD value of the Creation and Redemption Applications made on that day by that Participating Dealer, as more fully detailed below:*

<b>Total Aggregated Value Transacted Daily</b>	<b>Conversion Agent's Fee</b>
HKD1 to HKD2,000,000	HKD5,000
HKD2,000,001 to HKD5,000,000	HKD8,000
HKD5,000,001 to HKD10,000,000	HKD10,000
Over HKD10,000,000	HKD12,000

*A Participating Dealer may pass on to the relevant investor such Transaction Fee.*

<sup>2</sup> *An Application Cancellation Fee is payable to the Trustee in respect of either a withdrawn or failed Creation Application or Redemption Application.*

<sup>3</sup> *An Extension Fee is payable to the Trustee on each occasion the Manager upon a Participating Dealer's request, grants the Participating Dealer an extended settlement in respect of an in-kind Creation Application or Redemption Application.*

<sup>4</sup> *The corporate action fee is payable to HKSCC in respect of any Creation Application and Redemption Application and is subject to a maximum of HKD10,000 and the tariff specified in the CCASS Operational Procedures in effect from time to time.*

Unit Cancellation Fee	HKD1.00 per board lot
Corporate action fee	HKD0.80 per board lot <sup>4</sup>
All other Duties and Charges incurred by the Trustee or the Manager in connection with the redemption	As applicable

## The Index

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

### General

The Index is free float adjusted market capitalisation weighted, with a 10% cap on individual constituent weightings. It includes the 35 largest SEHK listed companies with over 50% of their respective sales revenue derived from areas outside the PRC. The Index provides a tradable index reflecting large capitalised Hong Kong companies. Hang Seng Indexes Company Limited (the "Index Provider") is responsible for the calculation and dissemination of the Index. The inception date of the Index was 3 January 2000 and the Index had a base level of 2000 on 3 January 2000.

As at 13 September 2019, the Index had a total market value of HKD7,301 billion and 35 constituents.

The Index is a total return index which reflects the return from dividend reinvestment.

The Manager (and each of its Connected Persons) is independent of the Index Provider. Please see below for the Index Provider's disclaimer.

### Index design

#### Universe

The universe of securities for the Index (the "Universe") includes all "Hong Kong securities" primarily listed on the Main Board of the SEHK, excluding securities that are secondary listings, preference shares, debt securities, mutual funds and other derivatives.

A Hong Kong security is defined as a Hong Kong-listed security with at least 50% of sales revenue\* derived outside of the PRC. Mainland companies (including H-shares, Red-chips and companies with at least 50% of sales revenue\* derived from mainland China) will be excluded from the Index universe.

\* Profit or assets will also be taken into consideration where these better reflect the company's business.

#### Eligible securities

A Hong Kong security is eligible for constituent selection if it fulfils the following eligibility criteria:

##### *Listing history requirement*

Securities should have been listed for at least one month, starting from the listing date to the

review cut-off date (both dates inclusive), in order to be considered in the index review.

*Turnover requirement*

For each security, its turnover velocity in each of the past 12 months is calculated using the following formula:

$$Velocity = \frac{\text{Median of Daily Traded Shares in Specific Calendar Month}}{\text{Freefloat – adjusted Issued Shares at Month – end}}$$

For the denominator used in the above turnover velocity calculation, the freefloat-adjusted issued shares figure at the end of each month is used. The freefloat-adjusted factor (“FAF”) for each security is calculated and reviewed at the end of March, June, September and December each year. A security is regarded as passing the monthly turnover test if it attains a minimum velocity of 0.1% in that month.

For new constituents to meet the turnover requirement, a security should fulfil the following criteria:

- (i) velocity is a minimum of 0.1% for at least 10 out of the past 12 months, and
- (ii) for the latest 3 months, velocity is a minimum of 0.1% in all 3 months.

For existing constituents to meet the turnover requirement, a security should fulfil the following criteria:

- (a) velocity is a minimum of 0.1% for at least 10 out of the past 12 months;
- (b) if a constituent fails to meet the turnover requirement as mentioned in (a), a supplementary turnover test will be applied for those months in which its velocity was less than 0.1%:
  - i. calculate the monthly aggregate turnover of the constituent;
  - ii. if the monthly aggregate turnover is among the top 90<sup>th</sup> percentile of the total market\*, the constituent passes the monthly turnover test for that month;
- (c) the constituent will be regarded as meeting the turnover requirement if (a) above is fulfilled after applying (b) above as a supplementary test.

*\* Total market includes securities primarily listed on the Main Board of the SEHK, excluding securities that are secondary listings, foreign companies, preference shares, debt securities, mutual funds and other derivatives.*

For a security with a trading history of less than 12 months or a security that has transferred from the Growth Enterprise Market<sup>#</sup> (“GEM”) to the Main Board in the past 12 months before the data review cut-off date, the following requirements replace those in the above paragraphs.

Trading Record	Measurements
< 6 months	1) attain minimum velocity of 0.1% for all trading months
≥ 6 months	2) cannot have more than one month in which the security has failed to attain a velocity of at least 0.1%  AND

	3) for the latest three months, security needs to have attained 0.1% for all trading months if it is not an existing constituent
--	--

# Securities transferred from GEM to the Main Board will be treated as new issues

^ For existing constituents, the supplementary turnover test as described in section (b) above also applies

For a security which has been suspended for any complete month(s) during the past 12 months before the review cut-off date, the relevant month(s) will be excluded from the velocity calculation. The security should meet the requirements as described in the preceding paragraph.

#### *Number of constituents*

The number of constituent securities is fixed at 35.

### **Constituent selection**

#### *Market value ("MV")*

The MV of an individual security refers to the average of month-end MVs for the past 12 months ("12-month-average MV") of any review period. For securities with a listing history of less than 12 months, the MV will be the average of the past month-end MVs since listing.

#### *Freefloat-adjusted MV ("FFMV")*

The FFMV of an individual security refers to the 12-month-average MV after freefloat adjustment, i.e. 12-month-average MV multiplied by FAF, calculated at the review data cut-off date.

#### *Selection criteria*

All individual securities are ranked in terms of Combined MV Score, calculated from MV Rank and FFMV Rank using the following formula:

- (a)  $0.5 \text{ MV Rank} + 0.5 \text{ FFMV Rank} = \text{Combined MV Score}$
- (b)  $\text{Rank of the Combined MV Score} = \text{Combined MV Rank}$
- (c) In cases where two securities have the same Combined MV Score, a higher rank will be assigned to the security with the higher MV Rank

The top 35 securities with the highest Combined MV Rank as described in the preceding paragraph will be selected as constituents of the Index, subject to the buffer zone rule (see below) in each review.

### **Index review and constituent changes**

The Index Provider undertakes regular quarterly reviews of constituents of the Index with data cut-off dates of the end of March, June, September and the end of December each year. A quarterly review is normally completed within 8 weeks after the end of each calendar quarter. Constituents for the Index will be selected according to its selection criteria as stated above. Constituents failing to meet the turnover requirements will be removed from the Index.

#### *Buffer zone*

Existing constituents ranked below the top 42nd will be removed from the Index, while non-Index constituent securities ranked 28<sup>th</sup> or above will be included.

If the number of incoming securities is greater than the number of outgoing constituents, constituents with the lowest Combined MV Rank will be removed from the Index in order to maintain the number of constituents at 35.

If the number of incoming securities is smaller than the number of outgoing constituents, securities with the highest Combined MV Rank will be added to the index in order to maintain the number of constituents at 35.

#### *Reserve list*

The 5 non-constituent securities with the highest Combined MV rank will fall into a Reserve List. The purpose of the Reserve List is to facilitate the replacement of any outgoing constituent between the regular reviews in cases where a constituent may be removed due to trading suspension or delisting.

#### *Effective date*

Effective dates of constituent changes will be the next trading day after the first Friday of March, June, September and December. If that Friday falls on a public holiday, it will be postponed to the next Friday, subject to the final decision made by the Index Provider. Under normal circumstances, the Index Provider will provide five trading days' notice to subscribers of its data products for any constituent changes before the effective dates.

#### *Trading suspension*

Any constituent that has been suspended from trading 1) due to bankruptcy / regulatory investigation; or 2) for three months will be removed from the Index and replaced as soon as possible by the highest ranked candidate on the latest Reserve List. Such a constituent may be retained in the index only in exceptional circumstances if it is believed that its trading is highly likely to resume in the near future. Should a suspended constituent need to be removed from the Index, it will be removed at the lowest system price, i.e. \$0.0001.

### **Index calculation**

The Index is freefloat-adjusted MV weighted with a 10% cap on individual securities.

The formula of the Index is set out as follows:

$$\text{Current Index} = \frac{\sum(P_t \times IS \times FAF \times CF)}{\sum(P_{t-1} \times IS \times FAF \times CF)} \times \text{Yesterday's Closing Index}$$

$P_t$  : Current Price at Day  $t$

$P_{t-1}$  : Closing Price at Day  $(t-1)$

$IS$  : Number of Issued Shares

$FAF$  : Freefloat-adjusted Factor, which is between 0 and 1

$CF$  : Cap Factor, which is between 0 and 1

### **Index constituents**

The constituents of the Index and their respective weightings are published on HSI's website at <https://www.hsi.com.hk/eng/resources-education/daily-reports> (this website has not been reviewed by the SFC). The Index (which is maintained by the Index Provider) is calculated and disseminated in HKD.

## Vendor codes

Vendor	Code for Price Index (real-time)	Code for Total Return Index (end of day, closing)
Thomson Reuters	.HSH35	.HSH35DV
Bloomberg	HSHK35	HSI 35TR

## Index disclaimer

The Index is published and compiled by Hang Seng Indexes Company Limited pursuant to a licence from Hang Seng Data Services Limited. The mark and name of the Index are proprietary to Hang Seng Data Services Limited. Hang Seng Indexes Company Limited and Hang Seng Data Services Limited have agreed to the use of, and reference to, the Index by Amundi (Hong Kong) Limited in connection with AMUNDI Hang Seng HK 35 Index ETF (the “Product”), **BUT NEITHER HANG SENG INDEXES COMPANY LIMITED NOR HANG SENG DATA SERVICES LIMITED WARRANTS OR REPRESENTS OR GUARANTEES TO ANY BROKER OR HOLDER OF THE PRODUCT OR ANY OTHER PERSON (i) THE ACCURACY OR COMPLETENESS OF THE INDEX AND ITS COMPUTATION OR ANY INFORMATION RELATED THERETO; OR (ii) THE FITNESS OR SUITABILITY FOR ANY PURPOSE OF THE INDEX OR ANY COMPONENT OR DATA COMPRISED IN IT; OR (iii) THE RESULTS WHICH MAY BE OBTAINED BY ANY PERSON FROM THE USE OF THE INDEX OR ANY COMPONENT OR DATA COMPRISED IN IT FOR ANY PURPOSE, AND NO WARRANTY OR REPRESENTATION OR GUARANTEE OF ANY KIND WHATSOEVER RELATING TO THE INDEX IS GIVEN OR MAY BE IMPLIED.** The process and basis of computation and compilation of the Index and any of the related formula or formulae, constituent stocks and factors may at any time be changed or altered by Hang Seng Indexes Company Limited without notice. **TO THE EXTENT PERMITTED BY APPLICABLE LAW, NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY HANG SENG INDEXES COMPANY LIMITED OR HANG SENG DATA SERVICES LIMITED (i) IN RESPECT OF THE USE OF AND/OR REFERENCE TO THE INDEX BY AMUNDI (HONG KONG) LIMITED IN CONNECTION WITH THE PRODUCT; OR (ii) FOR ANY INACCURACIES, OMISSIONS, MISTAKES OR ERRORS OF HANG SENG INDEXES COMPANY LIMITED IN THE COMPUTATION OF THE INDEX; OR (iii) FOR ANY INACCURACIES, OMISSIONS, MISTAKES, ERRORS OR INCOMPLETENESS OF ANY INFORMATION USED IN CONNECTION WITH THE COMPUTATION OF THE INDEX WHICH IS SUPPLIED BY ANY OTHER PERSON; OR (iv) FOR ANY ECONOMIC OR OTHER LOSS WHICH MAY BE DIRECTLY OR INDIRECTLY SUSTAINED BY ANY BROKER OR HOLDER OF THE PRODUCT OR ANY OTHER PERSON DEALING WITH THE PRODUCT AS A RESULT OF ANY OF THE AFORESAID, AND NO CLAIMS, ACTIONS OR LEGAL PROCEEDINGS MAY BE BROUGHT AGAINST HANG SENG INDEXES COMPANY LIMITED AND/OR HANG SENG DATA SERVICES LIMITED** in connection with the Product in any manner whatsoever by any broker, holder or other person dealing with the Product. Any broker, holder or other person dealing with the Product does so therefore in full knowledge of this disclaimer and can place no reliance whatsoever on Hang Seng Indexes Company Limited and Hang Seng Data Services Limited. For the avoidance of doubt, this disclaimer does not create any contractual or quasi-contractual relationship between any broker, holder or other person and Hang Seng Indexes Company Limited and/or Hang Seng Data Services Limited and must not be construed to have created such relationship.

An investor by subscribing or purchasing Units will be regarded as having acknowledged, understood and accepted the disclaimer above.

## **Index licence agreement**

The Manager was granted a licence by Hang Seng Indexes Company Limited (the “Index Provider”) to use the Index and Index data in connection with the Sub-Fund pursuant to a licence agreement dated 20 January 2016. The licence agreement shall continue until termination in accordance with the provisions of the licence agreement. The Manager or the Index Provider may terminate the licence agreement by giving notice to the other of at least 3 months. The licence agreement may also be terminated in accordance with the provisions of the licence agreement.

**APPENDIX 2:**

**AMUNDI FTSE China A50 Index ETF**

*(a Sub-Fund of Amundi ETF Series which is  
authorised under Section 104 of the SFO)*

(HKD Counter Stock Code: 02843)  
(RMB Counter Stock Code: 82843)

31 December 2019



## AMUNDI FTSE China A50 Index ETF

### Key information

Set out below is a summary of key information in respect of this Sub-Fund which should be read together with the full text of this Appendix and this Prospectus.

<b>Index</b>	FTSE China A50 Index
<b>Type of Index</b>	Net total return, i.e. the performance of the Index is calculated on the basis that dividends are reinvested net of any withholding tax
<b>Listing Date (SEHK)</b>	31 October 2016
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	02843 – HKD counter 82843 – RMB counter
<b>Trading Board Lot Size</b>	200 Units – HKD counter 200 Units – RMB counter
<b>Base Currency</b>	Renminbi (RMB)
<b>Trading Currency</b>	Hong Kong dollars (HKD) – HKD counter Renminbi (RMB) – RMB counter
<b>RQFII Holder</b>	Amundi Asset Management (France)
<b>PRC Custodian</b>	Bank of China Limited
<b>Distribution Policy</b>	The Manager intends to pay distributions to Unitholders at least annually (in September each year). Distributions may be made out of capital or effectively out of capital as well as income at the Manager’s discretion. Where distributions are made out of capital or effectively out of capital, this may result in an immediate reduction in the Net Asset Value per Unit. <b>Distributions on all Units (RMB counter Units and HKD counter Units) will be in RMB only<sup>#</sup></b>
<b>Creation/Redemption Policy</b>	Cash (RMB) only
<b>Application Unit Size (only by or through Participating Dealers)</b>	Minimum 500,000 Units (or multiples thereof)
<b>Dealing Deadline</b>	11:00 a.m. (Hong Kong time)
<b>Management Fee</b>	Currently 0.48% per year of the Net Asset Value
<b>Investment Strategy</b>	Full replication. Please refer to the section on “What is the investment strategy?” below
<b>Financial Year End</b>	30 September

<b>Listing Agent</b>	Altus Capital Limited
<b>Market Makers<sup>#</sup></b>	<ul style="list-style-type: none"> <li>• BNP Paribas Securities (Asia) Limited</li> <li>• Head &amp; Shoulders Securities Limited</li> <li>• HSBC Securities Brokers (Asia) Limited</li> <li>• SG Securities (HK) Limited</li> </ul>
<b>Participating Dealers<sup>#</sup></b>	<ul style="list-style-type: none"> <li>• ABN AMRO Clearing Hong Kong Limited</li> <li>• BNP Paribas Securities Services</li> <li>• China Merchants Securities (HK) Co., Limited</li> <li>• Citigroup Global Markets Asia Limited</li> <li>• Merrill Lynch Far East Limited</li> <li>• The Hongkong and Shanghai Banking Corporation Limited</li> </ul>
<b>Service Agent</b>	HK Conversion Agency Services Limited
<b>Website</b>	www.amundietf.com.hk

<sup>#</sup> Both HKD traded Units and RMB traded Units will receive distributions in RMB only. In the event that a Unitholder has no RMB account, the relevant Unitholder may have to bear the fees and charges associated with the conversion of such distribution from RMB into HKD or any other currency. Unitholders are advised to check with their brokers arrangements concerning distributions and to consider the risk factor entitled “RMB distributions risk” below.

<sup>#</sup> Please refer to the Manager’s website for the latest lists of Market Makers and Participating Dealers.

### **What is the investment objective?**

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

### **What is the investment strategy?**

In seeking to achieve the Sub-Fund’s investment objective, the Manager currently uses a full replication strategy through investing directly in Securities included in the Index in substantially the same weightings in which they are included in the Index, through the RQFII status granted to the RQFII Holder by the SAFE (as explained in the section on “What is the RQFII regime?” below) and/or the Stock Connect (as explained in the section “Stock Connect” below). The Manager may invest up to 100% of the Net Asset Value of the Sub-Fund through either the RQFII status granted to the RQFII Holder and/or the Stock Connect. The Manager will not adopt representative sampling as an investment strategy.

The Sub-Fund may also invest in money market funds and in cash deposits for cash management purposes although such investments are not anticipated to exceed 5% of the Net Asset Value of the Sub-Fund.

Currently, the Manager has no intention to invest the Sub-Fund in any FDIs (including structured products or instruments) for hedging or non-hedging (i.e. investment) purposes, and will not enter into Securities Lending Transactions, Sale and Repurchase Transactions, Reverse Repurchase Transactions or other similar over-the-counter transactions. Where required, the Manager will seek the prior approval of the SFC and provide at least one month’s prior notice to Unitholders before the Manager engages in any such investments.

Prior approval of the SFC will be sought and not less than one month’s prior notice will be given to the Unitholders in the event the Manager wishes to adopt investment strategy other than full

replication strategy.

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

Notwithstanding the investment and borrowing restrictions set out in Part 1 of this Prospectus, the Sub-Fund shall not invest in units or shares of other collective investment schemes.

### **What is the RQFII regime?**

Under current regulations in the PRC, foreign investors can invest in the domestic securities market through certain foreign institutional investors that have obtained status as a QFII or a RQFII from the CSRC and have been granted RQFII status by the SAFE to remit foreign freely convertible currencies (in the case of a QFII) and RMB (in the case of a RQFII) into the PRC for the purpose of investing in the PRC's domestic securities markets. The RQFII Holder, which is the Manager's parent company, Amundi Asset Management, has obtained RQFII status and may (as RQFII Holder) from time to time make use of its RQFII status for the purpose of the Sub-Fund's direct investment into the PRC.

The RQFII regime was introduced on 16 December 2011 by the "Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors which are Asset Management Companies or Securities Companies" (基金管理公司、證券公司人民幣合格境外機構投資者境內證券投資試點辦法) issued by the CSRC, the PBOC and the SAFE, which was repealed effective 1 March 2013.

The RQFII regime is currently governed by (i) the "Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors" issued by the CSRC, the PBOC and the SAFE and effective from 1 March 2013 (人民幣合格境外機構投資者境內證券投資試點辦法); (ii) the "Implementation Rules for the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors" issued by the CSRC and effective from 6 March 2013 (關於實施《人民幣合格境外機構投資者境內證券投資試點辦法》的規定); (iii) the "Circular on Issues Related to the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors", Huifa 2013 No. 42 (國家外匯管理局關於人民幣合格境外機構投資者境內證券投資試點有關問題的通知, 匯發 [2013] 42 號) issued by SAFE and effective from 21 March 2013; (iv) the "Notice of the People's Bank of China on the Relevant Matters concerning the Implementation of the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors", issued by the PBOC and effective from 2 May 2013 (中國人民銀行關於實施《人民幣合格境外機構投資者境內證券投資試點辦法》有關事項的通知); and (v) any other applicable regulations promulgated by the relevant authorities (collectively, the "RQFII Regulations").

All of the Sub-Fund's assets in the PRC (including onshore PRC cash deposits and its onshore A-Shares portfolio) will be held by the Custodian (through the PRC Custodian) in accordance with the terms of the PRC Custody Agreement and PRC Participation Agreement. A securities account shall be opened with CSDCC in the joint names of the RQFII Holder and the Sub-Fund. An RMB cash account shall also be established and maintained with the PRC Custodian in the joint names of the RQFII Holder and the Sub-Fund. The PRC Custodian shall, in turn, have a cash clearing account with CSDCC for trade settlement according to applicable regulations.

The Manager has obtained a legal opinion confirming that, as a matter of PRC law:

- (a) securities account(s) with the CSDCC and maintained by the PRC Custodian and RMB cash account(s) with the PRC Custodian (respectively, the "securities account(s)" and the "cash account(s)") have been opened in the joint names of the RQFII Holder and the Sub-Fund ("Amundi Asset Management – Amundi FTSE China A50 Index ETF") for the sole benefit and use of the Sub-Fund in accordance with all applicable laws, rules and

regulations of the PRC and with approval from all competent authorities in the PRC;

- (b) the assets held/credited in the securities account(s) (i) belong solely to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the RQFII Holder, the Manager, the Custodian, the PRC Custodian and any broker appointed by the Manager and/or the RQFII Holder to execute transactions for the Sub-Fund in the PRC markets (a “PRC Broker”), and from the assets of other clients of the RQFII Holder, the Manager, the Custodian, the PRC Custodian and any PRC Broker;
- (c) the assets held/credited in the cash account(s) (i) become an unsecured debt owing from the PRC Custodian to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the RQFII Holder, the Manager and any PRC Broker, and from the assets of other clients of the RQFII Holder, the Manager and any PRC Broker;
- (d) the Trustee, for and on behalf of the Sub-Fund, is the only entity which has a valid claim of ownership over the assets in the securities account(s) and the debt in the amount deposited in the cash account(s) of the Sub-Fund;
- (e) if the RQFII Holder, the Manager or any PRC Broker is liquidated, the assets contained in the securities account(s) and cash account(s) of the Sub-Fund will not form part of the liquidation assets of the RQFII Holder, the Manager or such PRC Broker in liquidation in the PRC; and
- (f) if the PRC Custodian is liquidated, (i) the assets contained in the securities account(s) of the Sub-Fund will not form part of the liquidation assets of the PRC Custodian in liquidation in the PRC, and (ii) the assets contained in the cash account(s) of the Sub-Fund will form part of the liquidation assets of the PRC Custodian in liquidation in the PRC and the Sub-Fund will become an unsecured creditor for the amount deposited in the cash account.

Repatriations in RMB conducted by the Manager and RQFII Holder on behalf of the Sub-Fund are permitted daily and are not subject to any lock-up periods or prior approval.

There are specific risks associated with the RQFII regime and investors’ attention is drawn to the RQFII related risk factors in the section on “Risk factors specific to the Sub-Fund” below.

### **Stock Connect**

The Stock Connect is a securities trading and clearing linked programme developed by the HKEx, the Shanghai Stock Exchange (the “SSE”), the Shenzhen Stock Exchange (“SZSE”) and the CSDCC, with an aim to achieve mutual stock market access between mainland China and Hong Kong. It comprises the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.

The Stock Connect comprises a Northbound Trading Link and a Southbound Trading Link. Under the Northbound Trading Link, Hong Kong and overseas investors (including the Sub-Fund), through their Hong Kong brokers and securities trading service companies 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 the SZSE (as the case may be). Under the Southbound Trading Link, eligible investors, through PRC securities firms and securities trading service companies 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 to trade certain stocks listed on the SSE market (the “SSE Securities”) and the SZSE market (the “SZSE Securities”).

The 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”.

The 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”.

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

#### *Trading day*

Investors (including the Sub-Fund) will only be allowed to trade on the other market 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 maximum cross-boundary investment quota (“Aggregate Quota”), together with a daily quota (“Daily Quota”), which is separate for Northbound and Southbound trading, for each of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect. The Aggregate Quota caps the absolute amount of fund inflow into the PRC under Northbound 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 Sub-Fund and are utilised on a first-come-first-serve basis. The SEHK will monitor the quota and publish the remaining balance of the Northbound Aggregate Quota and Daily Quota at scheduled times on the HKEx’s website. The Aggregate Quota and the Daily Quota may change in future. The Manager will not notify investors 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. Investors (including the Sub-Fund) do not hold the SSE Securities or the SZSE Securities directly.

#### *Corporate actions and shareholders’ meetings*

Notwithstanding the fact that HKSCC does not claim proprietary interests in the SSE Securities or the SZSE Securities held in its omnibus stock account in the CSDCC, the CSDCC as the share registrar for SSE or SZSE listed companies still treats the HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE Securities or SZSE Securities. The HKSCC will monitor the corporate actions affecting the SSE Securities or the SZSE Securities and keep the relevant CCASS participants 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 Sub-Fund) trade and settle the SSE Securities and the 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 Sub-Fund may be subject to other fees and taxes concerned with income arising from stock transfers which are determined by the relevant authorities.

On 31 October 2014, the MOF, SAT and CSRC have jointly issued a circular with effect from 17 November 2014 concerning the tax treatment for the Shanghai-Hong Kong Stock Connect (Caishui [2014] No. 81 – The Notice Concerning the Tax Treatment for the Pilot Programme of Shanghai-Hong Kong Stock Connect) (“Notice No. 81”) and on 5 November 2016 the MOF, SAT and CSRC have jointly issued another circular with effect from 5 December 2016 concerning the tax treatment for the Shenzhen-Hong Kong Stock Connect (Caishui [2016] No. 127 – The Circular Concerning the Tax Treatment for the Pilot Programme of the Shenzhen-Hong Kong Stock Connect) (“Notice No. 127”). Pursuant to Notice No. 81 and Notice No. 127, dividends received by Hong Kong and overseas investors will be subject to 10% withholding income tax, subject to potential tax relief under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (the “China-HK Arrangement”).

### *Coverage of Investor Compensation Fund*

The Sub-Fund’s investments through Northbound trading under the Stock Connect will not be 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. On the other hand, since the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not PRC brokers, it is 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](http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm)

### **Risk factors specific to the Sub-Fund**

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

### *Distributions out of or effectively out of capital risk*

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

### *RQFII systems risk*

The current RQFII Regulations include rules on investment restrictions applicable to the Sub-Fund. Transaction sizes for RQFIIs are relatively large (with the corresponding heightened risk of exposure to decreased market liquidity and significant price volatility leading to possible adverse effects on the timing and pricing of acquisition or disposal of securities).

Onshore PRC securities are registered in the joint names of the RQFII Holder and the Sub-Fund in accordance with the relevant rules and regulations, and maintained in electronic form via a securities account with the CSDCC. The account is required to bear the name of “Amundi Asset Management” as this is the name under which the RQFII Holder is approved by the relevant regulator. The RQFII Holder together with the Manager select PRC broker(s) (the “PRC Broker”) to act on the Sub-Fund’s and the RQFII Holder’s behalf in each of the two onshore PRC securities markets as well as the PRC Custodian to maintain the Sub-Fund’s assets in custody in accordance with the terms of the PRC Custody Agreement.

In the event of any default of either the relevant PRC Broker or the PRC Custodian (directly or through its delegate) in the execution or settlement of any transaction or in the transfer of any funds or securities in the PRC, the Sub-Fund may encounter delays in recovering its assets which may in turn adversely impact the net asset value of the Sub-Fund.

In extreme circumstances, the Sub-Fund may incur significant loss due to limited investment capabilities, or may not be able fully to implement or pursue its investment objectives or strategies, due to RQFII investment restrictions, illiquidity of the PRC’s securities markets, and delay or disruption in execution of trades or in settlement of trades.

The regulations which regulate investments by RQFIIs in the PRC and the repatriation of capital from RQFII investments are relatively new. The application and interpretation of such investment regulations are therefore relatively untested and there is no certainty as to how they will be applied as the PRC authorities and regulators have been given wide discretion in such investment regulations and there is no precedent or certainty as to how such discretion may be exercised now or in the future.

### *PRC Custodian and PRC Broker risk*

Onshore PRC assets will be maintained by the PRC Custodian in electronic form via a securities account with the CSDCC and a cash account with the PRC Custodian.

The RQFII Holder and the Manager also select PRC Broker(s) to execute transactions for the Sub-Fund and the RQFII Holder in the PRC markets (the Shanghai Stock Exchange and the Shenzhen Stock Exchange). In the event that the RQFII Holder and/or the Manager appoint only one PRC Broker (the same PRC Broker for both markets) or two PRC Brokers (where a different PRC Broker is appointed in each market), and should, for any reason, the Sub-Fund’s ability to use the relevant PRC Broker be affected, this could disrupt the operations of the Sub-Fund and affect the ability of the Sub-Fund to track the Index, causing a premium or a discount to the trading price of Units on the SEHK. The Sub-Fund may also incur losses due to the acts or omissions of either the relevant PRC Broker or the PRC Custodian in the execution or settlement of any transaction or in the transfer of any funds or Securities. Subject to the applicable laws and regulations in the PRC, the Manager will make arrangements to ensure that the relevant PRC Broker and PRC Custodian have appropriate procedures to properly safe-keep the Sub-Fund’s assets.

According to the RQFII Regulations and market practice, the securities and cash accounts for the Sub-Fund in the PRC are to be maintained in the joint names of the RQFII Holder and the Sub-Fund. Although the Manager has obtained a legal opinion that the assets in such securities account would belong to the Sub-Fund, such opinion cannot be relied on as being conclusive, as the RQFII Regulations are subject to the interpretation of the relevant authorities in the PRC.

Investors should note that cash deposited in the cash account of the Sub-Fund with the PRC Custodian will not be segregated but will be a debt owing from the PRC Custodian to the Sub-Fund as a depositor. Such cash will be co-mingled with cash belong to other clients of the PRC Custodian. In the event of bankruptcy or liquidation of the PRC Custodian, the Sub-Fund will not have any proprietary rights to the cash deposited in such cash account, and the Sub-Fund will become an unsecured creditor, ranking pari passu with all other unsecured creditors, of the PRC Custodian. The Sub-Fund may face difficulty and/or encounter delays in recovering such debt, or may not be able to recover it in full or at all, in which case the Sub-Fund will suffer losses.

#### *Repatriation risk*

Repatriations by RQFIs in respect of funds such as the Sub-Fund conducted in RMB are permitted daily and are not subject to any lock-up periods or prior approval. There is no assurance, however, that PRC rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Any restrictions on repatriation of the invested capital and net profits may impact on the Sub-Fund's ability to meet redemption requests.

#### *Economic, political and social risks of the PRC*

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 the 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 the PRC and a high level of management autonomy. The economy of the PRC has experienced significant growth in the past 25 years, but growth has been uneven both geographically and among various sectors of the economy. Economic growth has also been accompanied by periods of high inflation. The PRC government has implemented various measures from time to time to control inflation and restrain the rate of economic growth.

For more than 25 years, the PRC 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 Sub-Fund. 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 Sub-Fund.

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 property held by the underlying issuers of the Securities in the Sub-Fund's portfolio.

#### *PRC laws and regulations risk*

The regulatory and legal framework for capital markets and joint stock companies in the PRC may not be as well developed as those of developed countries. PRC laws and regulations affecting securities markets are relatively new and evolving, and because of the limited volume of published cases and judicial interpretation and their non-binding nature, interpretation and enforcement of these regulations involve significant uncertainties. In addition, as the PRC 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.

#### *New product risk*

The Sub-Fund is a physical RQFII, RMB denominated exchange traded fund investing directly in A-Shares. The cross-border nature of RQFII makes the Sub-Fund riskier than traditional exchange traded funds investing in markets other than the PRC. The Sub-Fund may be subject to higher operational risks, for example risks arising from technical failures of communications and trading systems. Whilst the Manager has in place internal control systems, operational guidelines and contingency procedures to reduce the chances of such operational risks, there is no guarantee that events beyond the control of the Manager will not occur, which may adversely affect the trading activities of the Sub-Fund.

#### *Restricted markets risk*

The Sub-Fund may invest in Securities in respect of which the PRC imposes limitations or restrictions on foreign ownership or holdings. Such legal and regulatory restrictions or limitations may have adverse effects on the liquidity and performance of the Sub-Fund holdings as compared to the performance of the Index. This may increase the risk of tracking error and, at the worst, the Sub-Fund may not be able to achieve its investment objective.

#### *A-Share market suspension risk*

A-Shares may only be bought from, or sold to, the Sub-Fund from time to time where the relevant A-Shares may be sold or purchased on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, as appropriate. Given that the A-Share market is considered volatile and unstable (with the risk of suspension of a particular stock or government intervention), the creation and redemption of Units may also be disrupted. Such volatility and suspensions could contribute to tracking error of the Sub-Fund and may cause Units to trade at a premium or discount to the Sub-Fund's Net Asset Value. A Participating Dealer is unlikely to redeem or create Units if it considers that A-Shares may not be available.

#### *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.

#### *Changes in PRC taxation risk*

The PRC Government has implemented a number of tax reform policies in recent years. The current tax laws and regulations may be revised or amended in the future. Any revision or amendment in tax laws and regulations may affect the after-taxation profit of PRC companies and foreign investors in such companies. Please also refer to the section below entitled "PRC Taxation".

#### *Government intervention and restriction risk*

Governments and regulators may intervene in the financial markets, such as by the imposition of trading restrictions, a ban on "naked" short selling, the suspension of trading and/or short selling for certain stocks. This may affect the operation and market making activities of the Sub-Fund, and may have an unpredictable impact on the Sub-Fund. Furthermore, such market interventions may have a negative impact on the market sentiment which may in turn affect the performance of the Index and as a result the performance of the Sub-Fund.

### *PRC withholding taxation risk*

In order to meet the potential tax liability on capital gains arising from disposal of A-Shares, the Manager reserves the right to provide for withholding income tax (“WIT”) on such gains and withhold the tax for the account of the Sub-Fund. The Manager will not make any WIT provision on the gross unrealised and realised capital gains derived from trading of A-Shares by the Sub-Fund.

It should also be noted that the prevailing PRC tax regulations specified that the tax exemption on capital gains derived from the trading of A-Shares from 17 November 2014 onwards is temporary. There is a possibility of the PRC tax rules, regulations and practice being changed and taxes being applied retrospectively. As such, there is a risk that the Sub-Fund may have tax liabilities which were not provided for, which may potentially cause substantial loss to the Sub-Fund. The Manager will closely monitor any further guidance by the relevant PRC tax authorities and adjust the WIT provision policy of the Sub-Fund accordingly. The Manager will act in the best interest of the Sub-Fund at all times.

If the Sub-Fund has actual tax liabilities for which no provision was made, Unitholders may be disadvantaged depending upon the final tax liabilities and when they subscribed and/or redeemed their Units. If the tax is levied by the SAT for which no provision was made by the Manager, investors should note that the Net Asset Value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to those borne at the time of investment in the Sub-Fund. On the other hand, if the actual applicable tax amount levied by the SAT is lower than that provided for by the Manager so that there is an excess in the tax provision amount, Unitholders who have redeemed their Units before the SAT’s ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager’s overprovision. In this case, the then existing and new Unitholders may benefit if the difference between the tax provision and the actual taxation liability under that lower tax rate can be returned to the account of the Sub-Fund as assets thereof. Notwithstanding the above provisions, Unitholders who have already redeemed their Units in the Sub-Fund before the return of any overprovision to the account of the Sub-Fund will not be entitled or have any right to claim any part of such overprovision. Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund.

Please refer to the sub-section “Taxation” – “PRC Taxation” for further information in this regard.

### *Trading hours differences risk*

As the Shanghai Stock Exchange and the Shenzhen Stock Exchange may be open when Units in the Sub-Fund are not priced, the value of the Securities in the Sub-Fund’s portfolio may change on days when investors will not be able to purchase or sell the Sub-Fund’s Units. Furthermore, the market price of underlying Securities listed on the above stock exchanges which are established outside Hong Kong may not be available during part or all of the SEHK trading sessions due to trading hour differences which may result in the trading price of the Sub-Fund deviating away from the Net Asset Value. A-Shares may be subject to trading bands which restrict increases and decreases in the trading price. Units listed on the SEHK are not. The prices quoted by the SEHK market maker would therefore be adjusted to take into account any accrued market risk that arises from such unavailability of the Index level and as a result, the level of premium or discount of the Unit price of the Sub-Fund to its Net Asset Value may be higher.

### *RMB is not freely convertible and subject to exchange controls and restrictions risk*

It should be noted that the RMB is currently not a freely convertible currency as it is subject to

foreign exchange control policies and repatriation restrictions imposed by the PRC government. Since 1994, the conversion of RMB into USD has been based on rates set by the PBOC, which are set daily based on the previous day's PRC interbank foreign exchange market rate. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. In addition, a market maker system was introduced to the interbank spot foreign exchange market. In July 2008, the PRC announced that its exchange rate regime was further transformed into a managed floating mechanism based on market supply and demand. Given the domestic and overseas economic developments, the PBOC decided to further improve the RMB exchange rate regime in June 2010 to enhance the flexibility of the RMB exchange rate. In April 2012, the PBOC decided to take a further step to increase the flexibility of the RMB exchange rate by expanding the daily trading band from +/-0.5% to +/-1%. Effective 11 August 2015 the RMB central parity is fixed against the USD by reference to the closing rate of the inter-bank foreign exchange market on the previous day (rather than the previous morning's official setting).

However it should be noted that the PRC government's policies on exchange control and repatriation restrictions are subject to change, and any such change may adversely impact the Sub-Fund. There can be no assurance that the RMB exchange rate will not fluctuate widely against the USD or any other foreign currency in the future.

Foreign exchange transactions under the capital account, including principal payments in respect of foreign currency-denominated obligations, currently continue to be subject to significant foreign exchange controls and require the approval of the SAFE. On the other hand, the existing PRC foreign exchange regulations have significantly reduced government foreign exchange controls for transactions under the current account, including trade and service related foreign exchange transactions and payment of dividends. Nevertheless, the Manager cannot predict whether the PRC government will continue its existing foreign exchange policy or when the PRC government will allow free conversion of the RMB to foreign currency.

#### *RMB trading and settlement of Units risk*

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

#### *Non-RMB or late settlement redemption risk*

Where, in extraordinary circumstances, the remittance or payment of RMB funds on the redemption of Units cannot, in the opinion of the Manager in consultation with the Trustee, be carried out normally due to legal or regulatory circumstances beyond the control of the Trustee and the Manager, redemption proceeds may be delayed or, if necessary in exceptional circumstances, be paid in USD or HKD instead of in RMB (at an exchange rate determined by the Manager after consultation with the Trustee). As such, there is a risk that investors may not be able to receive, through Participating Dealers, settlement upon a redemption of Units in RMB (and may receive

USD or HKD) or may receive settlement in RMB on a delayed basis.

#### *RMB distributions risk*

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

#### *RQFII late settlement risk*

The Sub-Fund will be required to remit RMB from Hong Kong to the PRC to settle the purchase of A-Shares by the Sub-Fund from time to time. In the event such remittance is disrupted, the Sub-Fund will not be able to fully replicate the Index by investing in the relevant A-Shares and this may increase the tracking error of the Sub-Fund.

#### *Exchange rates movement between the RMB and other currencies risk*

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

#### *Future movements in RMB exchange rates risk*

The exchange rate of RMB ceased to be pegged to USD on 21 July 2005, resulting in a more flexible RMB exchange rate system. The China Foreign Exchange Trading System, authorised by the PBOC, promulgates the central parity rate of RMB against USD, Euro, Yen, British pound sterling and HKD at 9:15 a.m. on each business day, which will be the daily central parity rate for transactions on the Inter-bank Spot Foreign Exchange Market and OTC transactions of banks. The exchange rate of RMB against the above-mentioned currencies fluctuates within a range above or below such central parity rate. Effective 11 August 2015 the PBOC changed the central parity system for the USD to a more market based system by which the central parity is set by reference to the closing rate of the inter-bank foreign exchange market on the previous day. As the exchange rates are based primarily on market forces, the exchange rates for RMB against other currencies, including USD and HKD, are susceptible to movements based on external factors. There can be no assurance that such exchange rates will not fluctuate widely against USD, HKD or any other foreign currency in the future. From 1994 to July 2005, the exchange rate for RMB against USD and the HKD was relatively stable. Since July 2005, the appreciation of RMB has begun to accelerate. Although the PRC government has constantly reiterated its intention to maintain the stability of RMB, it may introduce measures (such as a reduction in the rate of export tax refund) to address the concerns of the PRC's trading partners. Therefore, the possibility that the appreciation of RMB will be further accelerated cannot be excluded. On the other hand, there can be no assurance that RMB will not be subject to devaluation.

#### *Dual Counter risks*

The SEHK's Dual Counter model in Hong Kong is relatively recent. The Sub-Fund will be an exchange traded fund with Dual Counter traded Units which means that Units are traded and

settled in RMB under the RMB counter and traded and settled in HKD under the HKD counter. The nature of the Dual Counter for exchange traded funds may make investment in the Units riskier than in single counter units or shares of an SEHK listed issuer for example where for some reason there is a settlement failure on an inter-counter transfer if the Units of one counter are delivered to CCASS at the last settlement on a trading day, leaving not enough time to transfer the Units to the other counter for settlement on the same day.

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

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

Investors without RMB accounts may buy and sell HKD traded Units only. However such investors will not be able to buy or sell RMB traded Units and should note that distributions are made in RMB only. As such, investors may suffer a foreign exchange loss and incur foreign exchange associated fees and charges to receive their distribution.

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

#### *Offshore RMB ("CNH") market risk*

The onshore RMB ("CNY") is the only official currency of the PRC and is used in all financial transactions between individuals, state and corporations in the PRC. Hong Kong is the first jurisdiction to allow accumulation of RMB deposits outside the PRC. Since June 2010, the offshore RMB ("CNH") is traded officially, regulated jointly by the Hong Kong Monetary Authority and the PBOC. While both CNY and CNH represent RMB, they are traded in different and separated markets. The two RMB markets operate independently where the flow between them is highly restricted. Though the CNH is a proxy's of the CNY, they do not necessarily have the same exchange rate and their movement may not be in the same direction. This is because these currencies act in separate jurisdictions, which leads to separate supply and demand conditions for each, and therefore separate but related currency markets.

However, the current size of RMB-denominated financial assets outside the PRC is limited. As at 30 June 2016, the total amount of RMB (CNH) deposits held by institutions authorised to engage in RMB banking business in Hong Kong amounted to approximately RMB712 billion. In addition, participating authorised institutions are also required by the Hong Kong Monetary Authority to maintain a total amount of RMB (in the form of cash and its settlement account balance with the Renminbi Clearing Bank) of no less than 25% of their RMB deposits, which further limits the availability of RMB that participating authorised institutions can utilise for conversion services for their customers. RMB business participating banks do not have direct RMB liquidity support from PBOC. The Renminbi Clearing Bank only has access to onshore liquidity support from PBOC (subject to annual and quarterly quotas imposed by PBOC) to square open positions of

participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and for individual customers. The Renminbi Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source RMB from the offshore market to square such open positions. Although it is expected that the offshore RMB market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the relevant settlement agreement between Hong Kong banks and the PBOC will not be terminated or amended in the future which will have the effect of restricting availability of RMB offshore. The limited availability of RMB outside the PRC may affect the ability of investors to acquire Units or to sell Units of the Sub-Fund affecting the liquidity and therefore the trading price of the Units on the SEHK. To the extent the Manager is required to source RMB in the offshore market, there is no assurance that it will be able to source such RMB on satisfactory terms, if at all.

#### *Reliance on Market Makers risk*

Although the Manager will use its best endeavours to put in place arrangements so that there is at least one RMB Counter Market Maker for RMB counter and one HKD Counter Market Maker for HKD counter to maintain a market for the Units traded in each counter, it should be noted that liquidity in the market for the Units may be adversely affected if there is no Market Maker for the HKD traded Units or no Market Maker for the RMB traded Units. The Manager will seek to mitigate this risk by using its best endeavours to put in place arrangements so that at least one Market Maker for each counter gives not less than 3 months' notice prior to terminating market making arrangement under the relevant market making agreements. There may be less interest by potential market makers in making a market in RMB denominated or traded Units. Furthermore, any disruption to the availability of RMB may adversely affect the capability of Market Makers in providing liquidity for such RMB traded Units. It is possible that there is only one SEHK Market Maker to a counter (RMB or HKD) or to the Sub-Fund or the Manager may not be able to engage a substitute Market Maker within the termination notice period of a Market Maker, and there is also no guarantee that any market making activity will be effective.

#### *Risks associated with the Stock Connect*

The Sub-Fund's investments through the Stock Connect may be subject to the following risks. In the event that the Sub-Fund's ability to invest in A-Shares through the Stock Connect on a timely basis is adversely affected, the Manager will only be able to rely on RQFII investments to achieve the Sub-Fund's investment objective. The following risks apply to investment through Stock Connect:

- (a) *Quota limitations:* 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). The Sub-Fund's ability to invest in A-Shares through the Stock Connect may be affected.
- (b) *Front-end monitoring risk:* PRC regulations require that in order for an investor to sell any A Shares on a certain trading day, there must be sufficient A Shares in the investor's account before market opens on that day. If there are insufficient A Shares 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 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. 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 Sub-Fund 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.

- (c) *Suspension risk*: It is contemplated that each of the SEHK, the SSE and the SZSE would reserve 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 Sub-Fund’s ability to access the PRC market through the Stock Connect will be adversely affected.
- (d) *Differences in trading day*: The Stock Connect will only operate on days when both the PRC and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the PRC market but Hong Kong investors (such as the Sub-Fund) cannot carry out any A-Shares trading.
- (e) *Operational risk*: The Stock Connect provides a new channel for investors from Hong Kong and overseas to access the China 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 the differences 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.

- (f) *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 Sub-Fund’s tracking of the Index if, for example, a constituent of the Index is recalled from the scope of eligible stocks.
- (g) *Clearing and settlement risk*: The HKSCC and 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 Sub-Fund may suffer delay in the recovery process or may not be able to fully recover its losses from the CSDCC.
- (h) *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.

- (i) *No Protection by Investor Compensation Fund:* The Sub-Fund's investments through the Stock Connect will not be 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 matters in Northbound trading via the Stock Connect do not involve products listed or traded in SEHK or Hong Kong Futures Exchange Limited, they will not be covered by the Investor Compensation Fund. On the other hand, since the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not PRC brokers, it is not protected by the China Securities Investor Protection Fund (中國投資者保護基金) in the PRC. Therefore the Sub-Fund is exposed to the risks of default of the broker(s) it engages in its trading in A-Shares through the programme.

## **The offshore RMB market**

### *What led to RMB internationalisation?*

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

Over the past 2 decades, the PRC's economy grew rapidly at an average annual rate of 9.2% in real terms. This enables it to overtake Japan to become the second largest economy and trading country in the world. The International Monetary Fund has projected that the PRC will contribute to more than one-third of global growth by 2015. As the PRC's economy becomes increasingly integrated with the rest of the world, it is a natural trend for its currency – the RMB, to become more widely used in the trade and investment activities.

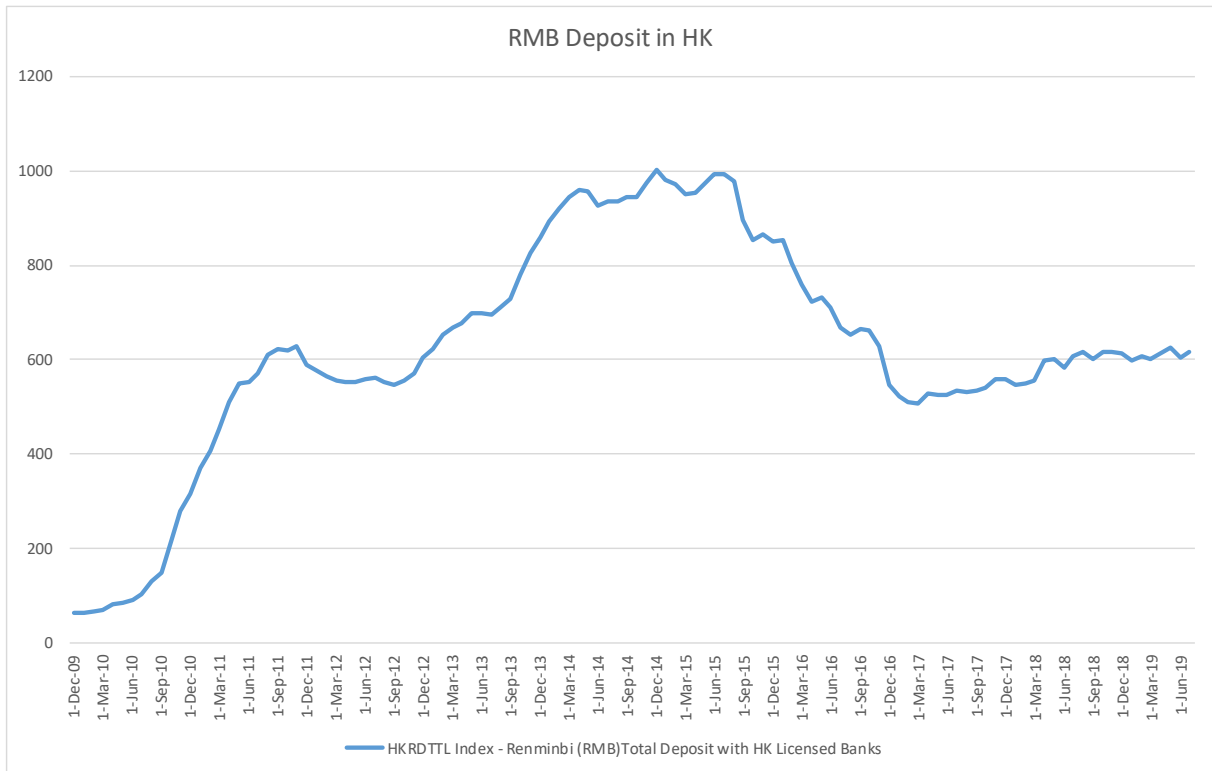
### *Accelerating the pace of the RMB internationalisation*

The PRC has been taking gradual steps to increase the use of RMB outside its borders by setting up various pilot programmes in Hong Kong and neighbouring areas in recent years. For instance, banks in Hong Kong were the first permitted to provide RMB deposits, exchange, remittance and credit card services to personal customers in 2004. Further relaxation occurred in 2007 when the authorities allowed PRC financial institutions to issue RMB bonds in Hong Kong. As of the end of July 2019, there are 136 authorised institutions in Hong Kong engaging in RMB business, with RMB deposits amounting to about RMB616 billion, as compared to just RMB63 billion in 2009.

The pace of RMB internationalisation has accelerated since 2009 when the PRC authorities permitted cross-border trade between Hong Kong / Macau and Shanghai/four Guangdong cities, and between ASEAN and Yunnan/Guangxi, to be settled in RMB. In June 2010, the arrangement was expanded to 20 provinces / municipalities on the PRC and to all countries / regions overseas. In 2018, about RMB4,206 billion worth of cross-border trade was settled in Hong Kong using RMB.

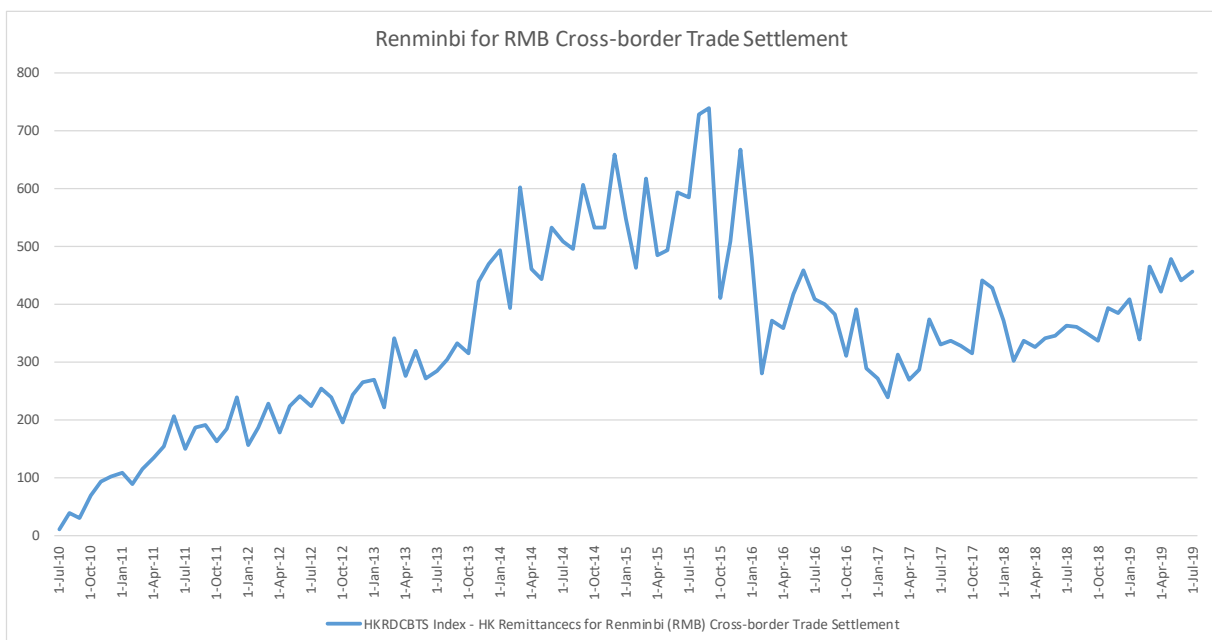


## RMB deposits in Hong Kong



*As of end July 2019*

## Remittances for RMB cross-border trade settlement



*As of end July 2019*

### *Onshore versus offshore RMB market*

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

Both onshore and offshore RMB are the same currency but are traded in different markets. Since

the 2 RMB markets operate independently where the flow between them is highly restricted, onshore and offshore RMB are traded at different rates and their movement may not be in the same direction. Due to the strong demand for offshore RMB, CNH used to be traded at a premium to onshore RMB, although occasional discount may also be observed. The relative strength of onshore and offshore RMB may change significantly, and such change may occur within a very short period of time.

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

There have been talks on the potential convergence of the 2 RMB markets but that is believed to be driven by political decisions rather than just economics. It is widely expected that the onshore and offshore RMB markets would remain two segregated, but highly related, markets for the next few years.

### *Recent measures*

On 19 July 2010, restrictions on interbank transfer of RMB funds were lifted, and permission was granted for companies in Hong Kong to exchange foreign currencies for RMB without limit. One month later, the PRC authorities announced the partial opening up of PRC's interbank bond market for foreign central banks, RMB clearing banks in Hong Kong and Macau and other foreign banks participating in the RMB offshore settlement programme.

The National Twelfth Five-Year Plan adopted in March 2011 explicitly supports the development of Hong Kong as an offshore RMB business centre. In August 2011, PRC Vice-Premier Li Keqiang announced more new initiatives during his visit, such as allowing investments on the PRC equity market through the RQFII scheme and the launch of an exchange-traded fund with Hong Kong stocks as the underlying constituents in the PRC. Also the PRC Government has given approval for the first non-financial PRC firm to issue RMB-denominated bonds in Hong Kong.

Shanghai-Hong Kong Stock Connect was launched in November 2014 and Shenzhen-Hong Kong Stock Connect was launched in December 2016. Stock Connect is a mutual market access programme that allows investment in eligible Shanghai-listed shares and Shenzhen-listed shares through the SEHK and eligible Hong Kong-listed shares through the SSE and the SZSE.

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

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

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

## **The A-Share market**

### *Introduction*

The PRC's A-Share market commenced in 1990 with 2 exchanges.

The Shanghai Stock Exchange was established on 26 November 1990 and stocks are further divided into class A-Shares, Class B-Shares and Sci-Tech Innovation Board (STIB) Shares, with access to A-Shares and STIB Shares limited to domestic investors as well as QFIIs and RQFIIs or through Stock Connect only, while Class B-Shares are available to both domestic and foreign investors. Bonds traded on the Shanghai Stock Exchange include treasury bonds (T-bonds), local government bonds, corporate bonds (including those approved by the State Development and Reform Commission), corporate bonds with detachable warrants, and convertible corporate bonds. In addition, securities investment funds (including exchange traded funds) and warrants are available for trading on the Shanghai Stock Exchange. As of 12 September 2019, there are 1,563 companies listed on the Shanghai Stock Exchange with total market capitalisation of RMB34.3 trillion.

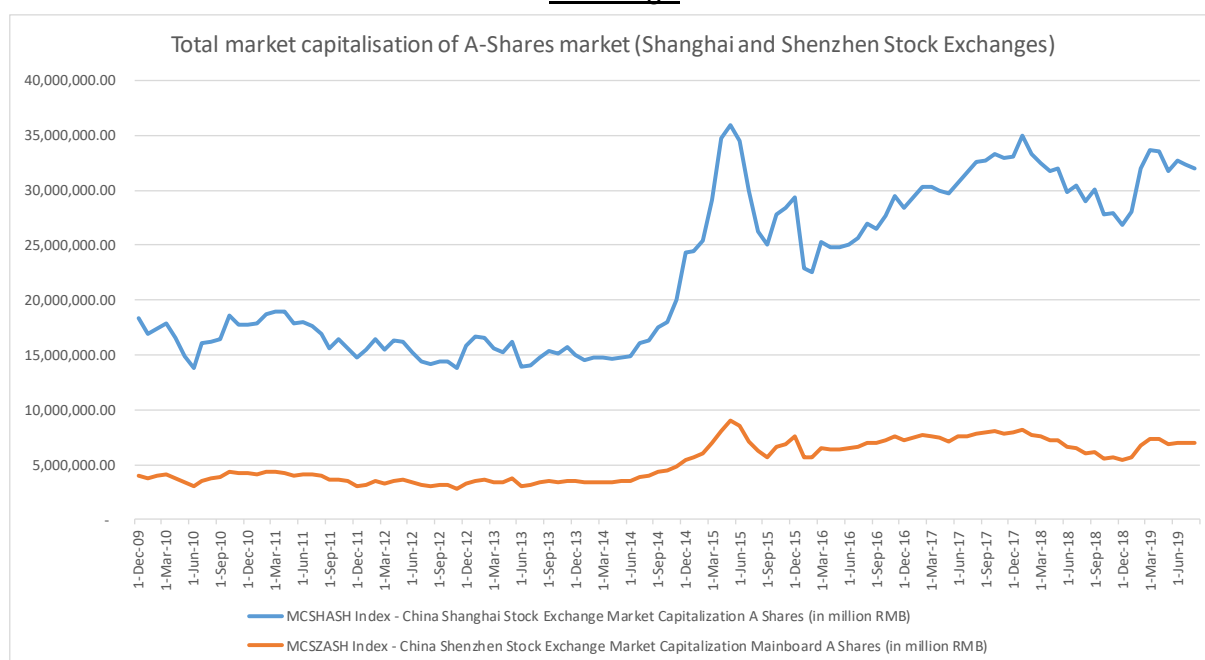
The Shenzhen Stock Exchange was founded on 1 December 1990. As of 12 September 2019 there are 2,217 listed companies, 508 of which are listed on the Shenzhen Stock Exchange main board with total market capitalisation of RMB7.35 trillion, 939 of which are listed on the small and medium enterprises ("SME") board with total market capitalisation of RMB9.55 trillion, and 770 of which are listed on the ChiNext (the board mainly for "hi-tech" companies) with total market capitalisation of RMB5.84 trillion. The Shenzhen Stock Exchange's products cover equities, mutual funds and bonds. The product lines include A-Shares, B-Shares, indices, mutual funds (including exchange traded funds and listed open ended funds), fixed income products (including SME collective bonds and asset-backed securities), and diversified derivative financial products (including warrants and repurchases).

In terms of investor breakdown, there is an increasing number of institutional investors participating in the A-Share market since the inception, which include securities investment funds, social pension funds, qualified foreign institutional investors and insurance companies, ordinary investment institutions. However, on a daily basis, retail investors still make up for the majority of the trading volume.

### *Development of the A-Share market*

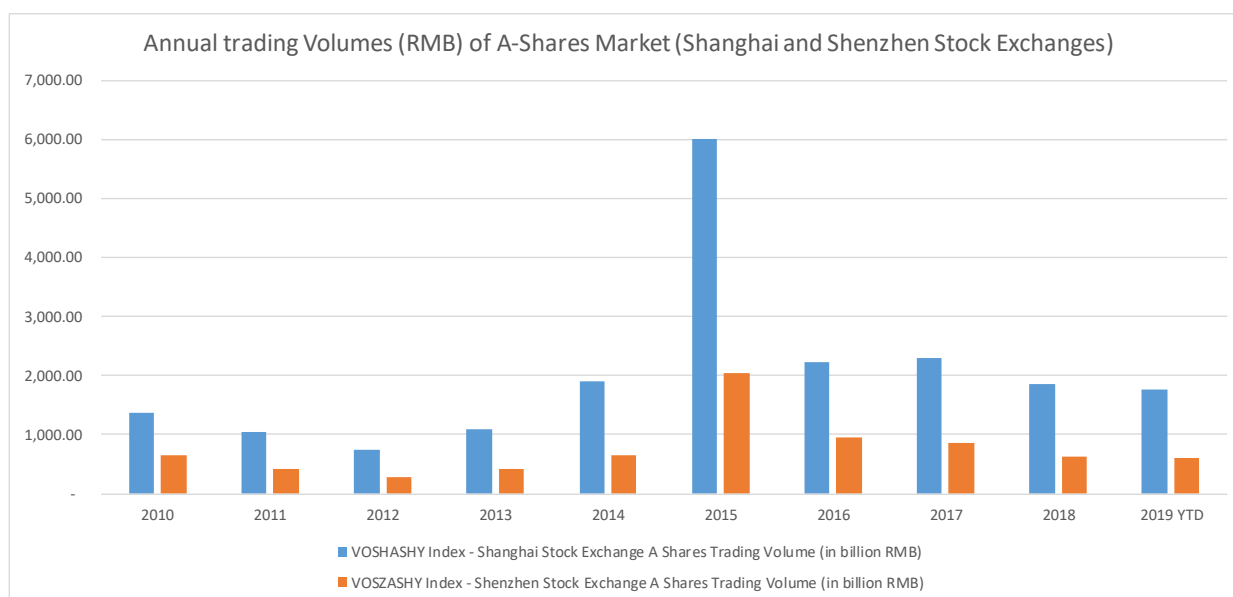
The A-Share market's development is illustrated in the following tables:

## Total market capitalisation of A-Shares of both Shanghai Stock Exchange and Shenzhen Stock Exchange



As of end August 2019

## Annual trading volumes (turnover) of A-Shares of both Shanghai Stock Exchange and Shenzhen Stock Exchange



As of end August 2019

### *Differences with the Hong Kong market*

The major differences between the A-Share market and the Hong Kong market are set out in the table below:

	<b>PRC</b>	<b>Hong Kong</b>
<b>Key indexes</b>	SHCOMP / CSI 300 / SZCOMP	HSI / HSCEI
<b>Trading band limits</b>	10% / 5% (for ST/S stocks)*	No Limit

<b>Trading lots</b>	100 shares for BUY / 1 share for SELL**	Each stock has its own individual board lot size (an online broker will usually display this along with the stock price when you get a quote); purchases in amounts which are not multiples of the board lot size are done in a separate “odd lot market”.
<b>Trading hours</b>	pre-open: 0915-0925 morning session: 0930-1130 afternoon session: 1300-1500 (1457-1500 is closing auction for the Shenzhen Stock Exchange)	pre-open order input: 0900-0915 pre-order matching 0915-0920 order matching: 0920-0928 morning session: 0930-1200 afternoon session: 1300-1600
<b>Settlement</b>	T+1	T+2
<b>Reporting requirements</b>	Annual report: <ul style="list-style-type: none"> <li>Full annual report must be disclosed within 4 months after the reporting period.</li> </ul> Interim report: <ul style="list-style-type: none"> <li>Full report must be disclosed within 2 months after the reporting period.</li> </ul> Quarterly report: <ul style="list-style-type: none"> <li>Full report must be disclosed within 1 month after the reporting period. The first quarterly report cannot be disclosed before last year's annual report.</li> </ul>	Annual report: <ul style="list-style-type: none"> <li>Earnings must be disclosed within 3 months after the reporting period;</li> <li>Full annual report must be disclosed within 4 months after the reporting period.</li> </ul> Interim report: <ul style="list-style-type: none"> <li>Earnings must be disclosed within 2 months after the reporting period;</li> <li>Full report must be disclosed within 3 months after the reporting period.</li> </ul>

**Note:**

\* 1) *ST stocks refer to special treatment stocks, which means special treatment for companies with financial problems (consecutive 2 fiscal years loss or audited net assets per share less than par value in the most recent fiscal year), effective from 22 April 1998. Stocks with ST usually means they have a delisting risk.*

2) *S stocks refer to those stocks which have not yet performed the “split share structure reform”.*

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

**The offering**

The attention of investors is drawn to the section entitled “The Offering Phases” in Part 1 of this Prospectus.

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

Dealings in the Units on the SEHK commenced on 31 October 2016.

The current Dealing Deadline is 11:00 a.m. (Hong Kong time) on the relevant Dealing Day, or such

other time as the Manager (with the approval of Trustee) may determine on any day when the trading hours of the SEHK, the Shanghai Stock Exchange and/or the Shenzhen Stock Exchange are reduced.

Notwithstanding the Dual Counter, all Creation Applications must be made in cash (in RMB only). Units which are created must be deposited in CCASS in the RMB counter initially. Settlement in cash for subscribing Units is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

### *Participating Dealers*

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

### **RMB payment procedures**

Investors may, unless otherwise agreed by the relevant Participating Dealer, apply for Units deposited in the RMB counter through Participating Dealers only if they have sufficient RMB to pay the application monies and the related fees. Investors should note that RMB is the only official currency of the PRC. While both onshore RMB (“CNY”) and offshore RMB (“CNH”) are the same currency, they are traded in different and separated markets. Since the two RMB markets operate independently where the flow between them is highly restricted, CNY and CNH are traded at different rates and their movement may not be in the same direction. Although there is a significant amount of RMB held offshore (i.e. outside the PRC), CNH cannot be freely remitted into the PRC and is subject to certain restrictions, and vice versa. As such whilst CNH and CNY are both the same currency, certain special restrictions do apply to RMB outside the PRC. The liquidity and trading price of the Sub-Fund may be adversely affected by the limited availability of, and restrictions applicable to, RMB outside the PRC.

Application monies from Participating Dealers to the Sub-Fund will be paid in RMB only. Accordingly a Participating Dealer may require an investor (as its client) to pay RMB to it. Payment details will be set out in the relevant Participating Dealer’s documentation such as the application form for its clients. As such, an investor may need to have opened a bank account (for settlement) and a securities dealing account if a Participating Dealer is to subscribe for Units deposited in the RMB counter on behalf of the investor as it will need to have accumulated sufficient RMB to pay at least the aggregate Issue Price and related costs, to the Participating Dealer or if an application to the Participating Dealer is not successful or is successful only in part, the whole or appropriate portion of the monies paid will need to be returned to the investor by the Participating Dealer by crediting such amount into the investor’s RMB bank account. Similarly, if an investor wishes to buy and sell Units in the secondary market on the SEHK, the investor may need to open a securities dealing account with its broker. Each investor will need to check with the relevant Participating Dealer and/or its broker for payment details and account procedures.

If any investors wish to buy or sell Units on the secondary market, they should contact their brokers and they are reminded to confirm with their brokers in respect of Units traded in RMB their brokers’ readiness for dealing and/or clearing transactions in RMB securities and to check other relevant information published by the SEHK regarding readiness of its participants for dealing in RMB securities from time to time. CCASS Investor Participants who wish to settle the payment in

relation to their trades in the Units traded in RMB using their CCASS Investor Participant account or receive distributions in RMB should make sure that they have set up an RMB designated bank account with CCASS.

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

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

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

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

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

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

Please also refer to the RMB related risk factors in the section on "Risk factors specific to the Sub-Fund" above for further details.

### **RQFII Holder**

Amundi Asset Management was granted RQFII status in December 2015. The RQFII Holder is Amundi Asset Management, the parent company of the Manager. It is a joint stock company (société anonyme) incorporated in France with a share capital of Euro 596,262,615 whose registered office is at 90, boulevard Pasteur, 75015 Paris, France. Amundi Asset Management is approved by the Autorité des Marchés Financiers (AMF) as an investment manager with number GP04000036.

### **Trustee and Custodian**

The Trustee is responsible for the appointment of the Custodian while the Custodian and the Manager will appoint the PRC Custodian. The Trustee is responsible for the monitoring, and acts and omission of the Custodian and the PRC Custodian.

Where a Sub-Fund invests directly into the PRC's securities markets pursuant to the RQFII regime, the Trustee has put in place proper arrangements to ensure that:

- (a) the Trustee takes into its custody or under its control the assets of the Sub-Fund, including onshore PRC assets which will be maintained by the PRC Custodian in electronic form via a securities account with the CSDCC and any assets deposited in a cash account with the PRC Custodian, and holds the same in trust for the relevant Unitholders;
- (b) cash and registrable assets of the Sub-Fund, including assets deposited in the securities account with the CSDCC and cash of the Sub-Fund deposited in the cash account(s) with or otherwise held by the PRC Custodian, are registered in the name of or held to the order of the Trustee; and
- (c) the PRC Custodian will look to the Trustee for instructions and solely act in accordance with the Trustee's instructions save as otherwise required under applicable regulations.

### **PRC Custodian**

Bank of China Limited has been appointed as the PRC Custodian of the Sub-Fund by the Manager, the RQFII Holder and the Custodian.

The PRC Custodian was incorporated in the PRC as a commercial bank. It is one of the four state-owned commercial banks of the PRC and its current businesses cover commercial banking, investment banking, insurance and a wide range of other financial services. In June 2004, the PRC Custodian was listed on the SEHK and in July 2006, the PRC Custodian was listed on the Shanghai Stock Exchange, becoming the first A and H dual-listed PRC commercial bank.

As a Chinese financial institution with a history of over 100 years, the PRC Custodian has introduced many brand new products and services in the domestic banking industry and provide customers with international settlement, foreign exchange, trade finance, and custodian services. As at the end of 2015, the Bank of China Limited group's total assets under custody amounted to approximately RMB8.0 trillion, maintaining its leading industry position. Its Custody Business Department has over 130 professional staff. Fund houses, insurance companies, securities firms, trust companies, commercial banks, social security funds, pensions, private equity companies, and individual clients are served, and the PRC Custodian also maintains close relationship with various regulatory authorities to enable effective communication and quality services.

Pursuant to the PRC Custodian Agreement, Bank of China Limited will act as the PRC Custodian of the assets of the Sub-Fund which will be held directly by the PRC Custodian pursuant to the PRC Custodian Agreement.

### **Exchange listing and trading (secondary market)**

#### *General*

Dealings on the SEHK in Units began on 31 October 2016. Units are traded on the SEHK in board lots of 200 Units for HKD traded Units and 200 Units for RMB traded Units.

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

#### *Renminbi Equity Trading Support Facility*

The Renminbi Equity Trading Support Facility (the "TSF") was launched on 24 October 2011 by



HKEx to provide a facility to enable investors who wish to buy RMB-traded shares (RMB shares) in the secondary market with Hong Kong dollars if they do not have sufficient RMB or have difficulty in obtaining RMB from other channels. With effect from 6 August 2012, the coverage of TSF was extended and the Sub-Fund is eligible for the TSF. As such the TSF is currently available to investors who wish to invest in the Sub-Fund by purchasing Units trading in RMB on the SEHK. Investors should consult their financial advisers if they have any questions concerning the TSF. More information with regard to the TSF is available on HKEx's website [https://www.hkex.com.hk/Global/Exchange/FAQ/Featured/RMB-Readiness-and-Services/RMB-Equity-Trading-Support-Facility?sc\\_lang=en](https://www.hkex.com.hk/Global/Exchange/FAQ/Featured/RMB-Readiness-and-Services/RMB-Equity-Trading-Support-Facility?sc_lang=en).

### *Dual Counter*

With effect from the Listing Date, the Manager has arranged for the Units to be available for trading on the secondary market on the SEHK under a Dual Counter arrangement. Units are denominated in RMB. Despite the Dual Counter arrangement, the creation and redemption of new Units in the primary market are in RMB only. The Sub-Fund offers two trading counters on the SEHK (i.e. RMB counter and HKD counter) to investors for secondary trading purposes. Units traded in RMB counter will be settled in RMB and Units traded in HKD counter will be settled in HKD. Apart from settlement in different currencies, the trading prices of Units in the two counters may be different as the RMB counter and HKD counter are two distinct and separate markets.

Units traded on both counters are of the same class and all Unitholders of both counters are treated equally. The two counters will have different stock codes, different stock short names and different ISIN numbers as follows: RMB counter and traded Units have a SEHK stock code 82843 and a short name "AMUNDI A50-R" whilst the HKD counter and traded Units have a SEHK stock code 02843 and a short name "AMUNDI A50". The ISIN number for RMB counter and traded Units is HK0000308285 and the ISIN for HKD counter and traded Units is HK0000308293.

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

More information with regard to the Dual Counter is available in the frequently asked questions in respect of the Dual Counter published on HKEx's website [https://www.hkex.com.hk/Global/Exchange/FAQ/Featured/RMB-Readiness-and-Services/Dual-T-ranche-Dual-Counter-Model?sc\\_lang=en](https://www.hkex.com.hk/Global/Exchange/FAQ/Featured/RMB-Readiness-and-Services/Dual-T-ranche-Dual-Counter-Model?sc_lang=en).

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

### **Redemptions**

Both RMB traded Units and HKD traded Units can be redeemed directly (through a Participating Dealer). However, redemption proceeds shall be paid in RMB only, except that under exceptional circumstances, redemption proceeds may be paid in USD or HKD instead due to the exchange controls and restrictions applicable to RMB. Please refer the risk factor "Non-RMB or late settlement redemption risk" above for further information in this regard.

### **Distribution policy**

The Manager intends to declare and distribute dividends to Unitholders at least annually (in

September each year). The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in RMB only. Distributions may be made out of capital as well as income at the Manager's discretion. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. 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.

Each Unitholder will receive distributions in RMB (whether holding RMB traded Units or HKD traded Units).

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

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

The composition of distributions payable on Units (i.e. the relative amounts of distributions paid and the percentages of dividends out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the website [www.amundietf.com.hk](http://www.amundietf.com.hk). The Manager may amend the Sub-Fund's distribution policy with respect to the distributions out of capital or effectively out of capital of the Sub-Fund subject to the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

## **Fees and expenses**

### *Management Fee*

The Sub-Fund employs a single management fee structure, with the Sub-Fund 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 Management Fee include, but are not limited to, the Manager's fee, Trustee's fee, Registrar's fees, Custodian's fees, PRC Custodian's fees (if any), fees of the Service Agent, fees and expenses of the auditors, securities transaction fee payable to the Custodian and the PRC Custodian (if applicable), ordinary out-of-pocket expenses incurred by the Manager or the Trustee and costs and expenses of licensing the Index. The Management Fee does not include brokerage and transaction costs, fees and extraordinary items such as litigation expenses.

The current Management Fee in respect of the Sub-Fund is 0.48% per year of the Net Asset Value and is accrued daily and calculated as at each Dealing Day. It is payable out of the Sub-Fund monthly in arrears in RMB.

### *Establishment costs*

The cost of establishing the Sub-Fund, including the preparation of this Prospectus, inception fees, the costs of seeking and obtaining the listing and authorisation by the SFC and all initial legal and printing costs relating to the Sub-Fund are borne by the Manager.

## Fees payable by Participating Dealers

<b>Fees and expenses payable by Participating Dealers on creations and redemptions (as applicable) of Units</b>	<b>Amount</b>
Transaction Fee (cash creation / redemption)	RMB12,000 <sup>1</sup> per Application for the benefit of the Trustee  <u>Plus</u> Service Agent's Fee (See Note <sup>2</sup> )
Application Cancellation Fee	RMB8,000 <sup>3</sup> per Application
Extension Fee	RMB8,000 <sup>4</sup> per Application
Stamp duty	Nil
All other Duties and Charges incurred by the Trustee or the Manager in connection with the creation or redemption	As applicable

### The Index

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

### General information on the Index

The Index of the Sub-Fund is the FTSE China A50 Index. The Index is a free float-adjusted market capitalisation-weighted index compiled and published by FTSE International Limited ("FTSE" or the "Index Provider"). The Manager (and each of its Connected Persons) is independent of the Index Provider. The Index is a real-time, tradable index comprising the largest 50 A-Share companies by full market capitalisation of the FTSE China A All Cap Free Index. The Index offers the optimal balance between representativeness and tradability for the PRC's A-Share market and includes stocks listed on the Shanghai and Shenzhen Stock Exchanges.

The Index is a net total return index which means that the Index captures the sum of its constituents' free float weighted market capitalisation returns including dividends as if these are reinvested net of any withholding tax. The Index is denominated and quoted in RMB.

The Index was launched on 13 December 2003. As of 12 September 2019, it had a total market capitalisation of RMB18,103.3 billion.

FTSE or its affiliates are the proprietors and absolute owners of the Index and the designations

<sup>1</sup> The Transaction Fee of RMB12,000 per Application is payable by a Participating Dealer to the Trustee for the benefit of the Trustee. A Participating Dealer may pass on to the relevant investor such fee.

<sup>2</sup> Participating Dealers will be subject to the Service Agent's Fee, being the fee for each book-entry deposit or withdrawal transaction, currently to the amount of HKD1,000 and payable to the Service Agent. A Participating Dealer may pass on to the relevant investor such fee.

<sup>3</sup> An Application Cancellation Fee is payable to the Trustee in respect of either a withdrawn or failed Creation Application or Redemption Application.

<sup>4</sup> An Extension Fee is payable to the Trustee on each occasion the Manager, upon a Participating Dealer's request, grants the Participation Dealer an extended settlement in respect of a Creation Application or Redemption Application.

FTSE®. FTSE has granted to the RQFII Holder (parent company of the Manager), by way of a licence, subject to the terms of an index licence agreement between FTSE and the RQFII Holder, among other things the non-transferable and non-exclusive right to use the Index as the basis for determining the composition of the Index in respect of the Sub-Fund and to sponsor, issue, establish, market, list and distribute the Sub-Fund.

### ***Index methodology***

All China A-Share classes of equity in issue are eligible for inclusion in the FTSE China A All Cap Free Index. The eligibility for securities to be included in the Index is based on: (i) liquidity screens; (ii) free float; and (iii) size.

- (i) **Liquidity screens** – Each security is tested on a semi-annual basis in March and September by calculation of its median daily trading per month\*. The median trade is calculated by ranking each daily trade total and selecting the middle ranking day. Daily totals with zero trades are included in the ranking; therefore a security that fails to trade for more than half of the days in a month will have a zero median trade. Any period of suspension will not be included in the test. The liquidity test will be applied on a pro-rata basis where the testing period is less than 12 months.

\* When calculating the median of daily trades per month of any security, a minimum of 5 trading days in each month must exist, otherwise the month will be excluded from the test.

Security eligible for inclusion must have a minimum turnover percentage of the shares in issue, based on the median daily trade per month. The security must have such turnover percentage for a certain number of months prior to the full market review in March. The minimum turnover percentage and the number of months meeting such percentage are different for non-constituent securities, existing constituents and new issues.

- (ii) **Free float** – Constituents are adjusted for free float and weighted according to how much share capital is available for public investment. This achieves the most accurate and neutral market representation and takes in to account the true opportunity set available to an investor. Actual free float (rounded up to the next 1%) in the Index is used. Changes to free float will be made following corporate events and at quarterly reviews if the rounded free float has moved by more than 3 percentage points above or below the existing rounded free float. A constituent with a free float of 15% or below will not be subject to the 3 percentage points threshold.
- (iii) **Size** – The 50 largest companies by full market capitalisation of the FTSE China A All Cap Free Index are selected to form the Index.

Investors should refer below for further information regarding the Index including the selection criteria.

### ***Index maintenance***

The Index is reviewed quarterly in March, June, September and December, with advance notification given of any changes to constituents on <http://www.ftse.com/products/indices/china> to ensure that the Index continues to reflect market reality. A schedule of periodic reviews is provided on <http://www.ftse.com/products/indices/china>.

The key ground rules applicable to the Index as at the date of this Prospectus are set out. A full set of the ground rules for the management of the Index is also available on <http://www.ftse.com/products/indices/china>. The index methodology is subject to change from time to time and investors should refer to this website for up-to-date information about the index methodology.

The Index is calculated and is updated continuously on an intra-second streaming basis until the market closes.

FTSE publishes the real time Index level (Ticker: XINA50NC) on Bloomberg, updated throughout the day.

### ***Index constituents***

The constituents of the Index and their respective weightings are published on FTSE's website at <https://www.ftserussell.com/products/indices/china> (this website has not been reviewed by the SFC).

### ***Ground rules***

FTSE is responsible for the daily operation of the Index. FTSE will maintain records of the market capitalisation of all constituents, and will make changes to the constituents and their weightings in accordance with specified rules (the "Ground Rules"). The Ground Rules and news concerning the Index may be viewed on FTSE's website at: <http://www.ftse.com/products/indices/china>.

FTSE will carry out a quarterly review of the Index and implement the resulting constituent changes as required by the Ground Rules. Changes to constituent weightings are made by FTSE in accordance with the Ground Rules. FTSE is responsible for publicising changes to constituent weightings.

The Index may exist in the following states: firm, closed, held, indicative and part.

For the purposes of the above: "firm" means the Index is being calculated using the trade prices from the relevant stock exchanges for all constituents during the hours the Index is open ; "closed" means that the Index has ceased all calculations for the day (the message "CLOSED" will be displayed against the index value); "held" means, during a firm period, the Index has exceeded pre-set operating parameters and calculation has been suspended pending resolution of the problem (the message "HELD" will be displayed against the index value); "indicative" means that there is a system problem or a situation in the market judged to be affecting the quality of the constituent prices at any time when the Index is being calculated (the message "IND" will be displayed against the index value); and "part" means the Index is being calculated during the normal Index open hours but there are less than 75% of the constituents by capitalisation available with firm prices (the message "PART" will be displayed against the Index to indicate only a portion of the prices are included. With the exception of this message, the Index will continue to be displayed and calculated as if it were firm).

### ***Eligible securities***

The constituents of the FTSE China A All Cap Free Index are eligible for inclusion in the Index subject to conforming to the Ground Rules as described below. The entire quoted equity capital of a constituent company is included in the calculation of its market capitalisation, subject to the following free float restrictions:

(A) Free float restrictions include:

- (1) Shares directly owned by State, Regional, Municipal and Local governments (excluding shares held by independently managed pension schemes for governments).
- (2) Shares held by Sovereign Wealth Funds where each holding is 10% or greater. If the holding subsequently decreases below 10%, the shares will remain restricted until the holding falls below 7%.

- (3) Shares held by directors, senior executives and managers of the company, and by their family and direct relations, and by companies with which they are affiliated.
- (4) Shares held within employee share plans.
- (5) Shares held by public companies or by non-listed subsidiaries of public companies.
- (6) Shares held by founders, promoters, former directors, founding venture capital and private equity firms, private companies and individuals (including employees) where the holding is 10% or greater. If the holding subsequently decreases below 10%, the shares will remain restricted until the holding falls below 7%.
- (7) All shares where the holder is subject to a lock-in clause (for the duration of that clause).#
- (8) Shares held for publicly announced strategic reasons, including shares held by several holders acting in concert.
- (9) Shares that are subject to on-going contractual agreements (such as swaps) where they would ordinarily be treated as restricted.
- (10) Shares that are non-negotiable which are held by companies who have not converted following the A-Share reform.
- (11) Non-tradable A-Shares subject to a lock-in (until the lock-in expires and the shares are freely tradable on the exchange).

# Free Float changes resulting from the expiry of a lock-in will be implemented at the next quarterly review subsequent to there being a minimum of 20 business days between the lock-in expiry date and the index review date.

(B) The following are not considered as restricted free float:

- (1) Portfolio holdings (such as pension and insurance funds) \*
- (2) Nominee holdings (unless they represent restricted free float as defined in (A) above)
- (3) Holdings by investment companies\*
- (4) ETFs

\* Where any single portfolio holding is 30% or greater it will be regarded as strategic and therefore restricted. The shares will remain restricted until the holding falls below 27%.

- (C) Initial weighting: free float restrictions will be calculated using available published information rounded to 12 decimal places. Companies with a free float of 5% or below are not eligible for inclusion in the Index, unless they exceed 10 times the China region inclusion percentage level by investable market capitalization.
- (D) Where a company's shares are issued partly, or nil, paid and the call dates are already determined and known, the market price will, for the purposes of calculating its market capitalisation, be adjusted so as to include all such calls (i.e. the fully paid price).
- (E) Securities designated "Special Treatment (ST or \*ST)" (i.e. stocks that demonstrate an abnormal financial situation) are not eligible for inclusion in the Index. If a constituent is designated as "Special Treatment" by the exchange, it will normally be deleted from the Index in line with the next quarterly review.

(F) Treatment of companies with foreign headroom less than 10%.

FTSE defines “foreign headroom” as the percentage of shares available to foreign investors as a proportion of the underlying investability weight to foreign investors.

(1) Where the headroom of an existing constituent falls below 10%, its investability weight will be equal to the lesser of the foreign ownership limit and the free float. The adjustment will be carried out in four steps, i.e. the next four consecutive quarterly reviews, in equal proportion. The reduction will not be reversed in the case that the foreign headroom rises above 10% eventually.

If the free float decreases to a level lower than the investability weight during the transition period, the free float change will be reflected in the next review. If the free float increases during the transition period, the investability weight will be kept at its existing level.

(2) Where the foreign headroom of the existing constituent falls below 10% at or after the fourth review, its investability weight will be reduced by 10% at the same quarterly review. The investability weight will continue to be reduced at subsequent quarterly reviews in increments of 10% until the headroom level increases above 10%. Should the investability weight fall to 5% or below under this process the company will be subject to treatment highlighted in (D) above.

(3) The investability weight of an existing constituent which has been subject to headroom adjustments will have its most recent 10% adjustment reversed at quarterly reviews subject to the condition that either the company’s foreign ownership is no longer flagged by the stock exchanges or when the headroom remaining rises to above 20.00%. The adjustment will continue until its investability weight reaches the investability weight for foreign investors.

(4) Foreign headroom will be reviewed on a quarterly basis coinciding with the regular index reviews.

### ***Liquidity criteria***

Securities must be sufficiently liquid to be traded. The following criteria are used to ensure that illiquid securities are excluded:

(A) Price - There must be an accurate and reliable price for the purposes of determining the market value of a company.

(B) Size - The 50 largest companies of the FTSE China A All Cap Free Index will be included in the Index. FTSE will determine which companies are included on a semi-annual basis in March and September.

(C) Liquidity - Each security is tested for liquidity on a semi-annual basis in March and September as part of the FTSE China A All Cap Free Index review. Liquidity will be calculated for the March review from the first business day of January to the last business day of December of the previous year and for the September review from the first business day of July of the previous year to the last business day of June. The median trade is calculated by ranking each daily trade total and selecting the middle ranking day \*. Daily totals with zero trades are included in the ranking; therefore a security that fails to trade for more than half of the days in a month will have a zero median trade. Any period of suspension will not be included in the test. The liquidity test will be applied on a pro-rata basis for newly eligible securities where the testing period is less than 12 months.

\* When calculating the median of daily trades per month of any security, a minimum of 5 trading days in each month must exist, otherwise the month will be excluded from the test.

- (1) A non-constituent which, based on its median daily trading volume per month, does not turnover at least 0.05% of their shares in issue (after the application of any free float weightings) for at least 10 of the 12 months prior to a full market review will continue to be excluded from the Index.
  - (2) An existing constituent which, based on its median daily trading volume per month, does not turnover at least 0.04% of its shares in issue (after the application of any free float weightings) for at least 8 of the 12 months prior to a full market review will be removed from the Index.
  - (3) New issues which do not have a 12 month trading record must have a minimum 3 month trading record when reviewed. They must turnover at least 0.05% of their shares in issue (after the application of any free float weightings) based on their median daily trade per month in each month since their listing. This rule will not apply to new issues added under the Fast Entry Rule. Newly eligible securities will be treated as new issues and liquidity will be tested from the date of eligibility. Trading records prior to this date will generally not be taken into account.
- (D) The above percentage figures may be adjusted by up to 0.01 % at a market review so that, in the FTSE's opinion, the index better reflects the liquid investable market of the region. This discretion may only be exercised across the whole of a region and may not be applied to individual securities or countries.

### ***Review dates***

The quarterly review of the Index constituents takes place in March, June, September and December. The constituents will be reviewed using data from the close of business on the Monday following the third Friday in February, May, August and November. Any constituent changes will be implemented after the close of business on the third Friday of the same month of the review. Index changes resulting from index reviews, will be published as soon as practical following the conclusion of each respective FTSE Asia Pacific Regional Advisory Committee meeting.

### ***Rules for addition and deletion at the quarterly and annual review***

The rules for inserting and deleting companies at the quarterly reviews are designed to provide stability in the selection of constituents of the Index while ensuring that the Index continues to be representative of the market by including or excluding those companies which have risen or fallen significantly. A security will be inserted in the Index at the periodic review if it rises to 40th or above ranked by market capitalisation. A security will be deleted from the Index at the periodic review if it falls to 61st or below ranked by market capitalisation.

A constant number of constituents will be maintained for the Index. Where a greater number of companies qualify to be inserted in the Index than those qualifying to be deleted, the lowest ranking constituents presently included in the Index will be deleted to ensure that an equal number of companies are inserted and deleted at the periodic review. Likewise, where a greater number of companies qualify to be deleted than those qualifying to be inserted, the securities of the highest ranking companies which are presently not included in the Index will be inserted to match the number of companies being deleted at the periodic review.

Where a company is deleted after the periodic changes to the Index have been announced but before the periodic changes have been implemented, the highest ranking company from the new reserve list, excluding current index constituents, will replace the deleted company.

### ***Removal and replacement***

If a constituent ceases to be an eligible constituent of the Index, is delisted, or ceases to have a



firm quotation, or is subject to a takeover or has ceased to be a viable constituent as defined by the Ground Rules, it will be removed from the list of constituents and be replaced by the highest ranking company by full market capitalisation eligible in the reserve list as at the close of the index calculation 2 days prior to the deletion.

The removal and replacement are effected simultaneously, before the start of the index calculation on the day following the day on which the event justifying removal was announced. Announcements made after the close of the index calculation are normally deemed to be made on the following business day. Constituents will be deleted from the Index when confirmation is received that all offer conditions have been met and acceptance levels have reached a minimum of 85% and that any new shares of the bidding company (if applicable) are listed. A company deleted following a takeover, with a remaining free float of 15% or less, will not be reconsidered for index inclusion until completion of a 6 months trading record.

### ***Mergers, restructuring and complex takeovers***

If the effect of a merger or takeover is that one constituent in the Index is absorbed by another constituent, the resulting company will remain a constituent of the Index, and a vacancy will be created. This vacancy will be filled by selecting the highest ranking security in the reserve list as at the close of the index calculation two days prior to the deletion.

If a constituent company in the Index is taken over by a non-constituent company, the original constituent will be removed and replaced by the company resulting from the takeover if eligible. If not eligible, the replacement will be selected based on the highest ranking security in the appropriate reserve list as at the close of the index calculation two days prior to the deletion.

If a constituent company is split so as to form two or more companies, then the resulting companies will be eligible for inclusion as index constituents in the Index based on their respective full market capitalisations i.e. before the application of any investability weightings and if they qualify in all other respects, e.g. an index constituent split into two companies may result in one or both of these companies remaining in the Index. The smallest constituent will be removed from the Index. Index constituent changes resulting from the split will be determined based on market values at close on day one of trading and applied using market values at close on day two of trading, following the split becoming effective. Consequently the Index may have more than 50 companies for 2 days.

### ***New issues***

If a new issue is so large (i.e. its full market capitalisation amounts to 0.5% or more of the full capitalisation of the FTSE China A All Cap Free Index, before the application of individual constituent investability weightings), a fast entry will normally be included as a constituent of the Index after the close of business on the fifth day of official trading. In all cases, advance notification confirming the timing of the inclusion of the new constituent will be given accordingly. The security which is the lowest ranking constituent in the Index will be selected for removal.

New issues of companies which do not qualify for early entry but which meet the criteria for eligible securities will be eligible for inclusion in the next quarterly review if large enough to become constituents of the Index.

For these purpose, a company which is relisted within 3 months following suspension or is reorganised or renamed or which arises from a demerger or complex reorganisation of another company which is not an existing constituent, shall not be considered to be a new issue. However, an initial public offering which arises from a demerger shall be considered as a new issue. A China B-Share company that for the first time issues A-Shares onto the Shanghai Stock Exchange or Shenzhen Stock Exchange will, for the Index, be considered a new issue and will be eligible for entry into the Index. If FTSE decides to include a new issue as a constituent security

other than as part of the normal periodic review procedure, this decision must be publicly announced at the earliest practicable time.

### ***Suspension of dealing***

If a constituent is suspended, FTSE will determine its treatment as follows:

- (A) If a constituent is declared bankrupt without any indication of compensation to shareholders, the last traded price will be adjusted down to zero value and it will subsequently be removed from the Index with T+2 notice.
- (B) In all other cases, the constituent will continue to be included in the Index for a period of up to 20 business days at its last traded price.
- (C) If the constituent continues to be suspended at the end of that period, it will be subject to review and a decision will be taken to either allow the constituent to remain in the index for a further period of up to 20 business days or to remove it at zero value. In making this determination, FTSE will take into account the stated reasons for the suspension. These reasons may include announcements made by the company regarding a pending acquisition or restructuring, and any stated intentions regarding a date for the resumption of trading.
- (D) This procedure will be repeated at successive 20 business day intervals thereafter until either trading recommences or the suspension period reaches 80 business days.
- (E) If the suspension period reaches 80 business days, FTSE will provide notice that the constituent will be removed at zero value at the Index review immediately following the expiry of a minimum 40 business day notice period.
- (F) In certain limited circumstances where the Index weight of the constituent is significant and FTSE determines that a market-related value can be established for the suspended constituent, for example because similar company securities continue to trade, deletion may take place at the market-related value instead. In such circumstances, FTSE will set out its rationale for the proposed treatment of the constituent at the end of the 80 business day period.
- (G) If following the end of the 80 business day period, a suspended constituent resumes trading before the Wednesday before the first Friday of March, June, September or December, the deletion notice will be rescinded and the constituent will be retained in the Index. If the constituent resumes trading after these dates but before the review effective date, the constituent will continue to be removed from the Index as previously announced but in these circumstances the deletion may instead be implemented at market value.
- (H) If a constituent has been removed from the Index and trading is subsequently restored, the constituent will only be re-considered for inclusion after a period of 12 months from its deletion. For the purposes of Index eligibility it will be treated as a new issue.

Where the company to be removed is a constituent of the Index, the replacement company will be the highest ranking company on the reserve list.

### ***Relisting of suspended constituents***

Securities which on relisting after a period of suspension of less than 3 months are larger than the smallest constituent of the Index shall be reinstated at the price at which they were removed and the lowest ranking constituent will be selected for removal.

Securities which on relisting after a period of suspension of less than 3 months are smaller than

the smallest constituent of the Index from which they were removed shall be initially reinstated in the Index from where they were delisted at the price at which they were removed and then included in the index, if any, for which they then meet the size criteria.

If a company relists after a continuous period of suspension lasting more than 3 months, the company will be treated as a new issue for the purposes of index eligibility.

### ***Changes to constituent weighting***

For the purposes of computing the Index and to prevent a large number of insignificant weighting changes, the number of shares in issue for each constituent security is amended only when the total shares in issue held within the index system changes by more than 1% on a cumulative basis. If a corporate action is applied to a constituent of the Index which involves a change in the number of shares in issue, the change in shares will be applied simultaneously with the corporate action.

Changes of shares in issue not arising from corporate actions, amounting to less than 10% of the number of shares in issue but more than 1% will be made quarterly after the close of trading on the third Friday of March, June, September and December. The cut-off for these changes will be the close of business on the third Wednesday of the month prior to the review month. If the cumulative unapplied changes in the number of shares in issue is 10% or greater of the total index shares in issue or it represents at least USD2 billion of a company's total market capitalisation, the change is implemented between quarters. A minimum of 4 days' notice will be given to users of the Index. WM/Reuters Spot Rates are used to convert the market capitalisation into USD. The USD2 billion threshold may be adjusted annually in December.

### ***Index Provider disclaimer***

The Sub-Fund is not in any way sponsored, endorsed, sold or promoted by FTSE International Limited ("FTSE") or the London Stock Exchange Group companies ("LSEG") (together the "Licensor Parties") and none of the Licensor Parties make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to (i) the results to be obtained from the use of the FTSE China A50 Index (the "Index") (upon which the Sub-Fund is based), (ii) the figure at which the Index is said to stand at any particular time on any particular day or otherwise, or (iii) the suitability of the Index for the purpose to which it is being put in connection with the Sub-Fund. None of the Licensor Parties have provided or will provide any financial or investment advice or recommendation in relation to the Index to Amundi Hong Kong Limited or to its clients. The Index is calculated by FTSE or its agent. None of the Licensor Parties shall be (a) liable (whether in negligence or otherwise) to any person for any error in the Index or (b) under any obligation to advise any person of any error therein.

All rights in the Index vest in FTSE. "FTSE®" is a trade mark of LSEG and is used by FTSE under licence.

### ***Index licence agreement***

The Manager's parent company, Amundi Asset Management, has entered into a variation of its licence agreement dated 29 September 2009 with the Index Provider, FTSE International Limited. The licence agreement permits the Manager to use the Index for the Sub-Fund. The term of the licence agreement commenced on the date of establishment of the Sub-Fund and should remain in full force and effect for 1 year. The licence agreement should renew thereafter automatically for additional 1 year terms, subject to the terms of the licence agreement. Either party to the license agreement may terminate it by giving not less than 3 months' notice to the other.

### ***PRC taxation***

*The following summary of PRC 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 PRC and the laws and practice of their respective jurisdictions. The information below is based on the law and practice in force in PRC at the date of this Appendix. 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 Appendix. Furthermore, tax laws can be subject to different interpretations and no assurance can be given that relevant tax authorities will not take a contrary position to the tax treatments described below.*

#### *Corporate income tax ("CIT")*

If the Trust or the Sub-Fund is considered as a tax resident enterprise of the PRC, it will be subject to PRC CIT at 25% on its worldwide taxable income. If the Trust or the Sub-Fund is considered as a non-tax resident enterprise with an establishment or a place of business (a "PE") in the PRC, the profits attributable to that PE would be subject to CIT at 25%.

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

#### *Dividend income and interest income*

Unless a specific exemption or reduction is available under current PRC tax laws and regulations or relevant tax treaties, non-tax resident enterprises without a PE in the PRC are subject to CIT on a withholding basis ("WIT"), generally at a rate of 10%, to the extent it directly derives the PRC sourced passive income. In that respect, the Sub-Fund's income from interests, dividends and profit distributions of companies from PRC tax enterprise, received by the Sub-Fund via RQFII or Stock Connect, is generally subject to PRC WIT at a rate of 10%, unless such WIT is subject to reduction or exemption in accordance with an applicable tax treaty signed with the PRC. The Sub-Fund may apply for refund of any withholding income tax overpaid if it is eligible for tax treaty rate of lower than 10%, subject to the agreement of the PRC tax authorities.

In respect of interests, under the PRC CIT laws and regulations, interests derived from government bonds issued by the in-charge Finance Bureau of the State Council and/or local government bonds approved by the State Council shall be exempt from PRC income tax. Further, under the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" (the "China-HK Arrangement"), if a Hong Kong tax resident receives interest income from PRC tax resident enterprises, the WIT rate can be reduced to 7% provided that the Hong Kong tax resident is the beneficial owner of the interests income under the China-HK Arrangement and other relevant conditions are satisfied. In practice, due to the practical difficulties in demonstrating that an investment fund is the beneficial owner of the interest income received, such investment fund is generally not entitled to the reduced WIT rate of 7%. In general, the prevailing rate of 10% should be applicable to the Sub-Fund.

In respect of dividends, under the China-HK Arrangement, dividends distributed by a PRC tax resident to a Hong Kong tax resident would be subject to a reduced PRC WIT rate of 5% provided (i) the Hong Kong tax resident is the beneficial owner of the dividend; (ii) the Hong Kong tax resident holds at least 25% of the equity of the PRC tax resident; and (iii) the relevant treaty conditions are satisfied. Due to the Sub-Fund's investment restriction, the Sub-Fund would not hold more than 10% of the ordinary shares issued by any single PRC issuer. In this connection, the Sub-Fund would not be able to enjoy the reduced WIT rate of 5% provided under the

China-HK Arrangement.

*Capital gains*

Pursuant to Notice No. 81 and Notice No. 127, PRC CIT will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including the Sub-Fund) on the trading of A-Shares shares through the Stock Connect.

The “Notice on temporary exemption of Corporate Income Tax on capital gains derived from the transfer of PRC equity investment assets such as PRC domestic stocks by QFII and RQFII” (Caishui [2014] No.79) promulgated by the MoF, the SAT and the CSRC on 31 October 2014 (“Notice No. 79”) states that (among other things) QFIIs and RQFIIs, which do not have an establishment or place of business in the PRC or have an establishment or place in the PRC but the income so derived in China is not effectively connected with such establishment, will be temporarily exempt from CIT on gains derived from the transfer of PRC equity investment assets (including A-Shares) effective from 17 November 2014.

Pursuant to Notice No. 79, Notice No. 81 and Notice No. 127, the Manager has determined not to make WIT provision for gross realised or unrealised capital gains derived by the Sub-Fund from trading of A-Shares via RQFII and/or the Stock Connect. In addition, the Fourth Protocol to the China-HK Arrangement provides additional capital gains tax protection or exemption that could be sought by qualified tax treaty applicants (including Hong Kong residents and also Hong Kong resident funds as specifically defined). Under the Fourth Protocol, gains derived by a resident of Hong Kong from the disposal of securities in a PRC company quoted on a recognised stock exchange shall be exempt from PRC capital gains taxes.

It is noted that Notice No. 79, Notice No. 81 and Notice No. 127 state that the corporate income tax exemption effective from 17 November 2014 and 5 December 2016 respectively are temporary. As such, as and when the PRC authorities announce the expiry date of the exemption, the Sub-Fund may in future need to make provision to reflect taxes payable, which may have a substantial negative impact on the NAV of the Sub-Fund.

It should also be noted that the prevailing PRC tax regulations specified that the tax exemption on capital gains derived from the trading of A-Shares by QFII and RQFII and through the Shanghai-Hong Kong Stock Connect from 17 November 2014 and through the Shenzhen-Hong Kong Stock Connect from 5 December 2016 onwards are temporary. There is a possibility of the PRC tax rules, regulations and practice being changed and taxes being applied retrospectively. There are also risks and uncertainties associated with the current PRC tax laws, regulations and practice. As such, there is a risk that the Sub-Fund may have tax liabilities which were not provided for. Investors should note that, if the Sub-Fund has actual tax liabilities for which no provision was made, the Net Asset Value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional amount of tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to those borne before the actual tax liabilities are levied.

As a result, investors may be disadvantaged depending on the final rules of the relevant PRC tax authorities and when they subscribed and/or redeemed their Units. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary. Please refer to the risk factor “PRC withholding taxation risk” for further information in this regard.

### *Value-added Tax (“VAT”) and other surtaxes*

The PRC has introduced VAT to replace Business Tax (“BT”) across all sectors which were historically under the BT regime. Caishui [2016] No. 36 (“Notice No. 36”) contains the VAT rates and rules applicable to the expansion of VAT to financial services with effect from 1 May 2016.

Based on Notice No 36 and Notice No. 127, the gains derived from transfer of A Shares through the Shanghai-Hong Kong Stock Connect are temporarily exempt from VAT from 1 May 2016 and the gains derived from transfer of A Shares through the Shenzhen-Hong Kong Stock Connect are temporarily exempt from VAT from December 2016.

Notice No. 36 provides that VAT at the rate of 6% applies generally to net gains derived from the trading in financial products, and to interest income. In each case, no input VAT credit can be claimed by the counterparty either disposing of the financial product or incurring the interest expense. Notice No. 36 also provides that where a service is provided to a non-tax resident, VAT is collected on a withholding basis by the payer of the service.

There are certain exemptions from VAT applicable under Notice No. 36 and Caishui [2016] No. 70 (“Notice No. 70”), which include:

- gains derived by QFIIs/RQFIIs from the trading of PRC securities;
- interest income derived from government bonds generally; and
- interest income derived from corporate bonds held by “financial institutions” where the bond is issued by a financial institution or by one of the three policy banks in the PRC (i.e., China Development Bank, Agricultural Development Bank of China and The Export-Import Bank of China).

Dividends and profit distributions are generally considered to be outside the scope of what is taxable under the PRC’s VAT rules, although the VAT rules do not specifically state this.

At present it is unclear whether interest income derived from corporate bonds held by non-resident taxpayers qualify for exemption from VAT on the basis that they may not be “financial institutions” (as defined), given that as foreign entities they may not be established with the approval of the PBOC, the China Banking Regulatory Commission, the CSRC or the China Insurance Regulatory Commission. Furthermore, Notice No. 36 does not technically contain any withholding mechanism which would allow a PRC custodian to account for VAT in respect of any interest income on behalf of a non-resident investor. The VAT rules in Notice No. 36 are also currently silent as to whether any VAT liability is to be accounted for at the level of the Sub-Fund or the Trust, or by Unitholders and investors, although the former is the expected position.

As such, pending further clarification, the Manager on behalf of the Sub-Fund may consider making tax provision as it considers necessary for any VAT on the interest income received for the benefit of investors and/or for any net gains derived from the trading in financial products which fall outside the scope of the exempted categories set out above. The Manager does not intend at this stage to make any provision for VAT on any realised or unrealised gains derived by the Sub-Fund from trading of A-Shares via RQFII and/or Stock Connect, on any dividends or on any profit distributions derived by the Sub-Funds in respect of investments or investors which fall within the scope of the exempted categories set out above.

In addition, local surcharges are imposed based on VAT liabilities. The amount of local surcharges differs from location to location, but when combined with VAT at 6%, the total would typically be expected to amount to approximately 6.8%.

### *Stamp duty*

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 A-Shares and B-Shares traded on the PRC stock exchanges. In the case of contracts for sale of A-Shares and B-Shares, such stamp duty is currently imposed on the seller but not on the purchaser, at the rate of 0.1%.

According to Notice No. 127, the borrowing and return of listed shares in relation to shares guarantee and short-selling by Hong Kong and overseas investors through Stock Connect is temporarily exempt from Stamp Duty from 5 December 2016.

### *General*

It should also be noted that the actual applicable tax amount imposed by the SAT may be different and may change from time to time. There is a possibility of the rules being changed and taxes being applied retrospectively. As such, any provision for taxation made by the Manager may be excessive or inadequate to meet final PRC tax liabilities. Consequently, Unitholders may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units.

If the actual applicable tax amount levied by the SAT is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may suffer more than the tax provision amount as the Sub-Fund will ultimately have to bear the additional tax liabilities. In this case, the then existing and new Unitholders will be disadvantaged. On the other hand, if the actual applicable tax amount levied by the SAT is lower than that provided for by the Manager so that there is an excess in the tax provision amount, Unitholders who have redeemed their Units before the SAT's ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager's overprovision. In this case, the then existing and new Unitholders may benefit if the difference between the tax provision and the actual taxation liability under that lower tax rate can be returned to the account of the Sub-Fund as assets thereof. Notwithstanding the above provisions, Unitholders who have already redeemed their Units in the Sub-Fund before the return of any overprovision to the account of the Sub-Fund will not be entitled or have any right to claim any part of such overprovision.

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

It is possible that the current tax laws, regulations and practice in the PRC will change, including the possibility of taxes being applied retrospectively, and that such changes may result in higher taxation on PRC investments than currently contemplated.