
THIS ANNOUNCEMENT AND NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION AND DOES NOT CONSTITUTE AN INVITATION OR OFFER TO ACQUIRE, PURCHASE OR SUBSCRIBE FOR UNITS OF THE EXCHANGE TRADED FUNDS NAMED BELOW

The Stock Exchange of Hong Kong Limited, Hong Kong Securities Clearing Company Limited, Hong Kong Exchanges and Clearing Limited and the Securities and Futures Commission (the “SFC”), take no responsibility for the contents of this Announcement, 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 Announcement. SFC authorisation is not a recommendation or an endorsement of the Trust (as defined below) and the Sub-Funds (as defined below) nor does it guarantee the commercial merits of the Trust and the Sub-Funds or their performance. It does not mean the Trust and the Sub-Funds are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

Vanguard ETF Series (the “Trust”)

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

Vanguard FTSE Developed Europe Index ETF

(Stock code: 3101 – HKD counter)

(Stock code: 83101 – RMB counter)

(Stock code: 9101 – USD counter)

Vanguard FTSE Japan Index ETF

(Stock code: 3126 – HKD counter)

(Stock code: 83126 – RMB counter)

(Stock code: 9126 – USD counter)

Vanguard S&P 500 Index ETF

(Stock code: 3140 – HKD counter)

(Stock code: 83140 – RMB counter)

(Stock code: 9140 – USD counter)

(each a “Sub-Fund”, together the “Sub-Funds”)

ANNOUNCEMENT AND NOTICE OF TERMINATION, VOLUNTARY DEAUTHORISATION AND DELISTING FOR VANGUARD FTSE DEVELOPED EUROPE INDEX ETF, VANGUARD FTSE JAPAN INDEX ETF AND VANGUARD S&P 500 INDEX ETF

<p>The termination of the Sub-Funds will become effective on 30 July 2021. The deauthorisation of the Sub-Funds will become effective on 30 July 2021. The delisting of the Sub-Funds from the SEHK will also become effective from 9:00 a.m. on 30 July 2021.</p>
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Reference is made to the Announcement and Notice dated 31 March 2021 and titled “*Announcement and Notice of the Proposed Cessation of Trading, Termination, Voluntary Deauthorisation and Delisting and Non-Applicability of Certain Provisions of the Code on Unit*”

Trusts and Mutual Funds” (the “**First Announcement**”), the Cash Proceeds Distribution Announcement dated 7 June 2021 and titled “*Cash Proceeds Distribution Announcement for Vanguard FTSE Developed Europe Index ETF, Vanguard FTSE Japan Index ETF and Vanguard S&P 500 Index ETF*” (the “**Cash Proceeds Distribution Announcement**”) and the Announcement and Notice dated 14 July 2021 and titled “*Announcement and Notice of Change of Proposed Dates of Termination, Voluntary Deauthorisation and Delisting for Vanguard FTSE Developed Europe Index ETF, Vanguard FTSE Japan Index ETF and Vanguard S&P 500 Index ETF*” (the “**Change of Proposed Dates Announcement**”) issued by Vanguard Investments Hong Kong Limited (the “**Manager**”), the manager of the Trust and the Sub-Funds.

Capitalised terms not defined in this Announcement shall have the same meanings as defined in the First Announcement, the Cash Proceeds Distribution Announcement and the Change of Proposed Dates Announcement (as the case may be).

For details relating to (i) Vanguard FTSE Asia ex Japan Index ETF; (ii) Vanguard FTSE Asia ex Japan High Dividend Yield Index ETF; and/or (iii) Vanguard Total China Index ETF, please refer to the Announcement dated 7 June 2021 and titled “*Cash Proceeds Distribution Announcement for Vanguard FTSE Asia ex Japan Index ETF, Vanguard FTSE Asia ex Japan High Dividend Yield Index ETF and Vanguard Total China Index ETF*” and the Announcement dated 14 July 2021 and titled “*Extension of Further Cash Proceeds Distribution for Vanguard FTSE Asia ex Japan Index ETF, Vanguard FTSE Asia ex Japan High Dividend Yield Index ETF and Vanguard Total China Index ETF*”.

The purpose of this Announcement is to inform the Relevant Investors that the Manager has distributed all the assets of each Sub-Fund through the Cash Proceeds Distribution, and the Trustee and the Manager have formed an opinion on 28 July 2021 that the Sub-Funds have no outstanding contingent or actual liabilities or assets. The termination process of each Sub-Fund has been completed. The Sub-Funds are therefore terminated from the date of this Announcement (the “**Final Termination Date**”).

Furthermore, the SFC has approved the deauthorisation of the Sub-Funds and the SEHK has approved the delisting of the Sub-Funds. The deauthorisation of the Sub-Funds will become effective on the Final Termination Date and the delisting will also become effective from 9:00 a.m. on the Final Termination Date. Following the deauthorisation, the Sub-Funds will no longer be regulated by the SFC and will not be available for public distribution in Hong Kong. The documentation regarding the Sub-Funds previously issued to investors, including the product key facts statement of each Sub-Fund, should be retained for personal use only and not for public circulation.

Investors who are in doubt about the contents of this Announcement should contact their independent financial intermediaries or professional advisers to seek their professional advice, or direct their queries to the Manager by calling +852 3409 8333 during normal business hours (except Hong Kong statutory holidays), or visiting the Manager’s website: www.vanguard.com.hk¹.

The Manager accepts full responsibility for the accuracy of the information contained in this Announcement and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief, as of the date of this publication, there are no other facts the omission of which would make any statement misleading.

Vanguard Investments Hong Kong Limited
as Manager of the Trust and the Sub-Funds

30 July 2021

¹ The website has not been reviewed by the SFC.

THIS ANNOUNCEMENT AND NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION AND DOES NOT CONSTITUTE AN INVITATION OR OFFER TO ACQUIRE, PURCHASE OR SUBSCRIBE FOR UNITS OF THE EXCHANGE TRADED FUNDS NAMED BELOW

If you are in any doubt about the contents of this Announcement and Notice or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

If you have sold or transferred all your units in the Sub-Funds (as defined below), you should at once hand this Announcement and Notice to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

IMPORTANT: *The Stock Exchange of Hong Kong Limited (the “SEHK”), the Hong Kong Exchanges and Clearing Limited (the “HKEX”), the Hong Kong Securities and Futures Commission (the “SFC”) and the Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Announcement and Notice, 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 Announcement and Notice.*

Vanguard Investments Hong Kong Limited (the “Manager”) accepts full responsibility for the accuracy of the information contained in this Announcement and Notice as at the date of publication, and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief, as at the date of publication, there are no other facts the omission of which would make any statement misleading.

SFC authorisation is not a recommendation or an endorsement of the Trust (as defined below) and the Sub-Funds nor does it guarantee the commercial merits of the Trust and the Sub-Funds or their performance. It does not mean the Trust and the Sub-Funds are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

Vanguard ETF Series (the “Trust”)

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

Vanguard FTSE Asia ex Japan Index ETF

Stock code: 2805 – HKD counter

Stock code: 82805 – RMB counter

Stock code: 9805 – USD counter

Vanguard FTSE Developed Europe Index ETF

Stock code: 3101 – HKD counter

Stock code: 83101 – RMB counter

Stock code: 9101 – USD counter

Vanguard FTSE Japan Index ETF

Stock code: 3126 – HKD counter

Stock code: 83126 – RMB counter

Stock code: 9126 – USD counter

Vanguard FTSE Asia ex Japan High Dividend Yield Index ETF

Stock code: 3085 – HKD counter

Stock code: 83085 – RMB counter
Stock code: 9085 – USD counter

Vanguard S&P 500 Index ETF
Stock code: 3140 – HKD counter
Stock code: 83140 – RMB counter
Stock code: 9140 – USD counter

Vanguard Total China Index ETF
(RMB Counter Stock Code: 83169)
(HKD Counter Stock Code: 3169)
(USD Counter Stock Code: 9169)

(each a “Sub-Fund”, together the “Sub-Funds”)

**ANNOUNCEMENT AND NOTICE OF THE PROPOSED CESSATION
OF TRADING, TERMINATION, VOLUNTARY DEAUTHORISATION
AND DELISTING AND NON-APPLICABILITY OF CERTAIN
PROVISIONS OF THE CODE ON UNIT TRUSTS AND MUTUAL
FUNDS (“CODE”)**

Terms not defined in this Announcement and Notice will have the meanings as are given to such terms in the prospectus dated 10 December 2019 as amended and supplemented from time to time (the “Prospectus”).

IMPORTANT: Investors are strongly advised to consider the contents of this Announcement and Notice. This Announcement and Notice is important and requires your immediate attention. It concerns the proposed cessation of trading of units of each Sub-Fund (the “Units”) on the SEHK, proposed termination and proposed deauthorisation of the Trust and the Sub-Funds, and proposed delisting of the Sub-Funds from the SEHK and the non-applicability of certain provisions of the Code for the period from 11 May 2021 (the “Trading Cessation Date”) to the date of deauthorisation of the Trust and the Sub-Funds, i.e. on or around 15 October 2021 (the “Deauthorisation Date”). In particular, investors should note that:

- **taking into account the relevant factors, including, in particular, the best interests of investors as a whole, the Manager’s publicly stated intention to implement an orderly exit from its exchange traded funds business in Hong Kong and the exhaustion of a process to identify a new investment manager (see details of the factors in section 1 below), the Manager has, by means of a resolution of the board of directors of the Manager dated 24 February 2021, decided to exercise its power under Clause 30.3 of the trust deed of the Trust dated 10 December 2019, as amended and restated from time to time (“Trust Deed”) to terminate the Trust and the Sub-Funds;**
- **the Last Trading Day (as defined in section 2.4) of the Units will be 10 May 2021;**
- **the Units will cease trading on the Trading Cessation Date (as defined in section 2.4), 11 May 2021;**

- the Manager, after having consulted the Trustee and the Sub-Funds' auditor, will aim to realise all of the assets of each of the Sub-Funds after the close of secondary market trading of the relevant Sub-Funds on the Last Trading Day, save for any Suspended Stocks (as defined in section 2.5 of this Announcement and Notice). Each of the Sub-Funds will therefore cease to track its respective index ("Index") and will not be able to meet its investment objective of tracking the performance of such Index. Accordingly, from the Trading Cessation Date onwards, (i) there will be no further trading of Units and no further creation and redemption of Units; (ii) the Trust and the Sub-Funds will no longer be marketed or offered to the public; (iii) the Sub-Funds will mainly hold cash; and (iv) the Sub-Funds will only be operated in a limited manner;
- the Manager will, after having consulted the Trustee and the Sub-Funds' auditor, declare a cash proceeds distribution (being the relevant Sub-Fund's then Net Asset Value, excluding (i) the value of any unrealised assets held by the relevant Sub-Fund; (ii) any minimum cash required to facilitate the Further Cash Proceeds Distribution (if any); and (iii) any taxes or expenses payable by the relevant Sub-Fund ("Cash Proceeds Distribution") to the investors who are still holding Units as at 14 May 2021 (the "Final Record Date"). The Cash Proceeds Distribution is expected to be payable on or around 9 June 2021 (the "Cash Proceeds Distribution Date"). The amount available for distribution by way of Cash Proceeds Distribution will be the relevant Sub-Fund's then Net Asset Value, excluding (i) the value of any unrealised assets held by the relevant Sub-Fund; (ii) any minimum cash required to facilitate the Further Cash Proceeds Distribution (if any); and (iii) any taxes and expenses payable by the relevant Sub-Fund;
- if a Sub-Fund holds Suspended Stocks (as defined in section 2.5 of this Announcement and Notice) after the Cash Proceeds Distribution Date, the Manager (in conjunction with the Trustee) will consider what options, if any, are available at the time to seek to avoid undue delay in the payment of any further cash proceeds distribution (being (i) the value of any unrealised assets held by the relevant Sub-Fund after the Cash Proceeds Distribution Date; and (ii) any minimum cash required to facilitate the Further Cash Proceeds Distribution (if any) less any taxes and expenses payable) ("Further Cash Proceeds Distribution"), having regard, inter alia, to the level of Suspended Stocks held by such Sub-Fund, the fair value of those Suspended Stocks and whether those Suspended Stocks are permitted to be transferred off-market. For details of the Suspended Stocks held by each Sub-Fund and available options to the Manager to avoid undue delay, please refer to section 2.5 of this Announcement and Notice.
- if a Sub-Fund is entitled to receive declared dividends or tax reclaims (in relation to securities held (or which used to be held) by the Sub-Fund, any such amounts the "Outstanding Receivables") after the Cash Proceeds Distribution Date, waiting for such amounts may delay the payment of any further cash proceeds distribution. The Manager (in conjunction with the Trustee) will consider what options, if any, are available at the time to seek to avoid undue delay in the payment of the

Further Cash Proceeds Distribution (if any). For further details of such available options, please refer to section 2.5 of this Announcement and Notice;

- **the Manager will, after having consulted with the Trustee and the Sub-Funds' auditor, declare a Further Cash Proceeds Distribution to the investors who are still holding Units as at the Final Record Date. The Further Cash Proceeds Distribution is expected to be paid on or around 16 July 2021 (the "Further Cash Proceeds Distribution Date"). The amount of Further Cash Proceeds Distribution (if any) will be equal to the (i) value of any unrealised assets held by the relevant Sub-Fund; and (ii) any minimum cash required to facilitate the Further Cash Proceeds Distribution (if any) less any taxes and expenses payable;**
- **when the net cash proceeds of each Sub-Fund have been fully distributed and the Trustee and the Manager form an opinion that the Sub-Funds cease to have any respective outstanding contingent or actual assets or liabilities, the Trustee and the Manager will commence the completion of the termination of the Trust and the Sub-Funds. The Manager expects that the termination process will be completed on or around 15 October 2021 (i.e. the Final Termination Date). The Manager will publish an announcement on the Final Termination Date about the termination and deauthorisation of the Trust and the Sub-Funds, and delisting of the Sub-Funds from SEHK;**
- **from the Trading Cessation Date until the Final Termination Date, the Manager will maintain the Trust's and each Sub-Fund's authorisation by the SFC and will maintain each Sub-Fund's listing on the SEHK. Subject to the SEHK's approval, delisting of the Sub-Funds from the SEHK should take effect at or around the same time as the deauthorisation of the Trust and the Sub-Funds;**
- **the Manager expects the deauthorisation of the Trust and the Sub-Funds and the delisting of the Sub-Funds from the SEHK will take place either on, or shortly after, the Final Termination Date; and**
- **investors should pay attention to the risk factors as set out in section 5.1 below. Investors should exercise caution and consult their professional and financial advisers before dealing in the Units or otherwise deciding on the course of actions to be taken in relation to their Units.**

Stockbrokers and financial intermediaries are urged to:

- **forward a copy of this Announcement and Notice to each of their clients holding any Units, and inform them of the contents of this Announcement and Notice as soon as possible;**
- **assist those clients who want to dispose of Units on or before the Last Trading Day;**
- **inform their clients as soon as possible if any earlier dealing deadline, additional fees or charges, and/or other terms and conditions will be**

applicable in respect of the provision of their services in connection with any disposal of Units; and

- inform their clients of the distribution of net cash proceeds arrangements as set out in section 2.2 below and the possible impact in relation to such arrangements to their clients.

Any product documents of the Trust and the Sub-Funds, including the Prospectus and Product Key Facts Statements (the “KFSs”) should be retained for personal use only and not for public circulation. If investors are in doubt about the contents of this Announcement and Notice, they should contact their independent financial intermediaries or professional advisers to seek their professional advice, or direct their queries to the Manager (please refer to section 7 for further information).

1. Termination, cessation of trading and realisation of assets

1.1. Termination

Pursuant to Clause 30.3 of the Trust Deed, the Trust and each Sub-Fund may be terminated by the Manager by notice in writing if the Manager considers it to be in the best interests of its Unitholders to terminate the Trust and the Sub-Funds. The Trust Deed does not require Unitholders’ approval for terminating the Trust and the Sub-Funds on the ground set out in Clause 30.3.

As at 29 March 2021, the Net Asset Value and the Net Asset Value per Unit of each of the Sub-Funds were as follows:

Sub-Fund	Net Asset Value	Net Asset Value per Unit
Vanguard FTSE Asia ex Japan Index ETF	HKD 552,330,612.69	HKD 30.5155
Vanguard FTSE Developed Europe Index ETF	HKD 1,009,438,191.19	HKD 21.2513
Vanguard FTSE Japan Index ETF	HKD 218,787,121.24	HKD 30.8151
Vanguard FTSE Asia ex Japan High Dividend Yield Index ETF	HKD 377,957,454.95	HKD 25.7114
Vanguard S&P 500 Index ETF	HKD 1,921,083,015.55	HKD 28.3346
Vanguard Total China Index ETF	RMB 337,920,348.59	RMB 10.2400

Having taken into account factors regarded by the Manager as relevant, including but not limited to, the Manager’s publicly stated intention to implement an orderly exit from its exchange traded funds business in Hong Kong and the exhaustion of a process to identify a new investment manager, the Manager is of the view that the proposed termination of the Trust and the Sub-Funds would be in the best interests of the Unitholders of the Sub-Funds as a whole. Therefore, the Manager has by means of a resolution of the board of directors of the Manager, decided to

exercise its power under Clause 30.3 of the Trust Deed to terminate the Trust and the Sub-Funds, which termination shall be complete once the net cash proceeds of each Sub-Fund have been fully distributed and the Trustee and the Manager form an opinion that the Sub-Funds cease to have any respective outstanding contingent or actual assets or liabilities. The Manager has given written notice to the Trustee notifying the Trustee of its proposal to terminate the Trust and the Sub-Funds pursuant to Clause 30.3 of the Trust Deed, and the Trustee does not object to such proposal (and acknowledges the non-applicability of certain provisions of the Code as referred to in this Announcement and Notice).

As required under Clause 30.4 of the Trust Deed, notice is hereby given to investors, notifying them of the proposed termination of the Trust and the Sub-Funds. Also, as required under Chapters 11.1A and 11.2 of the Code, no less than one month's notice is hereby given to Unitholders, notifying them that each of the Sub-Funds will cease to track its respective Index and cease trading of Units from the Trading Cessation Date.

1.2. Proposed cessation of trading of Units on the SEHK

The Manager will apply to the SEHK to have the Units cease trading on the SEHK with effect from the Trading Cessation Date. The Manager will aim to realise all of the assets of the Sub-Funds save for any Suspended Stocks after the close of secondary market trading of the relevant Sub-Funds on the Last Trading Day. The realisation of assets of the Sub-Funds as part of the termination process will not incur any additional cost as compared to the costs associated with a normal realisation of investments.

10 May 2021 will be the Last Trading Day when investors may buy or sell Units on the SEHK in accordance with the usual trading arrangements currently in place, and no creation and redemption of Units through Participating Dealers will be allowed after such date.. Creation and redemption of Units by Participating Dealers will continue to be permitted until the Last Trading Day. Creation of Units will be limited to the creation of Units by Participating Dealers for market making activities to provide liquidity of the trading of the Units on the SEHK. There will be no creation of Units for other purposes after this Announcement and Notice has been published.

Investors should note that they cannot create or redeem Units directly in the primary market. Only Participating Dealers may submit creation and redemption applications to the Manager. Participating Dealers may have their own application procedures for their clients and may set application cut-off times for their clients which are earlier than those set out in the Prospectus. Investors are advised to check with the Participating Dealers as to the relevant timing deadlines and the client acceptance procedures and requirements.

1.3. Impact of the realisation of the assets

After realisation of the assets of each of the Sub-Funds by the Manager, the Sub-Funds will mainly hold cash (primarily consisting of the proceeds from the realisation of the assets of each of the Sub-Funds). It therefore follows that, after the close of secondary market trading of the relevant Sub-Funds on the Last Trading Day, each of the Sub-Funds will cease to track its corresponding Index, and will not be able to meet its respective investment objective of tracking the performance of such corresponding Index.

2. What will happen on or before the Last Trading Day and from the Trading Cessation Date?

2.1. Trading on the SEHK up to and including the Last Trading Day

On any trading day up to and including the Last Trading Day, an investor may continue to buy or sell its Units on the SEHK in accordance with the usual trading arrangements, during the trading hours of the SEHK and based on the prevailing market prices. The Market Makers of the Sub-Funds will continue to perform their market making functions in accordance with the Trading Rules of the SEHK in respect of each Sub-Fund up to and including the Last Trading Day.

Investors should note that stockbrokers or other financial intermediaries may impose brokerage fees on any sale of the Units on the SEHK on investors, and a transaction levy (at 0.0027% of the price of the Units) and a trading fee (at 0.005% of the price of the Units) will be payable by the buyer and the seller of the Units.

No charge to stamp duty will arise in Hong Kong in respect of any sale or purchase of the Units on the SEHK.

The trading price of Units may be below or above the Net Asset Value per Unit. Please see the “Units trading at a discount or premium and Market Makers’ inefficiency risk” in section 5.1 below.

Investors are reminded to contact their stockbrokers or financial intermediaries to check whether there will be any fees or charges including custody fees that they may need to bear with regard to their holdings of Units during the period from the Trading Cessation Date up until the date on which they cease to hold Units.

2.2. Distribution of net cash proceeds

For investors who are still holding Units as of the Final Record Date (such investors, the “**Relevant Investors**”), the Manager will, after consulting the Trustee and the Sub-Funds’ auditor, determine the Cash Proceeds Distribution payable to the Relevant Investors. Such Cash Proceeds Distribution is expected to be made on or around 9 June 2021.

Each Relevant Investor will be entitled to share in the Cash Proceeds Distribution pro rata to the number of Units held by such investor relative to the total number of Units still in issue in the relevant Sub-Fund as at the Final Record Date. The amount of the Cash Proceeds Distribution will be the relevant Sub-Fund’s then Net Asset Value, excluding (i) the value of any unrealised assets held by the relevant Sub-Fund; (ii) any minimum cash required to facilitate the Further Cash Proceeds Distribution (if any); and (iii) any taxes or expenses payable by the relevant Sub-Fund.

The Cash Proceeds Distribution in respect of a Sub-Fund payable to each Relevant Investor is expected to be paid on or around 9 June 2021 to the account of such investor’s financial intermediary or stockbroker maintained with CCASS, based on the Trustee’s records as at the Final Record Date. The Manager will issue a further announcement to inform the investors of the exact day of payment of the Cash Proceeds Distribution, together with the amount of Cash Proceeds Distribution per Unit for each Sub-Fund in due course.

Any Further Cash Proceeds Distribution in respect of a Sub-Fund payable to Relevant Investors is expected to be paid on or around 16 July 2021 to the account of such investor's financial intermediary or stockbroker maintained with CCASS, based on the Trustee's records as at the Final Record Date. The Manager will issue a further announcement to inform the investors of the exact day of payment of any Further Cash Proceeds Distribution, together with the amount of any such Further Cash Proceeds Distribution per Unit for each Sub-Fund in due course.

The Cash Proceeds Distribution and Further Cash Proceeds Distribution (if any) will be calculated and paid in the relevant base currency of the Sub-Fund.

If there is any change, including to the dates mentioned in this section, the Manager will issue an announcement informing the Relevant Investors.

IMPORTANT NOTE: Investors should consider the risk factors as set out in section 5.1 below and consult their professional and financial advisers before disposing of their Units. If an investor disposes of its Units at any time on or before the Last Trading Day, such investor will not in any circumstances be entitled to any portion of the Cash Proceeds Distribution or Further Cash Proceeds Distribution (if any) in respect of any Units so disposed. Investors should exercise caution and consult their professional and financial advisers before dealing in their Units or otherwise deciding on any course of action to be taken in relation to their Units.

2.3. Between the Trading Cessation Date and Final Termination Date

Following the realisation of the assets and the Cash Proceeds Distribution and Further Cash Proceeds Distribution (if any), when the net cash proceeds of each Sub-Fund have been fully distributed and the Trustee and the Manager form an opinion that the Sub-Funds cease to have any respective outstanding contingent or actual assets or liabilities, the Manager and the Trustee will commence the completion of the termination of the Trust and the Sub-Funds.

During the period from the Trading Cessation Date until, at least, the Final Termination Date, although each Sub-Fund will continue to have listing status on the SEHK and the Trust and the Sub-Funds will remain authorised by the SFC, the Sub-Funds will no longer be marketed or offered to the public and will only be operated in a limited manner because there will be no trading of Units and the Sub-Funds will have no investment activities from the Trading Cessation Date onwards. As such, pursuant to Chapter 8.6(t) of the Code and question 13 of the Frequently Asked Questions on Exchange Traded Funds and Listed Funds issued by the SFC dated 16 December 2019 ("**ETF FAQs**"), the Trust and the Sub-Funds will continue to remain authorised by SFC without the need to strictly comply with certain provisions of the Code for the period from and including the Trading Cessation Date up until the Deauthorisation Date, provided that the specific conditions and requirements imposed by the SFC are met. Such conditions and requirements are described in section 3 below.

The deauthorisation of the Trust and the Sub-Funds and delisting of the Sub-Funds from the SEHK will take place either on the Final Termination Date or shortly after the Final Termination Date, subject to the SFC's and SEHK's respective approvals. The Manager expects that the delisting of the Sub-Funds from the

SEHK will take place at or around the same time of the deauthorisation of the Trust and the Sub-Funds.

The proposed termination and proposed deauthorisation of the Trust and the Sub-Funds and proposed delisting of the Sub-Funds from the SEHK will be subject to the payment of all outstanding fees and expenses (please refer to section 4 below), discharge of all outstanding liabilities of the Trust and each of the Sub-Funds, as well as the final approvals by the SFC and the SEHK respectively.

Following deauthorisation, the Trust and the Sub-Funds will no longer be subject to regulation by the SFC and will not be available for public distribution in Hong Kong. Any product documentation for the Trust and the Sub-Funds previously issued to investors, including the Prospectus and any KFSs in respect of each of the Sub-Funds, should be retained for personal use only and not for public circulation. Further, stockbrokers, financial intermediaries and investors must not circulate any marketing or other product information relating to the Trust and the Sub-Funds to the public in Hong Kong as this may be in breach of the SFO.

2.4. Important dates

Subject to the SFC's and the SEHK's respective approvals for the proposed arrangements set out in this Announcement and Notice, it is anticipated that the expected important dates in respect of the Trust and the Sub-Funds will be as follows:

Event	Expected date
Dispatch of Announcement and Notice	31 March 2021 (Wednesday)
<p>Last day on which requests for creation by Participating Dealers for market making activities and redemption by Participating Dealers of Units in the primary market may be accepted</p> <p>Last day for dealings in the Units on the SEHK (the "Last Trading Day")</p> <p>After the close of secondary market trading on the Last Trading Day, the Manager will aim to realise all the investments of the Sub-Funds save for any Suspended Stocks. Each of the Sub-Funds will therefore cease to track its respective Index and will not be able to meet its investment objective of tracking the performance of such Index</p>	10 May 2021 (Monday)
<p>No further requests for creation and redemption of Units in the primary market will be accepted.</p> <p>Cessation of trading in the Units on the SEHK in the secondary market.</p>	11 May 2021 (Tuesday)

<p>The date from which the Trust and the Sub-Funds shall no longer be marketed or offered to the public in Hong Kong</p> <p>(the “Trading Cessation Date”)</p>	
<p>Record date for determining the eligibility of entitlement for the Cash Proceeds Distribution and any Further Cash Proceeds Distribution</p> <p>(the “Final Record Date”)</p>	<p>By close of business on 14 May 2021 (Friday)</p>
<p>Dispatch of an announcement on the Cash Proceeds Distribution and the distribution rate per Unit</p>	<p>On or around 7 June 2021 (Monday)</p>
<p>Cash Proceeds Distribution, after the Manager having consulted the Trustee and the Sub-Funds’ auditor, will be paid to the investors who are still holding Units as at the Final Record Date</p> <p>(the “Cash Proceeds Distribution Date”)</p>	<p>On or around 9 June 2021 (Wednesday)</p>
<p>Dispatch of an announcement on the Further Cash Proceeds Distribution and the distribution rate per Unit (if any)</p>	<p>On or around 14 July 2021 (Wednesday)</p>
<p>Further Cash Proceeds Distribution (if any) will be paid to the investors who are still holding Units as at the Final Record Date</p> <p>(the “Further Cash Proceeds Distribution Date”)</p>	<p>On or around 16 July 2021 (Friday)</p>
<p>Termination of the Trust and the Sub-Funds when the net cash proceeds of each Sub-Fund have been fully distributed and the Trustee and the Manager form an opinion that the Sub-Funds cease to have any respective outstanding contingent or actual assets or liabilities</p> <p>(the “Final Termination Date”)</p>	<p>Expected to be on or around 15 October 2021 (Friday)</p>
<p>Deauthorisation of the Trust and the Sub-Funds and delisting of the Sub-Funds from the SEHK.</p> <p>The date of deauthorisation and delisting will be the date which the SFC and SEHK approve the deauthorisation and delisting respectively.</p>	<p>On or shortly after the Final Termination Date</p>

The Manager will issue the following:

- (i) on a weekly basis from the date of this Announcement and Notice to the Last Trading Day, reminder announcements informing and reminding investors of the Last Trading Day and the Trading Cessation Date and the Final Record Date;
- (ii) in due course, an announcement to inform the investors of the Cash Proceeds Distribution Date and any Further Cash Proceeds Distribution Date; and
- (iii) shortly before the Final Termination Date, an announcement informing investors about the Final Termination Date, Deauthorisation Date and the date for the delisting of the Sub-Funds from the SEHK,

in accordance with the applicable regulatory requirements.

If there is any change, including to the dates mentioned in this section, the Manager will issue an announcement to the investors.

2.5. Treatment of Suspended Stocks (if any), and sale of certain receivables (i.e. declared dividends and tax reclaims)

Suspended Stocks

Certain stock(s) held by a Sub-Fund could be suspended from trading on the exchange which they are listed (the “**Suspended Stocks**”) on or after the Trading Cessation Date.

As of 29 March 2021, details of the Suspended Stocks which each Sub-Fund holds is as follows:

Sub-Fund	Number of Suspended Stocks	Total holdings of Suspended Stocks	% of Net Asset Value of the Sub-Fund
Vanguard FTSE Asia ex Japan Index ETF	2	534	0.00570%
Vanguard FTSE Asia ex Japan High Dividend Yield Index ETF	1	1,200	0.00588%
Vanguard FTSE Developed Europe Index ETF	0	0	0%
Vanguard FTSE Japan Index ETF	0	0	0%
Vanguard S&P 500 Index ETF	0	0	0%
Vanguard Total China Index ETF	1	3,600	0.01667%

If there is no active market on (or off) any stock exchange or current market price for such Suspended Stocks, the payment of the Further Cash Proceeds Distribution (if any) could be delayed if a Sub-Fund holds Suspended Stocks.

If a Sub-Fund still holds Suspended Stocks after the Cash Proceeds Distribution Date, the Manager (in conjunction with the Trustee) will consider what options, if any, are available at the time to seek to avoid undue delay in the payment of the Further Cash Proceeds Distribution referable to the Suspended Stocks (if any), having regard, inter alia, to the level of Suspended Stocks held by such Sub-Fund,

the fair value of those Suspended Stocks and whether those suspended stocks are permitted to be transferred off-market.

An option the Manager may pursue to seek to avoid undue delay in the payment of any Further Cash Proceeds Distribution referable to the Suspended Stocks is to arrange for third party stockbroker(s) to purchase the Suspended Stocks (that are permitted to be transferred off-market) from the relevant Sub-Fund(s) at the fair value of those Suspended Stocks ("**Stockbroker Purchase Arrangement**").

The fair value of those Suspended Stocks is determined in accordance with the Manager's fair valuation policy. Under this policy, circumstances which can give rise to fair value pricing include but are not limited to suspension of trading of a listed stock for more than 5 business days. Fair value pricing under this policy are performed with due care, skill and diligence and in good faith, in consultation with the Trustee. Relevant factors in considering whether to (and how to) apply fair value pricing to Suspended Stocks include and are not limited to the type of Suspended Stocks involved, the amount and duration of the suspension of the Suspended Stocks owned by the relevant Sub-Fund(s), the potential impact on the NAV of the relevant Sub-Fund(s), the method to be used to perform the fair valuation and the reliability of the fair value price to be used.

In order to facilitate the Stockbroker Purchase Arrangement, the Manager (i.e. at a cost to the Manager in its corporate capacity) may subsidize some or all of the cost incurred by the third party stockbroker(s) to purchase the Suspended Stocks from the relevant Sub-Fund(s) at the fair value of those Suspended Stocks ("**Stockbroker Purchase Arrangement Subsidy**"). Such Stockbroker Purchase Arrangement Subsidy would be entirely funded by the Manager and the Manager will not seek reimbursement from any Sub-Fund, the Trustee or the Relevant Investors for this cost. For the avoidance of doubt, the Manager will not profit from the Stockbroker Purchase Arrangement as the third party stockbroker(s) under this arrangement will purchase outright (rather than merely borrow or otherwise take temporary possession of) the Suspended Stocks from the relevant Sub-Fund(s).

The Manager considers that the Stockbroker Purchase Arrangement set out above (if implemented), would be in the best interest of the Relevant Investors as a whole, as it avoids undue delay in making any Further Cash Proceeds Distribution. As noted above, the Manager will make a decision whether or not to implement the Stockbroker Purchase Arrangement having regard to inter alia, to the level of Suspended Stocks held by such Sub-Fund, the fair value of those Suspended Stocks and whether the those suspended stocks are permitted to be transferred off-market.

For completeness, please be aware that the Stockbroker Purchase Arrangement is only available in relation to Suspended Stocks that are permitted to be transferred off-market. If a Sub-Fund still holds Suspended Stocks after the Cash Proceeds Distribution Date and those Suspended Stocks are not permitted to be transferred off-market, in the absence of any other options available to the Manager, this will result in the relevant Sub-Fund(s) holding the Suspended Stocks until they resume trading. If trading of the Suspended Stocks has not resumed by the Further Cash Proceeds Distribution Date, the Manager will publish an announcement on or about such date to inform the Relevant Investors of the next steps it will proceed with.

The Trustee does not have any objection to such arrangement.

The Manager will provide further update(s) on the status of Suspended Stocks held by a Sub-Fund (if any) by way of an announcement(s) after the Cash Proceeds Distribution Date and what options the Manager will take at the time to avoid undue delay in the payment of any Further Cash Proceeds Distribution.

Sale of certain receivables (i.e. declared dividends and tax reclaims)

If a Sub-Fund is still entitled to receive Outstanding Receivables after the Cash Proceeds Distribution Date, waiting for such amounts to become payable may delay the payment of the Further Cash Proceeds Distribution (if any).

In such situation, the Manager (in conjunction with the Trustee) will consider what options, if any, are available at the time to seek to avoid undue delay in the payment of the Further Cash Proceeds Distribution (if any), having regard, inter alia, to the total amount of the Outstanding Receivables and the date on which they are expected to be received.

An option the Manager may pursue to seek to avoid undue delay in the payment of any Further Cash Proceeds Distribution is to enter into a purchase agreement with the Trustee (acting on behalf of the relevant Sub-Fund(s)) (the “**Receivables Purchase Agreement**”), pursuant to which the Manager (i.e. at a cost to the Manager in its corporate capacity) will purchase the Outstanding Receivables at face value (such amount, the “**Receivables Purchase Price**”).

The Manager will pay the Receivables Purchase Price to the Trustee (on behalf of the relevant Sub-Fund(s)) at the relevant time before the Further Cash Proceeds Distribution Date, so that such Receivables Purchase Price will form part of the Further Cash Proceeds Distribution payable to the Relevant Investors. The Receivables Purchase Price will be made as a cash payment in immediately available funds to the Trustee in the base currency of the relevant Sub-Fund(s). Under the Receivables Purchase Agreement, the Trustee will pay the Manager (in its corporate capacity) the proceeds from the Outstanding Receivables covered by the Receivables Purchase Agreement (“**Actual Proceeds**”) within 5 days of the date of actual receipt by the Trustee. There will be no adjustment to (or clawback of any part of) the Receivables Purchase Price if any of the Outstanding Receivables are not in fact received by the Trustee for any reason.

The Manager considers that the arrangements set out above (if implemented), which allow Relevant Investors to receive any Further Cash Proceeds Distribution referable to the Outstanding Receivables in full and without undue delay, would be in the best interest of the Relevant Investors as a whole. For the avoidance of doubt, the Manager has no intention of profiting from the Receivables Purchase Agreement. However, certain amounts under the Receivables Purchase Agreement will be subject to fluctuations (including due to foreign exchange fluctuations or inaccuracies between the estimated amount of any tax reclaim and the actual amount received) that are beyond the control of the Manager. This may result in the Manager (in its corporate capacity) incurring unintended gains or losses under this arrangement caused by, for example, foreign exchange fluctuations between the Receivables Purchase Price (which is paid to the relevant Sub-Fund(s) in its base currency) and the Actual Proceeds (that are payable to the Manager in a foreign currency).

The Manager (in its corporate capacity) will bear any losses and retain any gains (which, if any, are expected to be immaterial relative to the Net Asset Value of the relevant Sub-Fund as at the Trading Cessation Date) under the Receivables Purchase Agreement (including foreign exchange gains or losses). The Manager as the purchaser under the Receivables Purchase Agreement has no recourse to the Trustee, the Trust or any Sub-Fund in connection with any non-receipt (in part or full) of the Outstanding Receivables, therefore there is no liability exposure for the Relevant Investors in connection with the arrangements established by the Receivables Purchase Agreement.

As noted above, the Manager will make a decision whether or not to implement the Receivables Purchase Arrangement having regard, inter alia, to the total amount of the Outstanding Receivables and the date on which they are expected to be received.

For completeness, please be aware that if the Receivables Purchase Arrangement is not implemented, this can cause undue delay in the payment of the Further Cash Proceeds Distribution and correspondingly, undue delay in completing the termination and deauthorisation of the Trust and the Sub-Funds and delisting of the Sub-Funds from the SEHK.

The Trustee does not have any objection to such arrangement.

The Manager will provide further update(s) on the status of any Outstanding Receivables in any Sub-Fund by way of an announcement(s) after the Cash Proceeds Distribution Date and what options the Manager will take at the time to avoid undue delay in the payment of any Further Cash Proceeds Distribution referable to such Outstanding Receivables.

3. Non-applicability of certain provisions of the Code

3.1. Background

As set out in section 2.3 above, while the Units will cease trading effective from the Trading Cessation Date, because of certain outstanding actual or contingent assets or liabilities in relation to the Sub-Funds, the Trust and the Sub-Funds will remain in existence after the Trading Cessation Date until the Final Termination Date. During such period, the Trust and the Sub-Funds will remain authorised by the SFC and the Sub-Funds will maintain their SEHK listing status, until the completion of the proposed termination, proposed deauthorisation and proposed delisting.

Pursuant to Chapter 8.6(t) of the Code and question 13 of the ETF FAQs, the Trust and the Sub-Funds may not strictly comply with certain provisions of the Code for the period from and including the Trading Cessation Date up until the Deauthorisation Date, provided that the specific conditions and requirements imposed by the SFC are met. Such conditions and requirements are described in this section 3.

3.2. Updating of the Prospectus and KFSs

Under Chapters 6.1 and 11.1B of the Code, the Prospectus and the KFSs in respect of the Trust and the Sub-Funds must be up-to-date and must be updated to incorporate any relevant changes to the Trust and the Sub-Funds.

The Manager will continue to manage the Trust and the Sub-Funds without updating the Prospectus and the KFSs as required under Chapter 6.1 and 11.1B of the Code from the Trading Cessation Date to the Deauthorisation Date, subject to the following conditions and requirements imposed by the SFC and which the Manager has undertaken to meet:

- (i) the Manager shall promptly notify investors of any changes to the Trust and the Sub-Funds or to the Prospectus or the KFSs by means of publishing further announcement(s) on its website www.vanguard.com.hk (this website has not been reviewed by the SFC) and the HKEX's website (each, a "**Relevant Future Announcement**"); and
- (ii) the Manager shall ensure that each Relevant Future Announcement shall include a statement to refer investors to read this Announcement and Notice together with the Prospectus, the KFSs, and any other Relevant Future Announcement(s).

3.3. Provision of real time or near-real time indicative Net Asset Value per Unit and last Net Asset Value

Under Chapter 8.6(u)(i) and (ii) of the Code, the Manager is required to provide real time or near-real time indicative Net Asset Value per Unit of the Sub-Funds (updated at least every 15 seconds during trading hours) and last Net Asset Value per Unit and last Net Asset Value of the Sub-Funds (updated on a daily basis) on the Sub-Funds' website or such other channels as the SFC considers appropriate.

The Manager will continue to manage the Sub-Funds without strict compliance with Chapter 8.6(u)(i) and (ii) of the Code from the Trading Cessation Date to the Deauthorisation Date, subject to the following conditions and requirements imposed by the SFC and which the Manager has undertaken to meet:

- (i) the Manager shall ensure that the Net Asset Value per Unit of each Sub-Fund as of 10 May 2021 (i.e. the Last Trading Day), which will be the latest available Net Asset Value per Unit of each Sub-Fund, will be published on the Manager's website: www.vanguard.com.hk (this website has not been reviewed by the SFC); and
- (ii) the Manager shall update the latest available Net Asset Value per Unit of each Sub-Fund on the Manager's website www.vanguard.com.hk (this website has not been reviewed by the SFC) as soon as practicable should there be any other change to the Net Asset Value of each Sub-Fund, including but not limited to changes arising from (i) the Cash Proceeds Distribution (please see further in section 2.2 above); (ii) the Further Cash Proceeds Distribution (if any); (iii) any change in the market value of any scrip dividend receivable by the Sub-Fund concerned (if any) of the underlying stocks; and (iv) any deduction of transaction costs or taxes relating to the realisation of assets of each of the Sub-Funds.

3.4. Publication of suspension of dealing

Under Chapter 10.7 of the Code, the Manager is required to: (a) immediately notify the SFC if dealing in Units ceases or is suspended; and (b) publish the fact that

dealing is suspended immediately following the decision to suspend and at least once a month during the period of suspension in an appropriate manner.

The Manager will continue to manage the Sub-Funds without strict compliance with Chapter 10.7 of the Code from the Trading Cessation Date to the Deauthorisation Date, subject to the condition that a statement shall be posted in a prominent position of the Manager's website www.vanguard.com.hk (this website has not been reviewed by the SFC) from the Trading Cessation Date until the Deauthorisation Date to notify investors that the Units have ceased trading on the SEHK from 11 May 2021 (i.e. the Trading Cessation Date), and draw investors' attention to this Announcement and Notice, any subsequent reminder announcements and all other relevant announcements.

As each of the Sub-Funds will maintain its listed status with the SEHK during the period from and including the Trading Cessation Date until the date of delisting of the Sub-Funds from the SEHK, which should take effect at or around the same time as the deauthorisation of the Trust and the Sub-Funds, investors may continue to access further announcements in relation to the Sub-Funds via the HKEX's website and the Manager's website www.vanguard.com.hk (this website has not been reviewed by the SFC) during such period.

3.5. Other related matters

The Manager confirms that, save for the particular provisions of the Code set out in sections 3.2 to 3.4 above, the Manager will continue to comply with all the other applicable provisions of the Code, the applicable provisions in the Trust Deed, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and applicable laws and regulations in respect of the Trust and the Sub-Funds.

4. Costs

4.1. Trading on the SEHK

As indicated in section 2.1 above, stockbrokers or financial intermediaries may levy certain fees and charges for any orders to dispose of Units on or before the Last Trading Day.

4.2. Creation and redemption by Participating Dealers

All creation and redemption of Units by Participating Dealers will be subject to the fees and costs as set out in the Prospectus. Participating Dealers may pass on to investors such fees and costs, and may also impose fees and charges in handling creation and redemption requests which would increase the cost of creation and redemption. Investors are advised to check with Participating Dealers as to their relevant fees, costs and charges.

4.3. Costs of termination, deauthorisation and delisting and ongoing charges

The Manager will bear all costs and expenses associated with the termination and deauthorisation of the Trust and each Sub-Fund as well as the delisting of each Sub-Fund from the SEHK (other than normal operating expenses such as transaction costs, and any taxes relating to the liquidation of assets of a Sub-Fund) from the date of this Announcement and Notice up to and including the Final

Termination Date. As such, no provision will be set aside for such costs and expenses.

For your information, the ongoing charges over a year as disclosed in the KFSs dated 30 April 2020 for each Sub-Fund is as follows:

Sub-Fund	Ongoing charges figure
Vanguard FTSE Asia ex Japan Index ETF	0.20%
Vanguard FTSE Asia ex Japan High Dividend Yield Index ETF	0.35%
Vanguard FTSE Developed Europe Index ETF	0.18%
Vanguard FTSE Japan Index ETF	0.18%
Vanguard S&P 500 Index ETF	0.18%
Vanguard Total China Index ETF	0.40%

The ongoing charges figure is expressed as a percentage of the relevant Sub-Fund's average Net Asset Value, and is a sum of the actual expenses charged to each Sub-Fund for the year ended 31 December 2019.

The Manager will waive its entitlement to the Manager's Fee from the Trading Cessation Date up to the Final Termination Date.

The Manager does not expect that the termination of the Trust and the Sub-Funds will impact the ongoing charges figure disclosed above. Please note for completeness the ongoing charges figure shown above is calculated in accordance with the guidance under the relevant SFC circular, and excludes the following costs and expenses associated with the termination of the Trust and the Sub-Funds (which are to be borne by each relevant Sub-Fund and by extension, the investors): (i) normal operation expenses such as transaction costs; and (ii) any taxes, relating to the realisation of assets of the Sub-Funds.

4.4. Unamortised preliminary expenses

As at the date of this Announcement and Notice, the Sub-Funds do not have any unamortised preliminary expenses or contingent liabilities.

5. Other matters

5.1. Other implications of the proposed cessation of trading of Units on the SEHK, the proposed termination and proposed deauthorisation of the Trust and the Sub-Funds and proposed delisting of the Sub-Funds

In consequence of this Announcement and Notice and the proposed cessation of trading of Units on the SEHK, the proposed termination and proposed deauthorisation of the Trust and the Sub-Funds and proposed delisting of the Sub-Funds from the SEHK, investors should note and consider the following risks:

Liquidity risk – Trading of Units on the SEHK from the date of this Announcement and Notice may become less liquid;

Units trading at a discount or premium and Market Makers' inefficiency risk – The Units may trade at a discount or premium of its Net Asset Value. Although the Manager expects that up to (and including) the Last Trading Day, the Market

Makers will continue to perform their market making functions in respect of the Sub-Funds in accordance with the Trading Rules of the SEHK, Units may trade at a discount compared to its Net Asset Value in extreme market situations. This is because many investors may want to sell their Units after this Announcement and Notice but there may not be many investors in the market who are willing to purchase such Units. On the other hand, it is also possible that the Units of each of the Sub-Funds may trade at a premium and consequently the divergence between the supply of and demand for the Units may be larger than usual. In particular, should there be a large demand for Units before the Trading Cessation Date, the Market Makers may not be able to effectively perform their market making activities to provide liquidity of the trading of Units on the SEHK in these extreme market situations. As a result, the price volatility of the Units may be higher than usual from the date of this Announcement and Notice up to (and including) the Last Trading Day;

Tracking errors during the period from the date of this Announcement and Notice to the Last Trading Day risk – It is possible that the size of the relevant Sub-Fund may drop drastically before the Last Trading Day. This may impair the Manager's ability to fulfil the investment objective of a Sub-Fund and result in significant tracking error. In the extreme situation where the size of the relevant Sub-Fund becomes so small that the Manager considers that it is not in the best interest of the relevant Sub-Fund to continue to invest in the market, the Manager may decide to convert the whole or part of the investments of the relevant Sub-Fund into cash deposits in order to protect the interest of the investors of that Sub-Fund;

Net Asset Value downward adjustment risk – Changes in economic environment, consumption pattern and investors' expectations may have significant impact on the value of the investments and there may be significant drop in value of the investments. Such market movements may result in substantial downward adjustment of the Net Asset Value per Unit before the Last Trading Day;

Failure to track the Sub-Fund Index risk – All assets of the Sub-Funds, to the extent possible, will be liquidated after the close of secondary market trading of the relevant Sub-Funds on the Last Trading Day. Thereafter, the Sub-Funds' assets will mainly be cash and the Sub-Funds will operate in a limited manner. It therefore follows that, after the close of secondary market trading on the Last Trading Day, each of the Sub-Funds will cease to track its corresponding Index, and will not be able to meet its respective investment objective of tracking the performance of such corresponding Index; and

Delay in distribution risk – The Manager will aim to realise all of the assets of the Sub-Funds and proceed with the Cash Proceeds Distribution and Further Cash Proceeds Distribution (if any) as soon as practicable. However, the Manager may not be able to realise all the assets of the Sub-Funds in a timely manner during certain periods of time, for example, when trading on the relevant stock exchanges is restricted or suspended or when the official clearing and settlement depository of the relevant market is closed. In this case, the payment of the Cash Proceeds Distribution and any Further Cash Proceeds Distribution to the Relevant Investors may be delayed.

Investor attention is also drawn to the risks disclosed in the Prospectus.

5.2. Tax implications

Based on the Manager's understanding of the law and practice in force at the date of this Announcement and Notice, as the Trust and the Sub-Funds are collective investment schemes authorised under Section 104 of the SFO, profits of the Trust and the Sub-Funds derived from realisation of their assets are exempt from Hong Kong profits tax. Notwithstanding that profits of the Trust and the Sub-Funds derived from realisation of its assets are exempt from Hong Kong profits tax, the Trust and the Sub-Funds may be subject to tax in certain jurisdictions where investments are made, on income and/or capital gains derived from such investments.

The Cash Proceeds Distribution and Further Cash Proceeds Distribution (if any) (to the extent such amounts represent profits and/or capital of the Sub-Funds) should generally not be subject to Hong Kong profits tax. For investors carrying on a trade, profession or business in Hong Kong, profits derived from the redemption or disposal of Units may be subject to Hong Kong profits tax if the profits in question arise in or are derived from such trade, profession or business, sourced in Hong Kong and the Units are revenue assets of the investors.

Investors should consult their professional tax advisers for tax advice.

5.3. Connected party transaction

As at the date of this Announcement and Notice, other than stated in section 2.5 above and below, none of the connected persons of the Manager and/or the Trustee are involved in any transaction as principal in relation to the Trust and the Sub-Funds other than in the ordinary and normal course of business and executed at arm's length, nor holds any interest in the Sub-Funds.

A related entity of the Manager, Zealous, Inc. ("**Vanguard Seeding Entity**"), which seeded the Vanguard Total China Index ETF, currently holds Units in the Vanguard Total China Index ETF. The Vanguard Seeding Entity is a connected person of the Manager. The Vanguard Seeding Entity has no intention to dispose of its Units, either by selling the Units on the SEHK or by redeeming the Units in the primary market, before the Trading Cessation Date. Accordingly, the Vanguard Seeding Entity expects to be an investor as at the Trading Cessation Date (no different to other investors who chose not to redeem prior to the Trading Cessation Date) and will be entitled to receive the Cash Proceeds Distribution and Further Cash Proceeds Distribution (if any) paid to Relevant Investors.

The Manager will provide further update(s) by way of an announcement(s) if any connected persons of the Manager holds Units in any other Sub-Fund prior to the Final Termination Date.

6. Documents available for inspection

Copies of the following documents are available for inspection free of charge at the place of business of the Manager at 48/F, The Center, 99 Queen's Road Central, Hong Kong during normal business hours:

- Trust Deed and any supplemental deed;
- Audited accounts and unaudited interim reports of the Trust and the Sub-Funds; and

- the Prospectus and the KFS of each of the Sub-Funds.

Copies of the above documents may be obtained from the Manager at a reasonable fee upon request (other than the financial statements, the Prospectus and the KFSs which may be obtained free of charge).

7. **Enquiries**

If you have any questions in relation to the contents of this Announcement and Notice, please direct them to your stockbrokers or financial intermediaries or contact the Manager by calling +852 3409 8444 during normal business hours (except Hong Kong statutory holidays), or visiting the Manager's website: www.vanguard.com.hk (this website has not been reviewed by the SFC).

The Manager accepts full responsibility for the accuracy of the contents of this Announcement and Notice, and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

Vanguard Investments Hong Kong Limited
as Manager of the Trust and the Sub-Funds

31 March 2021



VANGUARD ETF SERIES

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

VANGUARD FTSE ASIA EX JAPAN INDEX ETF

Stock code: 2805 – HKD counter
Stock code: 82805 – RMB counter
Stock code: 9805 – USD counter

VANGUARD FTSE DEVELOPED EUROPE INDEX ETF

Stock code: 3101 – HKD counter
Stock code: 83101 – RMB counter
Stock code: 9101 – USD counter

VANGUARD FTSE JAPAN INDEX ETF

Stock code: 3126 – HKD counter
Stock code: 83126 – RMB counter
Stock code: 9126 – USD counter

VANGUARD FTSE ASIA EX JAPAN HIGH DIVIDEND YIELD INDEX ETF

Stock code: 3085 – HKD counter
Stock code: 83085 – RMB counter
Stock code: 9085 – USD counter

VANGUARD S&P 500 INDEX ETF

Stock code: 3140 – HKD counter
Stock code: 83140 – RMB counter
Stock code: 9140 – USD counter

VANGUARD TOTAL CHINA INDEX ETF

Stock code: 83169 – RMB counter
Stock code: 3169 – HKD counter
Stock code: 9169 – USD counter

(together, the “Sub-Funds”)

SECOND ADDENDUM TO THE PROSPECTUS (“ADDENDUM”)

Important - If you are in any doubt about the contents of this Addendum, you should seek independent professional financial advice.

This Addendum forms an integral part of the prospectus of the Vanguard ETF Series (the “Trust”) dated 10 December 2019, as amended by addendum dated 30 April 2020 (the “Prospectus”). This Addendum shall not be distributed separately from the Prospectus. Unless otherwise defined in this Addendum, all capitalised terms used in this Addendum have the same meaning as in the Prospectus.

The Manager accepts full responsibility for the accuracy of the information contained in this Addendum and the Prospectus as at the date of publication and confirms, having made all reasonable enquiries, which to the best of its knowledge and belief, there are no other facts the omission of which would make any statement in this Addendum and the Prospectus misleading.

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

SFC authorisation is not a recommendation or endorsement of the Trust or any Sub-Fund nor does it guarantee the commercial merits of the Trust or any Sub-Fund or its performance. It does not mean the Trust or any Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

The Prospectus will be amended as follows:

1 Updates to the Directors of the Manager

With effect from the date of this addendum, the list of directors under the sub-heading “**Directors of the Manager**” on page 12 under the section headed “**DIRECTORY**” was amended as marked-up below:

Directors of the Manager

James M. Norris
Axel Lomholt
Scott Conking
Cynthia Lui
Yan Pui

2 Updates to the details of the Underlying Indices

With effect from the date of this addendum, in “**APPENDIX 1 – THE SUB-FUNDS**”, in respect of each Sub-Fund, information relating to the “Underlying Index” disclosed in the table under the heading “Sub-Fund Details”, and certain paragraphs under the heading “**THE UNDERLYING INDEX**” as described below shall be deleted in its entirety and replaced by the following:

Vanguard FTSE Asia ex Japan Index ETF (page 78):

“ Underlying Index ”	FTSE Asia Pacific ex Japan, Australia and New Zealand Index Base Date: 31 December 1986 Inception Date: 31 May 2000 Base Currency: Hong Kong dollars Number of Constituent Stocks: 1,731 as at 9 April 2021 Total Market Capitalisation: HK\$58,005,605 million as at 9 April 2021”
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Vanguard FTSE Asia ex Japan Index ETF (pages 80-81):

“The FTSE Asia Pacific ex Japan, Australia and New Zealand Index was launched on 31 May 2000 and is derived from the FTSE Global Equity Index Series. The FTSE Asia Pacific ex Japan, Australia and New Zealand Index is a total return, free float market capitalisation index, and as at 9 April 2021 comprises of 1,731 large and mid-cap stocks listed in China (A-Shares and B shares and listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange), Hong Kong (including H shares, P chips and red chips listed on the SEHK), India, Indonesia, Malaysia, Pakistan, Philippines, Singapore (including China S-chips), South Korea, Taiwan, Thailand and the United States (China N-shares),

with total market capitalisation of approximately HK\$58,005,605 million. The base date of the Underlying Index is set at 31 December 1986. The Underlying Index is denominated and quoted in Hong Kong dollars.”

Vanguard FTSE Japan Index ETF (page 86):

“Underlying Index	FTSE Japan Index Base Date: 31 December 1986 Inception Date: 31 December 1993 Base Currency: Hong Kong dollars Number of Constituent Stocks: 507 as at 9 April 2021 Total Market Capitalisation: HK\$35,085,145 million as at 9 April 2021”
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Vanguard FTSE Japan Index ETF (page 89):

“FTSE Japan Index is derived from the broader FTSE Global Equity Index Series and is designed to measure performance of the Japanese economy through investment in 507 Japanese large and mid-capitalised companies listed on the Tokyo Stock Exchange with total market capitalisation of approximately HK\$35,085,145 million as at 9 April 2021. The base date of the Underlying Index is set at 31 December 1986. The Underlying Index is denominated and quoted in Hong Kong dollars and is a total return, free float market capitalisation index.”

Vanguard FTSE Developed Europe Index ETF (page 96):

“Underlying Index	FTSE Developed Europe Index Base Date: 31 May 2000 Inception Date: 3 March 2003 Base Currency: Hong Kong dollars Number of Constituent Stocks: 575 as at 9 April 2021 Total Market Capitalisation: HK\$84,737,901 million as at 9 April 2021”
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Vanguard FTSE Developed Europe Index ETF (page 98):

“FTSE Developed Europe Index is derived from the broader FTSE Global Equity Index Series and is designed to measure performance of the economy in developed Europe through investment in 575 large and mid-capitalised companies of developed European countries (including Austria, Belgium/Luxembourg, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom), with total market capitalisation of approximately HK\$84,737,901 million as at 9 April 2021. The base date of the Underlying Index is set at 31 May 2000. The Underlying Index is denominated and quoted in Hong Kong dollars and is a total return, free float market capitalisation index.”

Vanguard FTSE Asia ex Japan High Dividend Yield Index ETF (page 105):

“Underlying Index	FTSE Asia Pacific ex Japan, Australia and New Zealand High Dividend Yield Index Base Date: 19 March 2004 Inception Date: 24 October 2013 Base Currency: Hong Kong dollars Number of Constituent Stocks: 675 as at 9 April 2021 Total Market Capitalisation: HK\$24,779,993 million as at 9 April 2021”
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Vanguard FTSE Asia ex Japan High Dividend Yield Index ETF (page 107):

“The FTSE Asia Pacific ex Japan, Australia and New Zealand High Dividend Yield Index comprises stocks that are characterised by higher-than-average dividend yields. The index universe is based on the large and mid-cap constituents of the FTSE Asia Pacific ex Japan, Australia and New Zealand Index, and stocks are ranked by annual dividend yield after removing stocks that are not forecasted to pay a dividend during the next 12 months. The Underlying Index aims to contain the highest yielding stocks accounting for 50% of the investable market capitalisation of the eligible securities. The base date of the Underlying Index is set at 19 March 2004. The Underlying Index is denominated and quoted in Hong Kong dollars and is a total return, free float market capitalisation index. As at 9 April 2021, the Underlying Index comprises 675 large and mid-cap constituent stocks listed in China (A-Shares and B shares listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange), Hong Kong (H shares and Red chips listed on the SEHK), India, Indonesia, Malaysia, Pakistan, Philippines, Singapore, South Korea, Taiwan, Thailand and the United States (China N-Shares), with total market capitalisation of approximately HK\$24,779,993 million.”

Vanguard S&P 500 Index ETF (page 114):

“Underlying Index	S&P 500® Index Base Date: 1941-1943 Inception Date: 4 March 1957 Base Currency: Hong Kong dollars Number of Constituent Stocks: 505 as at 9 April 2021 Total Market Capitalisation: HK\$270,775 billion as at 9 April 2021”
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Vanguard S&P 500 Index ETF (page 116):

“The S&P 500® Index comprises approximately 500 of large cap stocks which are common equities primarily listed on the U.S. publicly traded stock market. The base date of the Underlying Index is set between 1941 to 1943. The Underlying Index is denominated and quoted in Hong Kong dollars and is a total return, free float market capitalisation index. As at 9 April 2021, the Underlying Index comprises 505 large cap constituent stocks listed in the United States, with total market capitalisation of approximately HK\$270,775 billion.”

Vanguard Total China Index ETF (page 125):

“Underlying Index	FTSE Total China Connect Index Base Date: 14 November 2014 Inception Date: 29 December 2017 Base Currency: Renminbi (CNH) Number of Constituent Stocks: 1,020 as at 9 April 2021 Total Market Capitalisation: RMB 28,304,063 million as at 9 April 2021”
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Vanguard Total China Index ETF (page 128):

“The FTSE Total China Connect Index was launched on 29 December 2017. The Underlying Index comprises of 1,020 large and mid-cap onshore (PRC) and offshore listed (Hong Kong, United States and Singapore) China equity securities with total market capitalisation of approximately RMB 28,304,063 million as at 9 April 2021. The base date of the Underlying Index is set at 14 November

2014. The Underlying Index is denominated and quoted in Renminbi (CNH) and is a net total return, free float market capitalisation index.”

A copy of the Prospectus and this Addendum will be posted on the Trust’s website (www.vanguard.com.hk) and the website of the Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk/>). Investors should note that the Trust’s website has not been reviewed or authorised by the SFC. Alternatively, the Prospectus of the Trust and this Addendum are also available for your inspection at our office at 48/F, The Center, 99 Queen’s Road Central, Hong Kong during normal office hours on each Business Day.

Vanguard Investments Hong Kong Limited

30 April 2021



VANGUARD ETF SERIES

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

VANGUARD FTSE ASIA EX JAPAN INDEX ETF

Stock code: 2805 – HKD counter
Stock code: 82805 – RMB counter
Stock code: 9805 – USD counter

VANGUARD FTSE DEVELOPED EUROPE INDEX ETF

Stock code: 3101 – HKD counter
Stock code: 83101 – RMB counter
Stock code: 9101 – USD counter

VANGUARD FTSE JAPAN INDEX ETF

Stock code: 3126 – HKD counter
Stock code: 83126 – RMB counter
Stock code: 9126 – USD counter

VANGUARD FTSE ASIA EX JAPAN HIGH DIVIDEND YIELD INDEX ETF

Stock code: 3085 – HKD counter
Stock code: 83085 – RMB counter
Stock code: 9085 – USD counter

VANGUARD S&P 500 INDEX ETF

Stock code: 3140 – HKD counter
Stock code: 83140 – RMB counter
Stock code: 9140 – USD counter

VANGUARD TOTAL CHINA INDEX ETF

Stock code: 83169 – RMB counter
Stock code: 3169 – HKD counter
Stock code: 9169 – USD counter

(together, the “Sub-Funds”)

FIRST ADDENDUM TO THE PROSPECTUS (“FIRST ADDENDUM”)

Important - If you are in any doubt about the contents of this First Addendum, you should seek independent professional financial advice.

This First Addendum forms an integral part of the prospectus of the Vanguard ETF Series (the “Trust”) dated 10 December 2019 (the “Prospectus”). This First Addendum shall not be distributed separately from the Prospectus. Unless otherwise defined in this First Addendum, all capitalised terms used in this First Addendum have the same meaning as in the Prospectus.

The Manager accepts full responsibility for the accuracy of the information contained in this First Addendum and the Prospectus as at the date of publication and confirms, having made all reasonable enquiries, which to the best of its knowledge and belief, there are no other facts the omission of which would make any statement in this First Addendum and the Prospectus misleading.

The Stock Exchange of Hong Kong Limited, Hong Kong Exchanges and Clearing Limited, Hong Kong Securities Clearing Company Limited and the Securities and Futures Commission (the “SFC”) take no responsibility for the contents of this First Addendum and the 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 First Addendum and the Prospectus.

SFC authorisation is not a recommendation or endorsement of the Trust or any Sub-Fund nor does it guarantee the commercial merits of the Trust or any Sub-Fund or its performance. It does not mean the Trust or any Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

The Prospectus will be amended as follows:

1 Amendment to the references relating to the Registrar

With effect from the date of this addendum, the following definition under the section headed “**TERMS USED IN THIS PROSPECTUS**” on page 9 of the Prospectus, shall be amended as marked-up below:

“**Registrar** State Street Trust (HK) Limited, or the person appointed as registrar to keep the Register; the Registrar or such person so appointed and may also process creations, redemptions, conversions and transfers of Units (and in default of any such appointment shall mean the Trustee). References to Registrar shall include any registrar’s agent from time to time appointed by the Registrar with the Manager’s prior approval provided however that such approval shall not be required where such agent is a member of the State Street group of companies.”

2 Amendments to description relating to the Registrar

With effect from the date of this addendum, the sixth paragraph under the sub-heading “**Trustee and Registrar**” on page 17 under the section headed “**MANAGEMENT AND ADMINISTRATION**” shall be amended as marked-up below:

“The Trustee will also act as the Registrar of the Trust. The Registrar ~~will be~~ is responsible, ~~inter alia,~~ for maintaining the Register and may also process ~~processing~~ orders for creations and redemptions, conversions and transfers of Units in accordance with the Trust Deed and this Prospectus.”

3 Amendments to procedures for creation and requests for redemption of Units

With effect from the date of this addendum, the third and fourth paragraphs under the sub-heading “**General**” on page 38 under the section headed “**REDEMPTION OF UNITS**” shall be amended as marked-up below:

"Redemption requests for Redemption Units must be submitted to the Registrar or the Manager by a Participating Dealer before the Dealing Deadline. An order to redeem a Redemption Unit is deemed accepted on the Dealing Day if (1) such order is accepted by the Manager prior to the Dealing Deadline on such Dealing Day; and (2) all other procedures set forth in the Participation Agreement are properly followed. If a redemption order in proper form is submitted to the Registrar or the Manager by a Participating Dealer prior to the Dealing Deadline on the Dealing Day, then the value of the Redemption Securities and the Cash Redemption Component will be determined by the relevant Sub-Fund on such Dealing Day. A redemption request is considered to be in "proper form" if: (1) a Participating Dealer has transferred or caused to be transferred to the Registrar/Trustee the Redemption Unit being redeemed through the book-entry system of CCASS so as to be effective by the Settlement Day on T+2; and (2) a request satisfactory to the Manager is accepted by the Registrar or the Manager from the Participating Dealer within the time periods specified herein.

A Participating Dealer must deliver to the Registrar/Trustee the Units it is seeking to redeem by the Settlement Day on T+2. If on T+2 a Participating Dealer has failed to deliver all of the Units it is seeking to redeem, the Manager shall, with the consent of the Trustee, be entitled to: (i) cancel the redemption order; (ii) postpone the Settlement Day, such postponement to be on such terms and conditions (including as to the payment of any fees it may determine to represent the administrative costs involved in postponing the Settlement Day) as the Manager may determine; or (iii) require a collateral sum as agreed to between the Participating Dealer and the Manager, until the date of delivery of all such undelivered Units. The receipt of this will be deemed to have settled the redemption in full. Cash collateral will be used following the default on the delivery of the Units. In all cases, the Manager shall be entitled to charge the redeeming Participating Dealer for any costs sustained by the relevant Sub-Fund as a result of the late delivery or failure to deliver. The cash collateral will be marked-to-market on a daily basis and additional collateral will be requested if the value of the Units exceeds the value of the cash initially received. Once the Units in question have been delivered, the cash collateral will be returned to the Participating Dealer. Redemption proceeds will not be paid until such time as the relevant Units are received by the relevant Sub-Fund, either through delivery by the redeeming Participating Dealer or the receipt of the relevant collateral. No interest will be paid on any collateral held in these circumstances."

4 **Amendments to the description relating to the Investment Advisor**

With effect from the date of this addendum, the first paragraph under the sub-heading "**Investment Advisor**" on page 15 under the section headed "**MANAGEMENT AND ADMINISTRATION**" shall be amended as marked-up below:

"The Manager has (i) delegated the investment management function and (ii) granted the authority to accept or reject creation or redemption orders by Participating Dealers, for each of the Sub-Funds to the Investment Advisor. The Investment Advisor is Vanguard Investments Australia Ltd based in Melbourne, Australia. The Investment Advisor is an affiliate of the Manager and holds an Australian Financial Services Licence (Number 227263) under the Corporations Act 2001, authorising the Investment Advisor to operate registered managed investment schemes that invest in financial assets to retail and wholesale clients."

5 **Updates to the Directors of the Manager**

With effect from 30 December 2019, the list of directors under the sub-heading "**Directors of the Manager**" on page 12 under the section headed "**DIRECTORY**" was amended as marked-up below:

Directors of the Manager

James M. Norris
~~Xiaodong Lin~~
Cynthia Lui

Yan Pui

6 Updates to the risks associated with the indices

- (a) With effect from the date of this addendum, the risk factor titled “*Compilation of Underlying Index*” under the sub-heading “**Risks Associated with the Indices**” on page 53 under the section headed “**RISK FACTORS**” shall be deleted in its entirety and replaced as follows:

“Compilation of Underlying Index

The Index Securities of each Underlying Index are determined and composed by the Index Provider without regard to the performance of the relevant Sub-Fund. Errors made by the Index Provider may occur from time to time and may not be identified by the Index Provider for a period of time or at all. There is no assurance that the Index Provider will compile the Underlying Index accurately, or that the Underlying Index will be determined, composed or calculated accurately.

No Sub-Fund is sponsored, endorsed, sold or promoted by any relevant Index Provider. No Index Provider makes any representation or warranty, express or implied, to investors or other persons regarding the advisability of investing in securities generally or in the relevant Sub-Fund particularly. No Index Provider has any obligation to take the needs of the relevant Sub-Fund or the Unitholders into consideration in determining, composing or calculating any Underlying Index. While the Index Provider provides a general description of what the relevant Underlying Index is designed to achieve, the Index Provider does not provide any warranty or accept any liability in relation to the quality, accuracy or completeness of data in respect of their indices and does not guarantee that the relevant Underlying Index will be in line with the described index methodology. The Manager has no control nor input into the determination of the composition or calculation of any Underlying Index. Accordingly, neither the Manager, nor any member of the Vanguard Group of Companies provide any warranty or guarantee, or accepts any liability for any errors made by the Index Provider. Any gains, losses or costs associated with such errors will be borne by the relevant Sub-Fund and its Unitholders.

In addition, the Index Provider may also change the process and the basis of computing and compiling each Underlying Index from time to time, including the companies which comprise the Underlying Index. The price of the Units may rise or fall as a result of such changes. As a result, an investment in the Units will generally reflect the Underlying Index of the relevant Sub-Fund, as its constituents change from time to time, and not necessarily the way it is comprised of at the time of the investor’s investment in the Units. However, there can be no guarantee that the Sub-Funds will, at any given time, accurately reflect the composition of the Underlying Index. Please refer to “*Tracking Error Risk*” for further information. 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 Unitholders.”

- (b) With effect from the date of this addendum, a new risk factor shall be added immediately after the risk factor titled “*Compilation of Underlying Index*”, under the sub-heading “**Risks Associated with the Indices**” on page 53 under the section headed “**RISK FACTORS**”, as follows:

“Unscheduled Rebalancing of Underlying Index Risk

Apart from scheduled rebalances, the Index Provider may carry out additional ad hoc rebalances to the relevant Underlying Index in order, for example, to correct an error in the selection of index constituents or an incorrect weighting assigned to the index constituents by the Index Provider. Where the Underlying Index of a Sub-Fund is rebalanced and the Sub-Fund in turn rebalances its portfolio to bring it in line with its Underlying Index, any transaction costs (including any capital gains tax and/or transaction taxes) and market exposure arising from such portfolio rebalancing will be borne directly by the relevant Sub-Fund and its Unitholders.

Unscheduled rebalances to any Underlying Index may also expose the Sub-Fund to tracking error risk, which is the risk that its returns may not track exactly those of the relevant Underlying Index. Therefore, index errors and additional unscheduled rebalances carried out by the Index Provider to the relevant Underlying Index may increase the costs and market exposure risk of the relevant Sub-Fund.”

7 **Clarificatory amendments in relation to the Investment Powers and Restrictions of the Trust**

- (a) With effect from the date of this addendum, the second paragraph under paragraph (a) under the sub-heading “**Investment Restrictions**” on page 134 under the section headed “**APPENDIX 3 – INVESTMENT POWERS AND RESTRICTIONS**” shall be amended as marked-up below:

“Subject to the approval by the SFC, the Value of a Sub-Fund’s holding in Government and other Public Securities of the same issue may exceed 30% of the latest available Net Asset Value of the Sub-Fund. Further, subject to the restriction aforementioned, the Manager may invest all of the assets of a Sub-Fund in Government and other Public Securities in any number of different issues despite Chapter 7.5 of the Code~~paragraph (d) below.~~”

- (b) With effect from the date of this addendum, the first paragraph under sub-heading “**Financial Derivative Instruments**” on page 137 under the section headed “**APPENDIX 3 – INVESTMENT POWERS AND RESTRICTIONS**” shall be amended as marked-up below:

“Subject to any provisions herein and the Code, a Sub-Fund may acquire FDIs for hedging purposes and non-hedging purposes (“**investment purposes**”) subject to the limit that the relevant Sub-Fund’s ~~net global~~ exposure relating to such FDIs (“**net derivative exposure**”) for non-hedging purposes does not exceed 50% of its total Net Asset Value, provided that the exposure to the underlying assets of the FDIs, together with the other Investments of the scheme, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets and Investments as set out in Chapters 7.1, 7.1A, 7.1B, 7.4, 7.5, 7.11, 7.11A, 7.11B and 7.14 of the Code~~under paragraphs (a), (b), (c), (f), (i), (j) and (l) under the section headed “Investment Restrictions” above.~~”

- (c) With effect from the date of this addendum, paragraph (c) under the second paragraph under sub-heading “**Financial Derivative Instruments**” on page 137 under the section headed “**APPENDIX 3 – INVESTMENT POWERS AND RESTRICTIONS**” shall be amended as marked-up below:

“(c) subject to Chapters 7.1 and 7.1A of the Code~~paragraphs (a) and (b) above~~, the net counterparty exposure to a single entity arising from transactions of over-the-counter FDIs may not exceed 10% of the Net Asset Value of the relevant Sub-Fund; and”

- (d) With effect from the date of this addendum, the third paragraph under sub-heading “**Financial Derivative Instruments**” on pages 137-138 under the section headed “**APPENDIX 3 – INVESTMENT POWERS AND RESTRICTIONS**” shall be amended as marked-up below:

“The portfolio of a Sub-Fund will not be leveraged either through borrowing to purchase Securities or through the acquisition of options, futures or other derivative products without appropriate cash offsets ~~and~~. A Sub-Fund should at all times be capable of meeting all its payments and delivery obligations incurred under such transactions in FDIs (whether for hedging or for investment purposes). The Manager shall ensure that, as part of its risk management process, that ~~such~~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 be covered in accordance with chapter 7.30 of the Code. Where a financial instrument embeds a FDI, the

investment restrictions and limitations under this section headed “Financial Derivative Instruments” will also apply to the embedded FDI.”

8 Other clarificatory amendments

- (a) With effect from the date of this addendum, the second paragraph under the sub-heading “**SFC Authorisation**” on page i under the section headed “**IMPORTANT INFORMATION**” shall be amended as marked-up below:

“This Prospectus relates to the offer in Hong Kong of Units in the Trust, an umbrella unit trust established under Hong Kong law by a trust deed dated 18 March 2013 between The Vanguard Group, Inc. (as it was then the manager of the Trust) and State Street Trust (HK) Limited (the “**Trustee**”), as amended by supplemental trust deeds dated 25 April 2014, 23 June 2014, 22 April 2015, 25 April 2017 and 9 April 2018 respectively, a Deed of Retirement and Appointment of Manager dated 19 March 2015 between The Vanguard Group, Inc. (as the retiring manager of the Trust), the Manager (as the new manager of the Trust) and the Trustee and as amended and restated on 10 December 2019, and further amended by a supplemental trust deed dated 29 April 2020. Units of different classes may be established within a Sub-Fund to accommodate different creation and/or redemption provisions and/or dividends and/or charges and/or fee arrangements, including different ongoing charges.”

- (b) With effect from the date of this addendum, the fifth bullet point under the list of information available at the Manager’s website as disclosed under sub-heading “**Communication with Unitholders**” on page 141 under the heading “**APPENDIX 4 – GENERAL INFORMATION**” shall be amended as marked-up below:

- “near real-time indicative~~estimated~~ Net Asset Value per Unit of the Sub-Funds throughout each Dealing Day in each of the Sub-Fund’s trading currencies (i.e. HKD, RMB and USD where applicable) (updated at least every 15 seconds during trading hours).”

- (c) With effect from the date of this addendum, the second paragraph after the list of information available at the Manager’s website as disclosed under sub-heading “**Communication with Unitholders**” on page 141 under the heading “**APPENDIX 4 – GENERAL INFORMATION**” shall be amended as marked-up below:

“The near real time indicative~~estimated~~ NAV per Unit (in each of the Sub-Fund’s trading currencies) and the last NAV per Unit (in each of the Sub-Fund’s trading currencies (other than the Base Currency)) are indicative and for reference only. The near real time indicative~~estimated~~ NAV per Unit in each of the Sub-Fund’s trading currencies (other than the Base Currency) uses a real time exchange rate between the Base Currency and each of the trading currencies (other than the Base Currency). It is calculated using the near real time indicative~~estimated~~ NAV per Unit in the Base Currency of the relevant Sub-Fund multiplied by the real time exchange rate provided by ICE Data Services for the relevant trading currencies of each Sub-Fund (other than the Base Currency).”

9 Updates to the details of the Underlying Indices

With effect from the date of this addendum, in “**APPENDIX 1 – THE SUB-FUNDS**”, in respect of each Sub-Fund, information relating to the “Underlying Index” and “Ongoing Charges” disclosed in the table under the heading “Sub-Fund Details”, and certain paragraphs under the heading “**THE UNDERLYING INDEX**” as described below shall be deleted in its entirety and replaced by the following:

Vanguard FTSE Asia ex Japan Index ETF (page 78):

“Underlying Index	FTSE Asia Pacific ex Japan, Australia and New Zealand Index Base Date: 31 December 1986 Inception Date: 31 May 2000 Base Currency: Hong Kong dollars Number of Constituent Stocks: 1,658 as at 6 April 2020 Total Market Capitalisation: HK\$34,191,125 million as at 6 April 2020”
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Vanguard FTSE Asia ex Japan Index ETF (pages 80-81):

“The FTSE Asia Pacific ex Japan, Australia and New Zealand Index was launched on 31 May 2000 and is derived from the FTSE Global Equity Index Series. The FTSE Asia Pacific ex Japan, Australia and New Zealand Index is a total return, free float market capitalisation index, and as at 6 April 2020 comprises of 1,658 large and mid-cap stocks listed in China (A-Shares and B shares and listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange), Hong Kong (including H shares, P chips and red chips listed on the SEHK), India, Indonesia, Malaysia, Pakistan, Philippines, Singapore (including China S-chips), South Korea, Taiwan, Thailand and the United States (China N-shares), with total market capitalisation of approximately HK\$34,191,125 million. The base date of the Underlying Index is set at 31 December 1986. The Underlying Index is denominated and quoted in Hong Kong dollars.”

Vanguard FTSE Japan Index ETF (page 86):

“Underlying Index	FTSE Japan Index Base Date: 31 December 1986 Inception Date: 31 December 1993 Base Currency: Hong Kong dollars Number of Constituent Stocks: 509 as at 6 April 2020 Total Market Capitalisation: HK\$24,519,214 million as at 6 April 2020”
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Vanguard FTSE Japan Index ETF (page 89):

“FTSE Japan Index is derived from the broader FTSE Global Equity Index Series and is designed to measure performance of the Japanese economy through investment in 509 Japanese large and mid-capitalised companies listed on the Tokyo Stock Exchange with total market capitalisation of approximately HK\$24,519,214 million as at 6 April 2020. The base date of the Underlying Index is set at 31 December 1986. The Underlying Index is denominated and quoted in Hong Kong dollars and is a total return, free float market capitalisation index.”

Vanguard FTSE Developed Europe Index ETF (page 96):

“Underlying Index	FTSE Developed Europe Index Base Date: 31 May 2000 Inception Date: 3 March 2003 Base Currency: Hong Kong dollars Number of Constituent Stocks: 589 as at 6 April 2020 Total Market Capitalisation: HK\$55,592.525 million as at 6 April 2020”
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Vanguard FTSE Developed Europe Index ETF (page 98):

“FTSE Developed Europe Index is derived from the broader FTSE Global Equity Index Series and is designed to measure performance of the economy in developed Europe through investment in 589 large and mid-capitalised companies of developed European countries (including Austria, Belgium/Luxembourg, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom), with total market capitalisation of approximately HK\$55,592,525 million as at 6 April 2020. The base date of the Underlying Index is set at 31 May 2000. The Underlying Index is denominated and quoted in Hong Kong dollars and is a total return, free float market capitalisation index.”

Vanguard FTSE Asia ex Japan High Dividend Yield Index ETF (page 105):

“Underlying Index	FTSE Asia Pacific ex Japan, Australia and New Zealand High Dividend Yield Index Base Date: 19 March 2004 Inception Date: 24 October 2013 Base Currency: Hong Kong dollars Number of Constituent Stocks: 558 as at 6 April 2020 Total Market Capitalisation: HK\$14,272,053 million as at 6 April 2020”
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Vanguard FTSE Asia ex Japan High Dividend Yield Index ETF (page 107):

“The FTSE Asia Pacific ex Japan, Australia and New Zealand High Dividend Yield Index comprises stocks that are characterised by higher-than-average dividend yields. The index universe is based on the large and mid-cap constituents of the FTSE Asia Pacific ex Japan, Australia and New Zealand Index, and stocks are ranked by annual dividend yield after removing stocks that are not forecasted to pay a dividend during the next 12 months. The Underlying Index aims to contain the highest yielding stocks accounting for 50% of the investable market capitalisation of the eligible securities. The base date of the Underlying Index is set at 19 March 2004. The Underlying Index is denominated and quoted in Hong Kong dollars and is a total return, free float market capitalisation index. As at 6 April 2020, the Underlying Index comprises 558 large and mid-cap constituent stocks listed in China (A-Shares and B shares listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange), Hong Kong (H shares and Red chips listed on the SEHK), India, Indonesia, Malaysia, Pakistan, Philippines, Singapore, South Korea, Taiwan, Thailand and the United States (China N-Shares), with total market capitalisation of approximately HK\$14,272,053 million.”

Vanguard S&P 500 Index ETF (page 114):

“Underlying Index	S&P 500® Index Base Date: 1941-1943 Inception Date: 4 March 1957 Base Currency: Hong Kong dollars Number of Constituent Stocks: 505 as at 6 April 2020 Total Market Capitalisation: HK\$171,165 billion as at 6 April 2020”
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Vanguard S&P 500 Index ETF (page 116):

“The S&P 500® Index comprises approximately 500 of large cap stocks which are common equities primarily listed on the U.S. publicly traded stock market, and covers approximately 80% of available U.S. market capitalisation. The base date of the Underlying Index is set between 1941 to 1943. The Underlying Index is denominated and quoted in Hong Kong dollars and is a total return, free float market capitalisation index. As at 6 April 2020, the Underlying Index comprises 505 large cap

constituent stocks listed in the United States, with total market capitalisation of approximately HK\$171,165 billion.”

Vanguard Total China Index ETF (page 125):

“Underlying Index	FTSE Total China Connect Index Base Date: 14 November 2014 Inception Date: 29 December 2017 Base Currency: Renminbi (CNH) Number of Constituent Stocks: 992 as at 6 April 2020 Total Market Capitalisation: RMB 20,245,871 million as at 6 April 2020”
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Vanguard Total China Index ETF (page 128):

“The FTSE Total China Connect Index was launched on 29 December 2017. The Underlying Index comprises of 992 large and mid-cap onshore (PRC) and offshore listed (Hong Kong, United States and Singapore) China equity securities with total market capitalisation of approximately RMB 20,245,871 million as at 6 April 2020. The base date of the Underlying Index is set at 14 November 2014. The Underlying Index is denominated and quoted in Renminbi (CNH) and is a net total return, free float market capitalisation index.”

A copy of the Prospectus and this First Addendum will be posted on the Trust’s website (www.vanguard.com.hk) and the website of the Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk/>). Investors should note that the Trust’s website has not been reviewed or authorised by the SFC. Alternatively, the Prospectus of the Trust and this Addendum are also available for your inspection at our office at 48/F, The Center, 99 Queen’s Road Central, Hong Kong during normal office hours on each Business Day.

Vanguard Investments Hong Kong Limited

30 April 2020



PROSPECTUS

VANGUARD ETF SERIES

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

VANGUARD FTSE ASIA EX JAPAN INDEX ETF

STOCK CODE: 2805 – HKD COUNTER

STOCK CODE: 82805 – RMB COUNTER

STOCK CODE: 9805 – USD COUNTER

VANGUARD FTSE DEVELOPED EUROPE INDEX ETF

STOCK CODE: 3101 – HKD COUNTER

STOCK CODE: 83101 – RMB COUNTER

STOCK CODE: 9101 – USD COUNTER

VANGUARD FTSE JAPAN INDEX ETF

STOCK CODE: 3126 – HKD COUNTER

STOCK CODE: 83126 – RMB COUNTER

STOCK CODE: 9126 – USD COUNTER

VANGUARD FTSE ASIA EX JAPAN HIGH DIVIDEND YIELD INDEX ETF

STOCK CODE: 3085 – HKD COUNTER

STOCK CODE: 83085 – RMB COUNTER

STOCK CODE: 9085 – USD COUNTER

VANGUARD S&P 500 INDEX ETF

STOCK CODE: 3140 – HKD COUNTER

STOCK CODE: 83140 – RMB COUNTER

STOCK CODE: 9140 – USD COUNTER

VANGUARD TOTAL CHINA INDEX ETF

STOCK CODE: 83169 – RMB COUNTER

STOCK CODE: 3169 – HKD COUNTER

STOCK CODE: 9169 – USD COUNTER

This Prospectus is dated as at 10 December 2019.

IMPORTANT – If you are in any doubt about the contents of this Prospectus, you should seek independent professional financial advice.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited, Hong Kong Securities Clearing Company Limited and the Hong Kong Securities and Futures Commission (“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 the Sub-Funds have each been authorised as a collective investment scheme by the SFC. SFC authorisation is not a recommendation or endorsement of the Trust or any Sub-Fund nor does it guarantee the commercial merits of the Trust or any Sub-Fund or their performance. It does not mean the Trust or any Sub-Fund is suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

VANGUARD ETF SERIES

IMPORTANT INFORMATION

SFC Authorisation

The Vanguard ETF Series (“**Trust**”) and the Sub-Funds to which this Prospectus relates are authorised by the SFC in Hong Kong pursuant to section 104 of the Securities and Futures Ordinance (Cap. 571) (the “**Securities and Futures Ordinance**”). Such authorisation is not a recommendation or endorsement of the Trust or any Sub-Fund, nor does it guarantee the commercial merits of the Trust or any Sub-Fund or their performance. It does not mean the Trust or any Sub-Fund is suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

This Prospectus relates to the offer in Hong Kong of Units in the Trust, an umbrella unit trust established under Hong Kong law by a trust deed dated 18 March 2013 between The Vanguard Group, Inc. (as it was then the manager of the Trust) and State Street Trust (HK) Limited (the “**Trustee**”), as amended by supplemental trust deeds dated 25 April 2014, 23 June 2014, 22 April 2015, 25 April 2017 and 9 April 2018 respectively, a Deed of Retirement and Appointment of Manager dated 19 March 2015 between The Vanguard Group, Inc. (as the retiring manager of the Trust), the Manager (as the new manager of the Trust) and the Trustee and as amended and restated on 10 December 2019. Units of different classes may be established within a Sub-Fund to accommodate different creation and/or redemption provisions and/or dividends and/or charges and/or fee arrangements, including different ongoing charges.

The portfolio of Fund Assets maintained for each Sub-Fund is invested in accordance with the investment objective and policies applicable to such Sub-Fund. Details for each Sub-Fund are set out in Appendix 1.

The Manager accepts full responsibility for the accuracy of the information contained in this Prospectus and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading. The Manager confirms that this Prospectus includes particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**SEHK**”), the Code on Unit Trusts and Mutual Funds (“**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 Units in each Sub-Fund.

Reliance on this Prospectus and on the Product Key Facts Statement

Units in any Sub-Fund described in this Prospectus as well as the product key facts statements which form part of this Prospectus are offered only on the basis of the information contained in those documents and the latest audited annual financial report and any subsequent semi-annual financial report of the relevant Sub-Funds.

This Prospectus is based on information, law and practice as at the date of this Prospectus. The Manager cannot be bound by an out-of-date prospectus when it has issued a new prospectus, and the Manager must provide the most recently published prospectus to investors.

No person has been authorised to give any information or make any representations concerning the Trust or any Sub-Fund or in connection with the offering of Units other than those contained in this Prospectus, and, if given or made, such information or representations must not be relied on as having been authorised by the Trust. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Units shall not, under any circumstances, create any implication that the affairs of the Trust or any Sub-Fund have not changed since the date of this Prospectus.

No action has been taken to permit an offering of Units in any of the Sub-Funds or the distribution of this Prospectus in any jurisdiction other than Hong Kong, Japan and Singapore. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Distribution of this Prospectus shall not be permitted unless it is accompanied by a copy of the most recent annual report of the relevant Sub-Fund or Sub-Funds and, if later, its most recent interim report.

Listing on the Stock Exchange of Hong Kong Limited

Dealings in the Units of the Vanguard FTSE Asia ex Japan Index ETF, Vanguard FTSE Developed Europe Index ETF, Vanguard FTSE Japan Index ETF, Vanguard FTSE Asia ex Japan High Dividend Yield Index ETF, Vanguard S&P 500 Index ETF and Vanguard Total China Index ETF on the SEHK have already commenced. The Units of such Sub-Funds have been accepted as eligible securities by HKSCC for deposit, clearing and settlement in CCASS.

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

United States

The Units have not been, and will not be, registered under the United States Securities Act of 1933, as amended (“**1933 Act**”) or the securities laws of any of the states of the United States. The Units may not be offered or sold directly or indirectly in the United States or to or for the account or benefit of any U.S. Person, except where, in the reasonable opinion of the Manager, the proposed acquisition is by such U.S. Person (which may include a Connected Person of the Manager) who is a Qualified Holder. Any re-offer or resale of any of the Units in the United States or to U.S. Persons other than to a Qualified Holder may constitute a violation of U.S. law. Apart from the Qualified Holder, each applicant for Units will be required to certify to its Participating Dealer that it is not a U.S. Person.

The Units are not open for investment by any U.S. Person, except for a Qualified Holder. Except for a Qualified Holder, a prospective investor will be required at the time of acquiring Units to represent that such investor meets any qualification criteria established by the Manager, and is not a U.S. Person or acquiring Units for or on behalf of a U.S. Person. The prior consent of the Manager is required in respect of each application for Units and the granting of such consent does not confer on investors a right to acquire Units in respect of any future or subsequent application. The Manager may, in its sole discretion, redeem Units of any investor who is a U.S. Person and has not otherwise been approved by the Manager to own Units.

Where the Manager becomes aware that any Units are directly or beneficially owned by any person in breach of the above restrictions, the Manager may direct the Unitholder to transfer his Units to a person qualified to own such Units or to request the Unitholder to redeem Units, in default of which, the Unitholder shall, on the expiration of such time period as specified from the giving of such notice, be deemed to have given a request in writing for the redemption of the Units. The Manager may impose such restrictions as it believes necessary to ensure that no Units are acquired by persons who are not Qualified Holders. See the “**Restrictions and Compulsory Transfer and Redemption of Units**” section of this Prospectus.

While the Sub-Funds may trade commodity interests (commodity futures contracts, commodity options contracts and/or swaps), including securities futures products, the Manager is exempt from registration with the United States Commodity Futures Trading Commission (“**CFTC**”) as a commodity pool operator (“**CPO**”) pursuant to CFTC Rule 4.13(a)(3) with regard to the Sub-Funds. Therefore, unlike a registered CPO, the Manager is not required to deliver a CFTC disclosure document to prospective investors, nor is it required to provide investors with certified annual reports that satisfy the requirements of CFTC rule applicable to registered CPOs.

The Manager qualifies for the exemption under CFTC Rule 4.13(a)(3) with respect to the Sub-Funds on the basis that, at all times, interests in the Sub-Funds: (a) are exempt from registration under the 1933 Act; (b) are not marketed to the public in the United States; (c) are offered only to accredited investors, knowledgeable employees, and “Qualified Eligible Person” as defined in CFTC Rule 4.7; and (d) the Manager meets one or the other of the following tests with respect to its commodity interest positions, including positions in security futures products, whether entered into for bona fide hedging purposes or otherwise: (i) the aggregate initial margin, premiums, and required minimum security deposit for retail forex transactions, determined at the time the most recent position was established, will not exceed 5% of the liquidation value of the Sub-Funds portfolio, after taking into account unrealised profits and unrealised losses on any such positions it has entered into; or (ii) the aggregate net notional value of such positions, determined at the time the most recent position was established, does not exceed 100% of the liquidation value of the Sub-Fund’s portfolio, after taking into account unrealised profits and unrealised losses on any such positions it has entered into.

Trust Deed

The provisions of the Trust Deed are binding on each of its Unitholders (who are taken to have notice of them).

The value of the Sub-Funds may fall as well as rise, and investors may not get back the amount invested or any return on an investment. There can be no assurance that any Sub-Fund will achieve its investment objective. Potential investors should not treat the contents of this Prospectus (including the product key facts statement) as advice relating to legal, taxation, investment or any matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of Units. The Manager makes no representation or warranties in respect of suitability.

Website

Investors should note that the websites referred to in this Prospectus (including the product key facts statements) have not been reviewed by the SFC. Any information provided in websites may be updated and changed periodically without any notice to any person.

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TERMS USED IN THIS PROSPECTUS

Auditor	the accountant appointed as auditor of the Trust or in respect of any Sub-Fund (as applicable) by the Manager with the Trustee's prior approval.
Base Currency	the base currency of a Sub-Fund, being Hong Kong dollars or such other currency as the Manager may determine from time to time in relation to a particular Sub-Fund as set out in Appendix 1.
Business Day	any day on which banks are open for business in Hong Kong and the SEHK is open for normal trading, provided that if on any such day, the period during which the SEHK 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.
Cash Issue Component	<p>(a) in relation to any full or partial in specie subscription for Creation Units, the amount of cash required to be paid per Creation Unit on the issue of those Units, which amount shall be equal to the difference between the Issue Price at the Valuation Point relating to the Dealing Day on which the application is accepted or treated as having been accepted and the Value of the Securities exchanged in specie for those Units and vested in the Trustee, calculated as at the Valuation Point relating to that Dealing Day; or</p> <p>(b) in relation to any subscription for Creation Units made fully in cash, the amount equal to the Issue Price calculated as at the Valuation Point relating to the Dealing Day on which the application is accepted or treated as having been accepted.</p>
Cash Redemption Component	<p>(a) in relation to any full or partial in specie redemption of Redemption Units, the amount of cash required to be paid per Redemption Unit on a redemption of those Units before any set-off, which amount shall be equal to the difference between the Redemption Price at the Valuation Point relating to the Dealing Day on which the redemption request is accepted or treated as having been accepted and the Value of the Securities transferred in specie to the redeeming Unitholder in respect of such Units, calculated as at the Valuation Point relating to that Dealing Day; or</p>

	(b) in relation to any redemption of Redemption Units made fully in cash, the amount equal to the Redemption Price calculated at the Valuation Point relating to the Dealing Day on which the redemption request is accepted or treated as having been accepted.
CCASS	the Central Clearing and Settlement System established and operated by HKSCC or any successor system operated by HKSCC.
CCASS Operational Procedures	the Operational Procedures of CCASS, which forms part of the CCASS Rules and set out the operations of CCASS, the services and facilities available, and the procedures to be followed by CCASS Participants.
CCASS Participant	a person admitted for the time being by HKSCC as a participant of CCASS and to whose account any Units are for the time being debited or credited by HKSCC.
CCASS Rules	the General Rules of CCASS in which terms and conditions regulating the use of CCASS are set out and as may be amended or modified from time to time.
CCASS Service Agreement	the agreement between the Trustee, the Manager, the Registrar, HKSCC, HKCAS and a Participating Dealer designated by the Manager.
Code	the Code on Unit Trusts and Mutual Funds comprising part of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products (the “ Handbook ”), including the Overarching Principles of the Handbook, as may be amended and supplemented by the SFC from time to time.
Connected Person	has the meaning as set out in the Code.
Creation Unit	in respect of a Sub-Fund, the predetermined number of Units which a Participating Dealer must apply for when creating Units. Such number is set out in detail for the relevant Sub-Funds at Appendix 1, or such other multiple as from time to time determined by the Manager upon giving prior notice to the Trustee.
CSDCC	the China Securities Depository and Clearing Co., Ltd.
Custodian	the person or persons for the time being appointed by the Trustee as the custodian of the Trust to hold all the assets and property of the Trust.

Dealing Day	either generally or in respect of a particular class or classes of Units of a Sub-Fund, each Business Day or such other day or days as the Manager may with the Trustee's approval from time to time determine with respect to that Sub-Fund.
Dealing Deadline	in relation to any particular Dealing Day, such time or times as the Manager may, with the Trustee's prior approval, from time to time determine generally or in relation to any particular class or classes of Units of a Sub-Fund and as specified in Appendix 1 of this Prospectus.
Deposit Basket	in relation to any in specie subscription of Creation Units, a portfolio of Securities determined and designated or approved by the Manager from time to time for the purposes of the creation of Units in specie in a Creation Unit size.
Deposit Securities	in relation to any in specie subscription of Creation Units, a portfolio of Securities to be deposited with the Trustee by a Participating Dealer pursuant to a creation application submitted by that Participating Dealer.
Distribution Account	in respect of each Sub-Fund, the bank account or accounts (if any) opened by the Trustee for the purposes of making distributions to Unitholders.
Duties and Charges	<p>in relation to any particular transaction or dealing in or for the account of a Sub-Fund, all stamp and other duties, taxes, governmental charges, brokerage, bank charges, transfer fees, registration fees, transaction levies and other duties and charges whether in connection with the constitution of the relevant Sub-Fund or the increase or decrease of the Fund Assets of the relevant Sub-Fund or the creation, issue, transfer, redemption or cancellation of Units or the acquisition or disposal of Investments or otherwise which may have become or may be payable in respect of, and whether prior to, upon or after the occasion of, any transaction or dealing in respect of which such duties and charges are payable. This may include, in relation to an issue of Units or a redemption of Units in a Sub-Fund, a charge (if any) of such amount or at such rate as is determined by the Manager to be made for the purpose of compensating or reimbursing the relevant Sub-Fund for the difference between:</p> <p>(a) the prices used when valuing the Investments in the relevant Sub-Fund for the purpose of such issue or redemption of Units; and</p>

- (b) (i) (in the case of an issue of Units) the prices which would be paid when acquiring the same Investments if they were acquired by the relevant Sub-Fund with the amount of cash received by the relevant Sub-Fund upon such issue of Units; and
- (ii) (in the case of a redemption of Units) the prices which would be obtained when selling the same Investments if they were sold by the relevant Sub-Fund in order to realise the amount of cash required to be paid out of the relevant Sub-Fund upon such redemption of Units.

Extraordinary Resolution

- (a) a resolution proposed as such at a duly convened meeting of Unitholders convened and held in accordance with the Trust Deed and passed as such at such meeting by a majority consisting of 75% or more of the total number of votes of those present and entitled to vote in person or by proxy cast for and against such resolution; or
- (b) a resolution in writing passed in accordance with the Trust Deed.

FDI

financial derivative instruments.

Fund Assets

all the assets (including any cash or other property received by or on behalf of the Trustee) from time to time held or deemed to be held upon the trusts for the Unitholders in the relevant Sub-Fund, but excluding any amount from time to time standing to the credit of the Distribution Account.

Government and other Public Securities

has the meaning as set out in the Code.

HKCAS

HK Conversion Agency Services Limited.

HK\$ or HK dollars

the lawful currency of Hong Kong.

HKSCC

Hong Kong Securities Clearing Company Limited.

HKSCC Nominees

HKSCC Nominees Limited.

Hong Kong

Hong Kong Special Administrative Region of the People's Republic of China.

IFRS

International Financial Reporting Standards

Index Depository

any securities system or depository in, with or through which any Securities are deposited, cleared and settled.

Index Provider	in respect of each Sub-Fund, the person who is responsible for compiling the Underlying Index and holds the right to licence the use of such Underlying Index to the relevant Sub-Fund, in each case as specified in this Prospectus.
Index Securities	securities which are, at the relevant time, the constituent securities of the relevant Underlying Index.
Initial Issue Date	in respect of each Sub-Fund or class, the date of the first issue of Units relating to the Sub-Fund or class, as detailed in Appendix 1.
Initial Issue Price	in relation to the initial offer of Units in a Sub-Fund or class, the amount per Unit, as detailed in Appendix 1.
Initial Offer Period	the period set out in Appendix 1 in relation to any Sub-Fund or class as the period during which the Units are initially on offer, or such other period as the Manager and the Trustee may determine.
Investment	Securities and, as the case may be, any other investments for each Sub-Fund as permitted under the Trust Deed.
Investment Advisor	Vanguard Investments Australia Ltd and/or such other person as may be appointed, with the prior approval of the SFC, to provide investment advisory services in respect of the Trust and any Sub-Fund.
Issue Price	in respect of an application for Units in a Sub-Fund or class, the Issue Price Per Unit multiplied by the number of Units to be created under the application and adjusted in accordance with the Trust Deed.
Issue Price Per Unit	in respect of each Sub-Fund or class, the price per Unit (other than the Initial Issue Price) at which Units are from time to time issued or to be issued and which shall be the price per Unit ascertained in accordance with Appendix 2.
Licence Agreement	in respect of each Sub-Fund, the licence agreement entered into between the relevant Index Provider and the Manager (or any Connected Person of the Manager) in respect of the Underlying Index for such Sub-Fund, or if the Licence Agreement in respect of each Sub-Fund is for any reason terminated, any subsequent licence agreement entered into by the Manager (or any Connected Person of the Manager) with the relevant Index Provider.
Listing Agent	Such person or persons being qualified to be a listing agent and for the time being duly appointed to act as the listing agent of the Trust or any Sub-Fund.

Manager	Vanguard Investments Hong Kong Limited and/or such other person as may be appointed, with the prior approval of the SFC, to provide management services in respect of the Trust and any Sub-Fund.
Management Fee	the fees payable out of the Trust and as set out in the section “ Fees and Expenses ” and Appendix 1 of this Prospectus.
Manager’s Fee	the fees payable out of the Trust out of the Management Fee for portfolio management services.
Market Maker	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.
Multiple Counter	the facility by which the Units of a Sub-Fund traded in HKD, RMB and USD respectively 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 (HKD, RMB or USD) as described in Appendix 1.
Net Asset Value	in relation to any Sub-Fund, the net asset value of that Sub-Fund or, as the context may require, in relation to any Units or class of Units, the net asset value of a Unit or Unit of a particular class, calculated pursuant to the Trust Deed.
Operational Fees	the costs, charges, fees and expenses incurred in the operation of the relevant Sub-Fund, as set out in the section “ Fees and Expenses ” of this Prospectus.
Operational Guidelines	in relation to a Sub-Fund, the guidelines for the creation and redemption of Units of the relevant Sub-Fund set out in the schedule to each Participation Agreement for the relevant Sub-Fund as amended from time to time by the Manager with the approval of the Trustee, the Service Agent and HKSCC and following consultation, to the extent reasonably practicable, with the Participating Dealers and as notified in writing to the Participating Dealers.
Participating Dealer	any broker or dealer who has entered into a Participation Agreement and/or supplemental participation agreement in form and substance acceptable to the Manager and the Trustee. References to a Participating Dealer shall also include, where the context so admits, any agent of the Participating Dealer provided that such agent is a CCASS Participant.

Participation Agreement	an agreement entered into between, amongst others, the Trustee, the Manager and a Participating Dealer, setting out, <i>inter alia</i> , the arrangement in respect of the creation, issue, redemption and cancellation of Units in respect of the relevant Sub-Fund.
PBOC	the People's Bank of China
PRC	the People's Republic of China, excluding for the purposes of interpretation of this Prospectus only, Hong Kong, Macau and Taiwan.
Professional Investor	has the meaning of Professional Investor under section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance.
Prospectus	this prospectus issued by the Manager in relation to the Sub-Funds in connection with the continuous offering of Units, as amended, supplemented and updated from time to time.
Qualified Holder	<p>any person, corporation or entity other than:</p> <ul style="list-style-type: none"> (a) any individual under the age of 18 (or such other age as the Manager may think fit); (b) any U.S. Person, except where, in the reasonable opinion of the Manager, the proposed acquisition by such U.S. Person (which may include a Connected Person of the Manager): <ul style="list-style-type: none"> (i) will not materially prejudice the interests of Holders in any Sub-Fund (for example, by causing a material increase in the level of regulation applicable to any Sub-Fund in the United States or Hong Kong) and will not increase the costs and charges payable from any Sub-Fund; and (ii) is not in breach of applicable laws and regulations of the United States or Hong Kong from time to time in force and will not trigger any material registration or filing requirements on the Sub-Funds under any securities or financial derivatives law or regulation in the United States;

- (c) any person or persons in circumstances (whether directly or indirectly affecting such person or persons and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager to be relevant) which, in the reasonable opinion of the Manager, might result in the Manager, the Trustee, the Unitholders, the relevant class, the relevant Sub-Fund or the Trust incurring any liability to taxation or suffering any other potential or actual pecuniary disadvantage or would subject the Manager, the Trustee, the Unitholders, the relevant class, the relevant Sub-Fund or the Trust to any additional regulation to which the Manager, the Trustee, the Unitholders, the relevant class, the relevant Sub-Fund or the Trust might not otherwise have incurred or suffered or been subject; or
- (d) any person who, by holding or owning the Units, would be in breach of the law or requirements of any country or governmental authority or any stock exchange on which the Units are listed.

Recognised Exchange

a stock exchange, over-the-counter market or other organised securities market that is open to the international public and on which Securities are regularly traded.

Redemption Basket

in relation to any in specie redemption of Redemption Units, a portfolio of Securities determined and designated or approved by the Manager from time to time for the purposes of the redemption of Units in specie in a Redemption Unit size.

Redemption Securities

in relation to any in specie redemption of Redemption Units, a portfolio of Securities to be transferred from the Trust to or for the account of a Participating Dealer pursuant to a redemption request submitted by that Participating Dealer.

Redemption Price

in respect of each Sub-Fund or class, the Redemption Price Per Unit multiplied by the number of Units to be redeemed and adjusted in accordance with Appendix 2.

Redemption Price Per Unit

in respect of each Sub-Fund or class, the value per Unit at which Units are from time to time redeemed or to be redeemed and which shall be the value per Unit ascertained in accordance with Appendix 2.

Redemption Unit	in respect of a Sub-Fund, the predetermined number of Units which a Participating Dealer must redeem when redeeming Units. Such number is set out in detail for the relevant Sub-Funds at Appendix 1, or such other multiple as from time to time determined by the Manager upon giving prior notice to the Trustee.
Register	the register or registers of Unitholders of Units in a Sub-Fund or class.
Registrar	State Street Trust (HK) Limited, or the person appointed as registrar to keep the Register and to process creations, redemptions, conversions and transfers of Units (and in default of any such appointment shall mean the Trustee). References to Registrar shall include any registrar's agent from time to time appointed by the Registrar with the Manager's prior approval provided however that such approval shall not be required where such agent is a member of the State Street group of companies.
RMB or Renminbi	Renminbi Yuan, the lawful currency of the PRC.
RMP	Risk Management Process.
SAFE	the State Administration of Foreign Exchange of the PRC.
SAT	the State Administration of Taxation of the PRC.
Securities	has the meaning under the Securities and Futures Ordinance.
Securities and Futures Ordinance	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) as the same may from time to time be amended, replaced or re-enacted.
SEHK	The Stock Exchange of Hong Kong Limited.
Service Agent	where applicable, HK Conversion Agency Services Limited or such other person as may from time to time be appointed to act as service agent in relation to the Sub-Funds.
Settlement Day	with respect to creations and redemptions of Units in a Sub-Fund, the Business Day which is such number of Business Days after the relevant Dealing Day as specified in Appendix 1 for the relevant Sub-Fund or such other number of days after the relevant Dealing Day as may be determined and agreed between the Trustee and the Manager and notified to Participating Dealers.
SFC	the Securities and Futures Commission of Hong Kong.

SSE	the Shanghai Stock Exchange.
Stock Connect	the securities trading and clearing linked programme with an aim to achieve mutual stock market access between mainland China and Hong Kong, comprising the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, and/or any successor programme.
Sub-Fund	any sub-fund established by the Trustee and the Manager in accordance with the Trust Deed, each Sub-Fund being a segregated pool of assets and liabilities and designated by the Manager as being attributable exclusively to the Unitholders of a particular class or classes of Units and “ relevant Sub-Fund ” means the Sub-Fund as is relevant in the context in which it is referred to in this Prospectus.
SZSE	the Shenzhen Stock Exchange.
Transaction Fee	<p>the fee, in respect of a Sub-Fund, which may at the discretion of the Manager be charged for the account of the relevant Sub-Fund:</p> <p>(a) on each application for any Units (in addition to the Issue Price of the Units); and</p> <p>(b) on each request to redeem any Units,</p> <p>the maximum level of which shall not exceed 5% of the Issue Price or Redemption Price of the Units (as applicable).</p>
Trust	the umbrella unit trust scheme constituted by the Trust Deed and called Vanguard ETF Series, or such other name as the Trustee and the Manager may from time to time determine.
Trust Deed	the trust deed constituting Vanguard ETF Series dated 18 March 2013, between The Vanguard Group, Inc. (as it then was the manager of the Trust) and the Trustee, as amended or supplemented from time to time.
Trustee	State Street Trust (HK) Limited, or any other person or persons for the time being duly appointed to act as the trustee or trustees of the Trust in its succession.
Underlying Index	in respect of each Sub-Fund, the index which the relevant Sub-Fund seeks to track, to the extent practicable pursuant to its investment objective and in accordance with its investment strategies, as specified in Appendix 1.
Unit	one undivided share in a Sub-Fund or a class.

Unitholder	a person for the time being entered on the Register as the holder of a Unit including (where the context so admits) persons jointly so registered.
U.S.	The United States of America.
U.S. Person	(i) a U.S. person within the meaning of Rule 902 promulgated under the 1933 Act; (ii) a U.S. resident within the meaning of the 1940 Act; or (iii) any person that would not qualify as a Non-United States person within the meaning of United States Commodity Futures Trading Commission Rule 4.7(a)(1)(iv).
U.S.\$ or USD	United States dollars, the lawful currency of the U.S.
Valuation Point	in respect of any Sub-Fund or class, such time or times on the day as specified in Appendix 1 for the relevant Sub-Fund, and/or as the Manager may determine, as at which the Net Asset Value of that Sub-Fund and Net Asset Value per Unit of a Sub-Fund (or class) are calculated in respect of any Dealing Day and, unless otherwise determined, shall mean the close of business in the last relevant market to close on each Dealing Day for the relevant Sub-Fund and “ relevant Valuation Point ” means the Valuation Point as at the relevant date for calculation of the Net Asset Value of each relevant Sub-Fund or class.
Value	in relation to any asset or liability means the value thereof determined in accordance with Appendix 2.
Valuer	has the meaning under Appendix 2.
Vanguard Group of Companies	the group of companies of which The Vanguard Group, Inc. is the ultimate parent.
1940 Act	United States Investment Company Act of 1940, as amended.

DIRECTORY

Manager

Vanguard Investments Hong Kong Limited
48/F, The Center
99 Queen's Road Central
Hong Kong

Directors of the Manager

James M. Norris
Xiaodong Lin
Cynthia Lui
Yan Pu

Investment Advisor

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Southbank Victoria 3006
Australia

Trustee and Registrar

State Street Trust (HK) Limited
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8 Finance Street
Central, Hong Kong

Service Agent

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

Listing Agent

Please refer to Appendix 1 of this
Prospectus for each Sub-Fund

Auditor

PricewaterhouseCoopers
Level 22, Prince's Building
Central, Hong Kong

Legal Adviser as to Matters of Hong Kong Law

King & Wood Mallesons
Level 13, Gloucester Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

THE TRUST

General

The Trust is an umbrella unit trust established under Hong Kong law by a trust deed dated 18 March 2013, as amended by supplemental deeds dated 25 April 2014, 23 June 2014, 22 April 2015, 25 April 2017 and 9 April 2018 respectively, a Deed of Retirement and Appointment of Manager dated 19 March 2015 and as amended and restated on 10 December 2019. All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Trust Deed, copies of which are available as described in “**Documents Available for Inspection**” in Appendix 4 (“**General Information**”) to this Prospectus.

Umbrella Trust

The Vanguard ETF Series has been structured as an umbrella trust, such that the Trustee and the Manager may issue different Sub-Funds representing separate portfolios of assets. The Fund Assets of each Sub-Fund will be invested in accordance with the investment objective and policies applicable to such Sub-Fund. It is intended that each Sub-Fund will have segregated liability from the other Sub-Funds. Investors should, however, note the risk factor “*Umbrella Structure of the Trust and Segregated Liability between Sub-Funds*” under the “**Risk Factors**” section of this Prospectus. The Trustee and the Manager may issue different classes of Units in a Sub-Fund at any time in the future.

The Trustee and the Manager are required to establish a separate Sub-Fund, with separate pools of assets and liabilities, and designated by the Manager as being attributable exclusively to the Unitholders of a particular class of Units in the following manner:

- (a) The Trustee will keep separate records and accounts for each Sub-Fund in the Base Currency of the relevant Sub-Fund. The proceeds from the issue of Units will be applied in the records and accounts of the Trustee to the Sub-Fund to which those Units relate, and the assets and liabilities and income and expenditure attributable thereto will be applied to such Sub-Fund.
- (b) The Fund Assets of each Sub-Fund shall belong exclusively to that Sub-Fund, shall not be commingled with the Fund Assets of another Sub-Fund, and shall not be used to discharge directly or indirectly the liabilities of or claims against or amount payable out of any other Sub-Fund and shall not be available for such purpose.
- (c) In respect of any asset derived from another asset, such derivative asset shall be applied in the records and accounts of the Trustee to the same Sub-Fund as the Fund Assets from which it was derived and on each re-valuation of an Investment or other property the increase or diminution in value of such an asset will be applied to the relevant Sub-Fund.
- (d) In the case of any Fund Asset that the Manager does not consider as readily attributable to a particular Sub-Fund or Sub-Funds, the Manager may determine the basis upon which any such Fund Asset will be allocated between Sub-Funds, and the Manager may at any time vary such basis, provided that the Manager may at its discretion consult with the Auditor at such times when the Manager considers it necessary to do so.

- (e) Any liability that is not considered by the Manager as attributable to a particular Sub-Fund or Sub-Funds, the Manager may determine the basis upon which any liability will be allocated between Sub-Funds and the Manager may at any time vary such basis, provided that the Manager may at its discretion consult with the Auditor at such times when the Manager considers it necessary to do so.

The Manager may, upon prior authorisation of the SFC, from time to time issue Units in relation to the creation of new Sub-Funds.

Further information

Further general information concerning the Trust, Unitholder meetings and voting rights, provisions relating to the winding up of the Trust or any Sub-Fund and other matters are contained in Appendix 4.

MANAGEMENT AND ADMINISTRATION

The Manager

The Manager of the Trust and each of the Sub-Funds is Vanguard Investments Hong Kong Limited, which is a wholly owned Hong Kong subsidiary of The Vanguard Group, Inc. The Vanguard Group, Inc. is based in Malvern, Pennsylvania, and is a family of investment companies with about 192 funds in the U.S. and 231 additional funds in markets outside the U.S. holding assets of approximately US\$5.9 trillion as of 31 October 2019. Except to the extent of any fraud, negligence or wilful default on its own part or that of its nominees or agents, the Manager shall not be in any way responsible for any loss, costs, damages or inconvenience that may result from the acts or omissions of the Manager except to the extent provided under the Trust Deed, the Code or applicable law.

The Manager (and its directors, officers and employees) shall, except to the extent of any fraud, negligence or wilful default on its (or their) part, be indemnified and held harmless out of the Fund Assets of the relevant Sub-Fund(s) in respect of (in addition to any right of indemnity given by law) any action, costs, claims, expenses, damages or liabilities to which it (or they) may be put or which it (or they) may incur as a result of the Manager acting as manager of the Trust and/or the relevant Sub-Fund(s), managing and administering the trusts or in the exercise of any powers, authorities or discretions vested in the Manager under the Trust Deed, and the Manager shall for such purpose have recourse to the Fund Assets of the relevant Sub-Fund(s).

Notwithstanding anything to the contrary as set out in the Trust Deed, the Manager may not be exempted from any liability to Unitholders imposed under the laws of Hong Kong or breaches of trust through fraud or negligence, nor may it be indemnified against any such liability by Unitholders or at the Unitholders' expense.

Regulatory Status

The Manager (CE Reference: AYT820) is currently licensed with the SFC to conduct Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities in Hong Kong.

Investment Advisor

The Manager has delegated the investment management function for each of the Sub-Funds to the Investment Advisor. The Investment Advisor is Vanguard Investments Australia Ltd based in Melbourne, Australia. The Investment Advisor is an affiliate of the Manager and holds an Australian Financial Services Licence (Number 227263) under the Corporations Act 2001, authorising the Investment Advisor to operate registered managed investment schemes that invest in financial assets to retail and wholesale clients.

The Investment Advisor: (i) is free of any conditions or constraints that are not generally applied by the Australian Securities & Investment Commission on licensees authorising a fund manager to operate a managed investment scheme; (ii) has been managing registered managed investment schemes immediately before the Investment Advisor applied to the SFC for recognition under the Code, and shall remain as such during the life of the relevant Sub-Fund's authorisation by the SFC; and (iii) has supplied to the SFC a compliance plan and related documents for the relevant Sub-Fund and its related fund management activities and the compliance plan and related documents follow the requirements as set out by the Australian Corporations Act 2001 with respect to managed investment schemes.

The Investment Advisor's fees will be paid by The Vanguard Group, Inc. as part of the transfer pricing arrangements between the Vanguard entities and is not a direct cost paid by the Unitholder.

Hong Kong Listing Agent

Macquarie Capital Securities Limited has been appointed as the Listing Agent for Vanguard FTSE Asia ex Japan Index ETF, Vanguard FTSE Developed Europe Index ETF, Vanguard FTSE Japan Index ETF and Vanguard FTSE Asia ex Japan High Dividend Yield Index ETF in accordance with The Rules Governing the Listing of Securities on the SEHK.

China International Capital Corporation Hong Kong Securities Limited has been appointed as the Listing Agent for Vanguard S&P 500 Index ETF in accordance with The Rules Governing the Listing of Securities on the SEHK.

The Manager was appointed as the Listing Agent for Vanguard Total China Index ETF in accordance with The Rules Governing the Listing of Securities on the SEHK.

Trustee and Registrar

The Trustee of the Trust is State Street Trust (HK) Limited, which is a registered trust company in Hong Kong. The Trustee is an indirect wholly owned subsidiary of State Street Bank and Trust Company, which is a bank licensed under the Banking Ordinance (Cap. 155 of the Laws of Hong Kong).

Under the Trust Deed, the Trustee is responsible for the safekeeping of the documents of title and the assets of the Trust save where otherwise provided under the Trust Deed such as assets of the Trust which are held by a securities depository or settlement system. The Trustee may, however, appoint any person or persons (including any of its Connected Person) to be Custodian of the assets of the Trust or any Sub-Fund or to otherwise act as its agent. Subject as noted below, the Trustee will remain responsible for the acts or omissions of such persons in the same manner as if such acts or omissions were those of the Trustee.

The Trustee is required to exercise reasonable care, skill and diligence in the selection, appointment and on-going monitoring of its nominees, agents and delegates and, during the term of their appointment, must be satisfied that the nominees, agents and delegates so retained remain suitably qualified and competent to provide the relevant service on an ongoing basis.

Subject to the Trustee's proper discharge of the requirements as set out above in relation to the selection, appointment and on-going monitoring of any nominees, agents and delegates and its satisfaction that the nominee, agents and delegates so retained remain suitably qualified and competent to provide the relevant services, (i) the Trustee shall not be liable for the insolvency of any of its nominees, delegates and agents (including the Custodian and any sub-custodians); and (ii) the Trustee shall not be liable for any act or omission of any delegate or agent (including the Custodian and any sub-custodians) which is (a) not a Connected Person of the Trustee; and (b) which is appointed to provide services to the Trustee other than in relation to (1) the Trustee's safekeeping of Fund Assets; or (2) the exercise of any fiduciary powers or authorities acting as Trustee under the Trust Deed; and (iii) the Trustee shall not be liable for any act or omission of any nominee, delegate or agent which is not a Connected Person of the Trustee appointed in respect of markets which the Trustee reasonably believes to be emerging markets after consultation with the Manager.

Except to the extent of any fraud, negligence or wilful default on its own part or that of its nominees or agents where the Trustee would be liable pursuant to the provisions of the Trust Deed, any liability of the Trustee arising under or in connection with the Trust Deed, whether in contract, in tort, by law or otherwise, is limited to the amount for which the Trustee has a right of recovery against or any indemnity from the Trust or the relevant Sub-Fund (i.e. the relevant Fund Assets).

The Trustee will also act as the Registrar of the Trust. The Registrar will be responsible, inter alia, for maintaining the Register and processing creations, redemptions, conversions and transfers of Units in accordance with the Trust Deed and this Prospectus.

Notwithstanding anything to the contrary as set out in the Trust Deed, the Trustee may not be exempted from any liability to Unitholders imposed under the laws of Hong Kong or breaches of trust through fraud or negligence, nor may it be indemnified against any such liability by Unitholders or at the Unitholders' expense.

The Trustee will be entitled to a trustee fee and other service fees agreed by the Manager and will be paid out of the Management Fee.

Service Agent

HKCAS will act as the Service Agent of the Sub-Funds to perform, by itself or through its affiliates or HKSCC, the services to facilitate the deposit of the Units into CCASS and the withdrawal of such Units from CCASS under the CCASS Service Agreement. HKCAS, as the Service Agent, performs, through HKSCC, certain of its services in connection with the creation and redemption of Units.

Index Provider

The Manager may enter into a licensing agreement with an Index Provider in relation to any Sub-Fund, who will grant to the Manager the right to use the relevant Underlying Index to create a Sub-Fund based on the relevant Underlying Index and to use certain trademarks and any copyright in the relevant Underlying Index.

Auditor

The Manager has appointed PricewaterhouseCoopers to act as the auditor of the Sub-Funds. All accounts of the Sub-Funds including the annual report thereof shall be audited by the Auditor and shall be accompanied by a certificate of the Auditor. The Auditor shall further be required to report whether the accounts have been properly prepared in accordance with the provisions of the Trust Deed, the Code and IFRS.

Participating Dealers

The Participating Dealers will effect applications for creation and redemption of Units. Each Participating Dealer must (i) be licensed or registered for Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance; (ii) be a CCASS Participant (or use an agent that is a CCASS Participant); and (iii) have executed a Participation Agreement and/or a supplemental participation agreement in form and substance acceptable to with the Manager and the Trustee. A list of the current Participating Dealers in respect of each Sub-Fund is available at www.vanguard.com.hk¹.

Market Maker

A Market Maker is a broker or a dealer permitted by the SEHK to act as such by making a market for the Units in the secondary market on the SEHK. A Market Maker's obligations include quoting bid prices to potential sellers and offer prices to potential buyers. Market Makers accordingly facilitate the efficient trading of Units by providing liquidity in the secondary market when it is required in accordance with the market making requirements of the SEHK.

If the SEHK withdraws its permit to the existing Market Maker(s), or if any Market Maker's ability to duly perform its services becomes adversely affected, the Manager will endeavour to immediately appoint additional Market Makers to ensure that there is at least one other Market Maker for each Sub-Fund to facilitate the efficient trading of Units. At least one Market Maker will be required to provide three months' prior notice of termination of its appointment as a market maker for the relevant Sub-Fund. The list of the current Market Maker(s) in respect of each Sub-Fund is available at the HKEx's website at www.hkex.com.hk and at www.vanguard.com.hk¹.

¹ *This website has not been reviewed by the SFC.*

CONFLICTS OF INTEREST

Conflicts of Interest

The Manager, the Investment Advisor, the Trustee, the Registrar and the Listing Agent may from time to time act as manager, registrar, administrator, trustee, custodian, receiving agent, advisor or distributor in relation to serving as directors, officers, advisers or agents or be otherwise involved in, other Sub-Funds or collective investment schemes that have similar investment objectives to those of any Sub-Fund. It is therefore possible that any of them may, in the due course of their business, have potential conflicts of interests with the Trust or any Sub-Fund. Each will, at all times, have regard in such event to its obligations under the Trust Deed and/or any agreements to which it is a party or by which it is bound in relation to the Trust or any Sub-Fund and, in particular, but without limitation, to its obligations to act in the best interests of the Unitholders when undertaking any investments where conflicts of interest may arise and will endeavour to ensure that such conflicts are resolved fairly.

The Manager and the Investment Advisor also have in place internal control procedures (e.g. in relation to trade allocation and/or staff dealing) to ensure that, in the event of conflicts of interests, all transactions shall be treated fairly. Dedicated personnel are put in place to monitor the internal systems and controls, and to ensure that any potential conflicts of interests are, to the extent possible, promptly identified and handled in accordance with the established policies.

Companies connected with the Vanguard Group of Companies may provide seeding capital to any or all of the Sub-Funds.

Connected Party Transactions

The Trustee, the Manager and the Investment Advisor will take all reasonable care to ensure that all transactions carried out by or on behalf of the Trust or any Sub-Fund are conducted at arm's length and are in the best interests of the Unitholders.

Any transactions with Connected Persons will be carried out in accordance with the provisions of the Code, any other applicable laws and any conditions imposed by the SFC and other competent governmental authority from time to time provided that no Connected Person transaction will be void or voidable if it is entered into in breach of such provisions.

The Manager, the Investment Advisor and their Connected Persons must not, without the written approval of the Trustee, as principal sell, or deal in the sale of, investments for the account of a Sub-Fund or otherwise deal as principal for the account of the Sub-Fund, including any purchase for the account of a Sub-Fund of any unit or other interest in a collective investment scheme managed by the Manager, the Investment Advisor or any of their Connected Persons. The Trustee may give such approval on the condition that the Manager, the Investment Advisor or their Connected Persons (as the case may be) will ensure that such transactions:

- a) are or will be transacted at arm's length;
- b) are in the best interests of the Unitholders; and
- c) are or will be executed on the best available terms.

A report of such transactions entered into during a reporting period shall be provided in the annual and semi-annual reports, and will list all such transactions, by type, name of the related party and, where relevant, fees paid to that party in connection with the transaction.

The Trustee shall not as principal for its own account sell or deal in the sale of Investments to the Trustee for the account of the Trust or any Sub-Fund or otherwise deal as principal with the Trust or any Sub-Fund, provided that the Trustee shall be permitted to sell or deal in the sale of Investments and otherwise deal with the Trust or any Sub-Fund where it acts at all times in its capacity as a trustee and not in its capacity as a principal. The Connected Persons of the Trustee must not, without the written approval of the Trustee, as principal sell, or deal in the sale of, Investments for the account of the Trust or the relevant Sub-Fund or otherwise deal as principal for the account of the Trust or the relevant Sub-Fund, and if the Trustee shall give its approval, any such selling or dealing shall be transacted at arm's length, in the best interests of the Unitholders and otherwise in accordance with the Trust Deed. If any Connected Person of the Trustee shall so sell or deal, such Connected Person may retain for its own absolute use and benefit any profit which it may derive therefrom or in connection therewith, provided that such transactions are entered into on an arm's length basis and at the best price available to the Trust and the relevant Sub-Fund.

The Manager shall delegate to the Investment Advisor the responsibility for selecting brokers and dealers through whom transactions for the account of the Sub-Funds are to be executed. The Investment Advisor will use due care in the selection of brokers or dealers to ensure that the selected brokers will provide best execution to the relevant Sub-Fund. In determining what constitutes best execution, the Investment Advisor will consider the overall economic result of the relevant Sub-Fund (price of commission plus other costs), the efficiency of the transaction, the broker's ability to effect the transaction if a large block is involved, the availability of the broker for difficult transactions in the future, other services provided by the broker such as research and the provision of statistical and other information, and the financial strength and stability of the broker.

If the Manager decides to execute foreign exchange spot, forward or swap transactions (collectively, "**foreign exchange transactions**") with the Connected Persons or other delegates of the Trustee, the Connected Person or other delegate of the Trustee will enter into such foreign exchange transactions with or for the account of the Trust or Sub-Fund(s) as a primary counterparty (and not as agent or fiduciary for the Trust or Sub-Fund(s)) and on a basis determined by the Manager to represent a transaction on an arm's length basis and in the best interests of the Unitholders. For the avoidance of doubt, neither the Connected Persons nor other delegates of the Trustee are acting as agent or fiduciary for the Manager. In all cases where the Connected Persons or other delegates of the Trustee enter into foreign exchange transactions with or for the account of the Trust or a Sub-Fund, the Manager will at its discretion determine the method of execution to be used, either generally or in any particular case, that is available to it as outlined in client publications issued by the Connected Persons or other delegates of the Trustee from time to time ("**Client Publications**") or the Manager may elect to enter into foreign exchange transactions with counterparties other than the Connected Persons or other delegates of the Trustee. Any such transactions shall be effected on an arm's length basis and in the best interests of the Unitholders, at quoted rates as determined by the Connected Persons or other delegates of the Trustee from time to time which are consistent with the applicable method of execution chosen by the Manager and as outlined in the Client Publications. The Connected Persons and delegates of the Trustee shall be entitled to retain for its or their own use and benefit any benefit which it or they may derive from any such foreign exchange transactions or the holding of any cash in connection with such transactions.

Where any cash forming part of the Fund Assets is transferred to a deposit account with the Trustee, the Custodian, the Manager, the Investment Advisor or with any of their Connected Persons (being an institution licensed to accept deposits), such cash deposit shall be maintained in a manner that is in the best interests of the Unitholders, having regard to the prevailing commercial rate for deposits of a similar type, size and term, in the same currency and with institutions of a similar standing negotiated at arm's length in accordance with ordinary and normal course of business. Subject thereto, the Trustee, the Custodian, the Manager, the Investment Advisor or their Connected Persons shall be entitled to retain for its or their own use and benefit any benefit which it or they may derive from any cash for the time being in its or their hands (whether on current or deposit account) as part of a Sub-Fund or of a Distribution Account (as the case may be).

Cash Rebates and Commission

In transacting with brokers or dealers connected to the Manager, the Investment Advisor, the directors, the Trustee, or any of their Connected Persons, the Manager must ensure that 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 relevant Sub-Fund's annual report.

None of the Manager, the Investment Advisor or any of its Connected Persons may retain cash or other rebates or other forms of soft commissions from a broker or dealer in consideration of directing transactions for the account of a Sub-Fund to the broker or dealer and none of the Manager, the Investment Advisor or any of its Connected Persons intends to have in place any soft dollar arrangements to receive goods and services from a broker or dealer.

THE SUB-FUNDS

General

The Vanguard ETF Series has been established as an umbrella trust with segregated liability between Sub-Funds. Different Sub-Funds may be established from time to time by the Trustee and the Manager with the prior approval of the SFC. On the introduction of any new Sub-Fund or class of Units, either a revised Prospectus or a supplemental Prospectus will be prepared, setting out the details. The Sub-Funds are operated separately and the Fund Assets of each Sub-Fund are managed in accordance with the investment objective and policy applicable to that Sub-Fund.

The following Sub-Funds have been established and are available for investment:

- Vanguard FTSE Asia ex Japan Index ETF
- Vanguard FTSE Developed Europe Index ETF
- Vanguard FTSE Japan Index ETF
- Vanguard FTSE Asia ex Japan High Dividend Yield Index ETF
- Vanguard S&P 500 Index ETF
- Vanguard Total China Index ETF

Details of the Sub-Funds are set out in Appendix 1.

Investment Objectives and Strategies of the Sub-Funds

The specific investment objective and strategies of each Sub-Fund are set out in Appendix 1.

The Fund Assets of each Sub-Fund will be invested with the aim of achieving the investment objective and in accordance with the policies of that Sub-Fund. Investments of each Sub-Fund must also comply with the investment and borrowing powers and restrictions set out in the Code, the Trust Deed and this Prospectus.

A summary of the investment powers and restrictions applicable to each Sub-Fund is set out in more detail in Appendix 3.

Indices

Where set out in the investment objective of a Sub-Fund, the performance of a Sub-Fund will normally be measured against an Underlying Index as disclosed in Appendix 1. The relevant Underlying Index against which performance may be measured may change in certain circumstances as detailed below.

The Manager will rely solely on each Index Provider for information as to the composition and/or weighting of the Securities within each Underlying Index and is not responsible for any error in relation thereto. If the Manager is unable to obtain or process such information in relation to any Underlying Index on any Business Day, then the most recently published composition and/or weighting of that Underlying Index will be used for the purpose of all adjustments.

Change of Index

The Manager reserves the right to, with prior approval of the SFC and in accordance with the provisions of the Trust Deed, upon notification to Unitholders, substitute a different index for the Underlying Index specified in the investment objective of the relevant Sub-Fund. Circumstances for a change in the Underlying Index may include, but are not limited to, the following events: (i) the Licence Agreement in relation to the Underlying Index is terminated; (ii) the Underlying Index ceases to exist; (iii) a new index becoming available that is regarded as the market standard for investors in the particular market and/or would be regarded as more beneficial to the Unitholders than the existing Underlying Index; (iv) investing in the Securities comprised within the Underlying Index becomes difficult; or (v) the quality (including accuracy and availability of the data) of the Underlying Index have, in the opinion of the Manager, deteriorated. In any such instance, the substitute Underlying Index would measure substantially the same market segment as the original Underlying Index.

Investment Techniques

The Manager will utilise an indexing approach which involves the use of either a “Replication Strategy” and/or a “Representative Sampling Strategy”.

Replication Strategy is where the Manager invests in substantially all the Index Securities constituting the Underlying Index in substantially the same weightings (i.e. proportions) as these Index Securities have in the Underlying Index. When an Index Security ceases to be a constituent of the Underlying Index, rebalancing occurs which involves, inter alia, selling the outgoing security and using the proceeds to invest in the incoming security.

Representative Sampling Strategy is where the Manager invests in a representative sample of the Index Securities of the Underlying Index selected by the Manager using quantitative analytical models in a technique known as “portfolio optimisation”, under which each Index Security is considered for inclusion and weighting in the portfolio of the relevant Sub-Fund based on risk, industry, country or other factors. Portfolios are optimised to minimise tracking error given a set of constraints which may include transaction costs, trade sizes, country, risk factor and stock specific constraints.

The Manager’s aim is to manage the portfolio of each Sub-Fund to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the Underlying Index of that Sub-Fund by investing all, or substantially all, of the Fund Assets of such Sub-Fund in Index Securities in substantially the same weightings as constituted in the Underlying Index, and/or other Securities that, in the aggregate, approximates the Underlying Index in terms of primary risk factors and other key characteristics.

Unitholders should note that it may not be possible or practicable for a Sub-Fund to purchase or gain exposure to all of the Index Securities in their proportionate weightings or to purchase them at all due to various factors, including the costs and expenses involved and the concentration limits described in Appendix 3 to this Prospectus. In these circumstances, the Manager may, in seeking to track an index, decide to hold a representative sample of the Securities contained in an index.

Subject to the restrictions set out in Appendix 3 of this Prospectus, there may also be instances where a Sub-Fund holds Securities which are not Index Securities, if the Manager believes this to be appropriate.

A Sub-Fund may, for cash management purposes, maintain cash balances held in an operating account with the Custodian or hold cash instruments including, but not limited to, deposits with a bank with a short-term domestic credit rating of A1 or higher as rated by Standard & Poor's, with a term to maturity of no more than a year, or bills of exchange that have been accepted or endorsed by a bank with a short term credit rating of A1 or higher as rated by Standard and Poor's with a term to maturity of no more than a year.

In addition to the direct acquisition of the Index Securities, a Sub-Fund may invest in Securities (such as exchange traded funds or depositary receipts) and derivatives which collectively, or individually, provide an economic exposure which is substantially similar to any of the Index Securities. The Manager may utilise various combinations of other available investment techniques for direct investment purposes in seeking to track the Underlying Index. A Sub-Fund may invest in FDIs including, but not limited to, listed options, exchange traded options contracts, futures, index futures, options on index futures and warrants (for investment purposes to gain exposure to the Index Securities and/or the Underlying Index itself, to reduce transaction costs or taxes or allow exposure in the case of illiquid stocks or stocks which are unavailable for market or regulatory reasons, or to minimise tracking errors) and foreign currency forward contracts, spots and short-dated forward foreign exchange transactions (for the purpose of managing cash flows, settling Securities and minimising tracking errors).

Changes to the composition and/or weighting of the Index Securities which is sampled or replicated by a Sub-Fund may require that Sub-Fund to make corresponding adjustments or rebalancings to its holdings in order to seek to track or replicate the Underlying Index. The Manager will in a timely manner and as efficiently as possible, but subject to its overall discretion in accordance with the investment strategies of the relevant Sub-Fund, seek to rebalance the composition and/or weighting of the investments held by a Sub-Fund from time to time and to the extent practicable and possible to conform its exposure to the changes in the composition and/or weighting of Index Securities. Other rebalancing measures may be taken from time to time to seek to maintain the correspondence between the performance of a Sub-Fund and the performance of the Underlying Index.

Currency Hedging at Portfolio Level

A Sub-Fund may enter into transactions for the purposes of hedging the currency exposure of the underlying Securities into the relevant Sub-Fund's Base Currency. If undertaken, the aim of this hedging will be to reduce the Sub-Fund's level of risk or to hedge the currency exposure to the currency of denomination of some or all of the Sub-Fund's underlying Securities. Derivatives such as currency forwards and interest rate futures may be utilised if the Sub-Fund engages in such hedging. The currency exposure of Investments will not be allocated to other Sub-Funds.

Profile of a typical investor in the Sub-Funds

Each Sub-Fund is available to a wide range of investors seeking access to a portfolio managed in accordance with a specific investment objective and policy. Investors should in particular read the "**Risk Factors**" as set out in this Prospectus and, if they are in any doubt about making an investment, should consult their professional adviser concerning the acquisition, holding or disposal of any Units.

LISTING, DEALING AND TRADING OF UNITS

Listing of Units on the SEHK

Dealings in the Units of the Vanguard FTSE Asia ex Japan Index ETF, Vanguard FTSE Developed Europe Index ETF, Vanguard FTSE Japan Index ETF, Vanguard FTSE Asia ex Japan High Dividend Yield Index ETF, Vanguard S&P 500 Index ETF and Vanguard Total China ETF on the SEHK have already commenced. The Units of such Sub-Funds have been accepted as eligible securities by HKSCC for deposit, clearing and settlement in CCASS.

The Units of each Sub-Fund are traded on the SEHK in board lots of 100 Units and are traded in their respective Trading Currencies as specified in Appendix 1 for each relevant Sub-Fund.

Settlement of transactions between participants of the SEHK is required to take place in CCASS on the second settlement day (as defined in the CCASS Rules) 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.

Investors will not be able to purchase or sell Units on the SEHK if the Units are no longer listed. There is no assurance that the Units of the Sub-Funds will continue to meet the listing requirements of the SEHK. If the Units of the a Sub-Fund are delisted, the Manager may, in consultation with the Trustee, seek the SFC's prior approval to operate the relevant Sub-Fund as an unlisted index fund (subject to any necessary amendments to the constitutive documents of the Trust) or terminate the relevant Sub-Fund in accordance with the Code, Trust Deed and/or all applicable laws.

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

Creation and Redemption of Units (Primary Market)

Units

Units are issued in blocks, known as Creation Units, and redeemed in similar blocks, known as Redemption Units. To create or redeem a Creation/Redemption Unit, you must be a Participating Dealer or you must transact through a broker that is a Participating Dealer. A Participating Dealer is a broker or dealer who has executed a Participation Agreement and/or supplemental participation agreement in form and substance acceptable to the Trustee and the Manager. The current list of Participating Dealers is available at www.vanguard.com.hk¹.

All applications for creation or redemption of Units delivered on a Dealing Day after a Sub-Fund's Dealing Deadline, or delivered on a day that is not a Dealing Day, will be rejected. Participating Dealers will be required to re-submit any such applications for creations or redemptions of Units during the next Dealing Day before the Dealing Deadline in order to be accepted.

Investors that are not Participating Dealers must purchase Units through a broker on the secondary market or through a Participating Dealer on the primary market. As with any stock traded on an exchange through a broker, purchases and sales of Units on the

secondary market will be subject to usual and customary brokerage commissions. The Manager does not set the amount of the commissions and does not receive these payments.

Units may be created in specie, at the Manager's discretion, in exchange for the Deposit Securities that are generally part of (or soon to be part of) a Sub-Fund's Index Securities. Units may also be redeemed in specie; an investor redeeming a Redemption Unit will receive a basket of Securities that are part of the Sub-Fund's portfolio holdings, the "**Redemption Securities**". As part of any in specie creation or redemption transaction, the investor will either pay or receive some cash in addition to the Deposit Securities or Redemption Securities, as described in the "**Creation of Units**" and "**Redemption of Units**" sections of this Prospectus.

Participating Dealers who apply for creation of Units in specie will for settlement purposes have access to an account in CCASS, whether directly or indirectly through an agent.

Minimum Holdings

Where applicable, the minimum holdings for each Sub-Fund are set out in Appendix 1. If, following redemption of Units, a Participating Dealer's holding of Units should fall below the minimum holding for those Sub-Funds as set out in Appendix 1, the Manager may effect a mandatory redemption of that Participating Dealer's entire holding in Units of those Sub-Funds. Failure of the Manager to do so immediately after such redemption does not remove this right.

Trading of Units on the SEHK (Secondary Market)

The listing of the Units on the secondary market (1) provides intraday liquidity; (2) allows investors to trade Units in quantities smaller than a Creation/Redemption Unit; and (3) facilitates distribution of, and access to, the Units for retail investors. Through the operation of such a secondary market, persons who are not Participating Dealers or not able or willing to apply for and redeem Creation/Redemption Units will be able to buy Units from or sell Units to other retail investors or Market Makers, broker/dealers, or other Participating Dealers at prices which should approximate the Net Asset Value of the Units.

Investors who purchase Units on the secondary market and who are not CCASS Participants will have indirect access to CCASS through professional financial intermediaries, such as banks, custodians, brokers, dealers, and trust companies which clear through or maintain a custodial relationship with CCASS Participants. As the purchase and sale of Units on the SEHK is not a creation or redemption of Units with a Sub-Fund, investors should note that such orders may be subject to the customary brokerage commissions and other fees associated with the trading through the SEHK. Please see "**Fees Payable by Investors Dealing in Units on SEHK**" in relation to a particular Sub-Fund as set out in Appendix 1.

The price of any Units traded on the secondary market will depend on market supply and demand, movements in the value of the Index Securities as well as other factors such as prevailing financial markets, corporate, economic and political conditions. The trading price of the Units may differ from the Net Asset Value per Unit and there can be no assurance that a liquid secondary market will exist for the Units.

Investors may place an order with a broker to buy or sell their Units (in board lots of 100 Units) on the SEHK at any time during the trading day. To sell Units (or to buy new Units) an investor will need to use an intermediary such as a stockbroker or any of the share

dealing services offered by banks or other financial advisers. There are also exchange participants that will make a market for Units by providing liquidity in the secondary market when it is required, in accordance with the market making requirements of the SEHK. Please refer to “**Market Maker**” under the “**Management and Administration**” section of this Prospectus for further details on the role of a Market Maker.

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

Multiple Counter trading

The Manager has arranged for the Units to be available for trading on the secondary market on the SEHK under a Multiple Counter arrangement. The Base Currency of the Units for each Sub-Fund are set out in Appendix 1. Units traded in different counters are denominated under different counter currencies. Despite the Multiple Counter arrangement, the creation and redemption of new Units in the primary market are in the relevant Base Currency only. The Sub-Fund offers three trading counters on the SEHK (i.e. HKD counter, RMB counter and USD counter) to investors for secondary trading purposes. Units traded in HKD counter will be settled in HKD, Units traded in RMB counter will be settled in RMB and Units traded in USD counter will be settled in USD. Apart from settlement in different currencies, the trading prices of Units in the three counters may be different as the HKD counter, RMB counter and USD counter are distinct and trade in separate markets. Investors should note that Units – regardless of which currency it is traded in – remain denominated in the Base Currency of the relevant Sub-Fund and the creation of new Units and redemption of Units in the primary market are settled in the Base Currency.

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

Units traded on each counter are of the same class and all Unitholders of each counter are treated equally. The counters will have different stock codes, different stock short names and different ISIN numbers. Please refer to the sub-section entitled “**Units on Offer**” under each Sub-Fund as set out in Appendix 1 for further details.

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 HKD, RMB and/or USD trading services at the same time and offer inter-counter transfer services to support Multiple 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 different counters 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.

The Manager will ensure that there is at least one Market Maker maintaining a market for each of the HKD traded Units, RMB traded Units and USD traded Units counter (although the Market Maker for different counters may be the same entity) and that at least one Market Maker to each counter is subject to a three months' termination requirement. Broadly, the obligations of a Market Maker will include quoting bid and offer prices on the SEHK with the intention of providing liquidity.

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

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

Investors should ensure they have sufficient RMB or USD to settle trades of Units traded in RMB or USD (as the case may be). Investors should consult their respective 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 restrictions may not be applicable and investors should consult their brokers as to the currency exchange service arrangement, if required.

Please also refer to the section entitled "Specific Currency Risk" for each Sub-Fund as set out in Appendix 1 for further details.

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

Renminbi Equity Trading Support Facility

The Renminbi Equity Trading Support Facility (the "TSF") provides a facility to enable investors who wish to buy RMB traded Units of the Sub-Fund in the secondary market with Hong Kong dollars if they do not have sufficient RMB or have difficulty in obtaining RMB from other channels. 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: http://www.hkex.com.hk/Global/Exchange/FAQ/Featured/RMB-Readiness-and-Services/RMB-Equity-Trading-Support-Facility?sc_lang=en.

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 on the balance of RMB cheque accounts of their clients or the amount of cheques that their clients can issue in a day and such limits may affect an investor's arrangements for funding for an application (through a Participating Dealer) for creation of Units.

When an individual investor opens an RMB bank account or settles 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.

CREATION OF UNITS

Investment in the Sub-Fund

There are two methods of making an investment in a Sub-Fund.

The first method is to create Units at the Issue Price directly with the Sub-Fund in the primary market. Dealing in the primary market could be carried out by an investor through a Participating Dealer. Only a Participating Dealer may apply to create Units directly from the Sub-Fund. A Participating Dealer may apply for Units on their own account or for the account of their clients in accordance with the Operational Guidelines and Trust Deed. Where a Sub-Fund has a Multiple Counter, although a Participating Dealer may, subject to arrangement with the Manager, elect to CCASS to have Units which it creates deposited in HKD counter, RMB counter or USD counter, all creation and redemption for all Units must be in the base currency of that Sub-Fund.

The second method is to buy Units in the secondary market on the SEHK, as described in “**Trading of Units on the SEHK (Secondary Market)**” under the “**Listing, Dealing and Trading of Units**” section of this Prospectus. The secondary market price of Units may trade at a premium or discount to the Net Asset Value of the Sub-Fund.

This section of this Prospectus describes the first method of investment and should be read in conjunction with the Operational Guidelines for the creation and redemption of Units set out in the Participation Agreement and the Trust Deed.

Initial Offer Period

Units in a Sub-Fund will initially be offered to Participating Dealers during the Initial Offer Period as set out in Appendix 1. Participating Dealers may apply for Units on their own account or on behalf of their investors during the Initial Offer Period, but always in the name of the Participating Dealers.

The offer and issue of Units during the Initial Offer Period is subject to, and conditional upon, the SEHK granting a listing of, and permission to deal in, Units in the relevant Sub-Fund on or before the end of the relevant Initial Offer Period. If such condition is not fulfilled, any Deposit Securities tendered and any cash amount (including any Cash Issue Component, Duties and Charges and Transaction Fee) paid by the relevant Participating Dealer in respect of any applications for creation of Units submitted during the Initial Offer Period will be returned without interest.

Initial Issue Price

The Initial Issue Price per Creation Unit during the Initial Offer Period is set out in Appendix 1.

Extension of the Initial Offer Period

If the Initial Offer Period is extended, dealings in the Units on the SEHK will commence 3 Business Days following the close of the extended Initial Offer Period.

Creation of Units

To apply for a creation of Units, a Participating Dealer must submit an order in proper form to the Manager and such order must be received and accepted by the Manager by the Dealing Deadline. Participating Dealers must submit orders pursuant to procedures set forth in the Operational Guidelines and in this Prospectus. An application for the creation of Units, once given, cannot be revoked or withdrawn after the Dealing Deadline without the consent of the Manager.

The Manager shall have the absolute discretion to accept or reject any application for Units for any reason, and will be unable to process any application for Units in the case where dealing in a Sub-Fund has been suspended as set out under the “**Temporary Suspension of Dealing in Units**” section of this Prospectus.

Minimum creations

Units may only be purchased in Creation Units. The size of a Creation Unit for each Sub-Fund is set out in Appendix 1. The Manager may, upon giving prior notice to the Trustee: (a) accept cash creation orders below the minimum amount; and (b) reduce the size of a Creation Unit.

Requests for creation of Units from Investors

The Manager generally expects Participating Dealers, in the normal course of business, to process requests from investors to create Units.

Participating Dealers will generally accept and submit creation requests received from third parties, but shall, acting in good faith, have the right to reject an application for creation of Units from third parties under exceptional circumstances, including (i) market disruption events which are out of control of the Participating Dealers (such as if dealing of the Units or determination of the Net Asset Value of the relevant Sub-Fund has been suspended – please refer to the “**Temporary Suspension of Dealing in Units**” section of this Prospectus); (ii) where the investor fails to comply with the client acceptance procedures of the Participating Dealers; (iii) where there is in existence any trading restriction or limitation, regulatory restriction or requirement, or internal compliance or internal control restrictions of the Participating Dealer which are for the purpose of ensuring compliance with laws and regulations; or (iv) if, in the opinion of the Manager, acceptance of the application for creation of Units will have a material adverse effect on the relevant Sub-Fund. Participating Dealers may impose fees and charges in handling any creation request which would increase the cost of investment and investors are advised to check with the Participating Dealers as to relevant fees and charges.

Issue Price per Unit

The Issue Price per Unit in a Sub-Fund applied after the Initial Offer Period will be calculated as at the Valuation Point relating to the Dealing Day on which the application is accepted. The basis for calculation is summarised in Appendix 2. Creations of Units will be completed in the Base Currency of the relevant Sub-Fund.

Fees

The Manager may charge a Transaction Fee (the rate of which may be varied by the Manager from time to time) in respect of an application for creation of Units. The Manager may charge an application cancellation fee in connection with the cancellation of each

accepted application for creation or redemption of Units and/or an extension fee in connection with any requests for extended settlement. Please see “**Fees and Expenses**” and Appendix 1 of this Prospectus for further details on fees and charges.

Settlement – In specie

The consideration for the purchase of a Creation Unit for a Sub-Fund generally consists of:

- a) the Deposit Securities; plus
- b) the Cash Issue Component; plus
- c) Duties and Charges; plus
- d) a Transaction Fee.

A list of the names and the quantity of each Deposit Security to be included on each Business Day’s Deposit Basket for each Sub-Fund (subject to possible amendment or correction) is made available from the Manager at such time as stipulated in the Operational Guidelines. The identity and quantity of the Deposit Securities in the Deposit Basket may change from one day to another to reflect rebalancing adjustments and corporate actions, or to respond to adjustments to the weighting or composition of the constituent stocks of the relevant target index.

The Manager reserves the right to permit or require the substitution of any Deposit Security by an amount of cash-referred to as “**cash-in-lieu**”, which will be added to the Cash Issue Component to replace any or all Deposit Securities that may not be available in sufficient quantity for delivery; may not be eligible for transfer; may not be eligible for trading by a Participating Dealer; or in the event that in specie trading is not permissible in particular countries or markets. Trading costs incurred by the Manager in connection with the purchase of Deposit Securities with cash-in-lieu amounts will be borne by the relevant Participating Dealer, through the Duties and Charges payable by the Participating Dealer to protect existing Unitholders from this expense.

All questions as to the quantity of each security in the Deposit Securities and the validity, form, eligibility, and acceptance for deposit of any Securities to be delivered shall be determined by the Manager and the Manager’s determination shall be final and binding.

The Trustee shall inform the Custodian of the application for Units. The Custodian will then inform the appropriate sub-custodians. Each sub-custodian shall maintain an account into which the Participating Dealer shall be instructed to deliver, on behalf of itself or the party on whose behalf it is acting, the relevant Deposit Securities (or the cash value of all or part of such Securities, in the case of a permitted or required cash purchase or cash-in-lieu amount) including all applicable fees. Deposit Securities must be delivered to an account maintained at the applicable local sub-custodians as instructed by the Custodian. The Participating Dealer must also make available on the Settlement Day, by means satisfactory to the Manager, immediately available or same day funds sufficient to pay the Cash Issue Component and any applicable Duties and Charges, Transaction Fees and any other fees next determined after acceptance of the creation order.

The standard settlement period for Creation Unit creations is two Business Days following the Dealing Day on which the application for creation is accepted. This may vary depending upon the standard settlement periods of the different stock exchanges on which the Units are traded and the nature of the Deposit Securities and shall be specified in the

Operational Guidelines but shall not in any event exceed ten Business Days from the relevant Dealing Day. No Units of a Creation Unit will be issued to the applicant until all the Deposit Securities (or relevant cash collateral as detailed below) has been received by the Custodian and the requisite Cash Issue Component, Duties and Charges and Transaction Fees have been received by the Custodian.

If an applicant fails to deliver to the Custodian one or more of the Deposit Securities and/or the full amount of the cash amount (including the Cash Issue Component, any Duties and Charges and Transaction Fees) by the designated time, the Manager may: (a) reject the application for creation of Units and cancel any Units issued in respect of such application; (b) postpone the Settlement Day, such postponement to be on such terms and conditions (including as to the payment of any fees it may determine to represent the administrative costs involved in postponing the Settlement Day) as the Manager may determine; or (c) in respect of any failure to deliver Deposit Securities, require the applicant to pay to it, in cash, a collateral sum as agreed to between the applicant and the Manager, until the date of delivery of all such undelivered securities (or the date on which the Manager acquires all such Deposit Securities in the open market), plus any duties and charges associated with the purchase by the Manager of those Deposit Securities. Cash collateral will be used following the default on the delivery of a Deposit Security. Deposit Securities that have a standard market settlement date past the settlement period provided for above are deemed “non-delivered Deposit Securities” and therefore cash collateral will be required until the Deposit Securities are delivered. The cash collateral will be marked-to-market on a daily basis and additional collateral will be requested if the value of the security exceeds the value of the cash initially received. Once the security in question has been delivered, the cash collateral will be returned to the Participating Dealer. If the applicant fails to deliver to the Custodian the Deposit Securities by the designated time, the Manager reserves the right to utilise the relevant cash collateral to acquire the Deposit Securities. In the event that any cash collateral is used to purchase the security omitted from the Deposit Securities, any excess cash will be returned once the security has settled. The Manager will notify the Participating Dealer in advance of taking action to purchase the Deposit Securities with cash collateral. No Creation Unit will be issued and settlement will not occur until such time as the Deposit Securities are received by the Custodian, either through delivery by the applicant or acquisition by the Manager utilising the relevant cash collateral or through receipt by the Manager of the cash collateral. If the actual cost to the Manager of acquiring the Deposit Securities (including any trading fees and stamp duty taxes) and the Transaction Fee payable to the Custodian exceed the value of such cash collateral held, the applicant will be required to promptly reimburse the Manager the difference on demand. No interest will be paid on any collateral held in these circumstances.

Settlement – Cash

For cash creations, a Participating Dealer will be required to deposit a cash amount equal to the sum of:

- a) Issue Price; plus
- b) Duties and Charges; plus
- c) a Transaction Fee.

The standard settlement period for Creation Unit creations in cash is two Business Days following the Dealing Day on which the application for creation is accepted and shall be specified in the Operational Guidelines for the relevant Sub-Fund. No Creation Unit will be issued to the applicant until all the Issue Price, Duties and Charges and Transaction Fees have been received by the Custodian in cleared funds.

Units held through CCASS

Distributions of dividends and other payments with respect to Units held through CCASS will be credited to the bank accounts of such CCASS Participants in accordance with CCASS Rules and CCASS Operational Procedures.

Secondary market sales of Units will be conducted in accordance with the normal rules and operating procedures of the SEHK and CCASS and will be settled using the normal procedures applicable to trading Securities and the rights of secondary market investors will be governed accordingly.

Currency of Creation Orders

Applications for creation of Units must be in the Base Currency of the relevant Sub-Fund.

General

Acceptance of Orders

The Manager reserves the right not to accept any applications for creation of Units until (i) the Manager receives an application in form and substance satisfactory to, and accompanied by such documents as may be required by, the Trustee and the Manager; (ii) the Trustee and the Manager receive copies of the certifications and other information contemplated in the Participation Agreement in respect of the creation of Units; and (iii) the Trustee and the Manager receive such other certifications and opinions of counsel as each may in their absolute discretion consider necessary to ensure compliance with applicable securities and other laws.

The Manager shall have the absolute discretion to accept or reject any application for Units for any reason. By way of example, and without in any way limiting that right, a creation order could be rejected if: (i) the Deposit Securities delivered in payment for the Creation Unit are not as specified by the Manager; (ii) acceptance of the Deposit Securities would be unlawful or would otherwise have certain adverse tax consequences to the relevant Sub-Fund; (iii) the acceptance of the Deposit Securities would have an adverse effect on the relevant Sub-Fund or its Unitholders; (iv) 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 Index Securities in the relevant Underlying Index; or (v) circumstances outside the control of the Registrar or the Manager which makes it impractical to process an application for creation of Units. The Manager will notify the Participating Dealer if it rejects the Participating Dealer's application for creation of Units. The Manager is under no duty, however, to give notification of any defects or irregularities in the delivery of Deposits Securities, nor shall it incur any liability for the failure to give any such notification, however the Manager will endeavour to contact the Participating Dealer in the event of defects or irregularities in the delivery of Deposit Securities.

The Manager reserves the right to limit the issue of Units in any Sub-Fund where the liquidity within the Sub-Fund is deemed to be detrimental to its performance by closing the Sub-Fund to new applications for creation of Units. An example of the circumstances in which this may occur could be where the Manager determines that it would be prudent to limit the capacity or the size of a Sub-Fund, the investment objective of which is aimed at a particular market or sector.

Timing of Applications

Applications submitted after the Dealing Deadline will be rejected. Participating Dealers will be required to re-submit any such applications for creations of Units during the next Dealing Day before the Dealing Deadline in order to be accepted.

The Manager may at its discretion, in exceptional circumstances, permit a Participating Dealer to withdraw or amend any application for creation of Units after it has been submitted, provided that the amended creation application is accepted before the Dealing Deadline on the Dealing Day to which the application relates.

Documents the Participating Dealer will receive

Units will be in registered form and no temporary documents of title will be issued. No individual certificates for Units will be issued. All Units will be registered in the name of the HKSCC Nominees by the Registrar on the Register, which is the evidence of ownership of Units. Beneficial interest of investors in the Units who are not Participating Dealers will be established through an account with the relevant Participating Dealer, or established through the records of CCASS or the statements such investor receives from his broker/custodian.

REDEMPTION OF UNITS

Procedure

Valid instructions to the Manager to redeem Units in a Sub-Fund will be processed at the Redemption Price calculated with reference to the next Valuation Point for that Sub-Fund following acceptance of the instruction (the basis of calculation as summarised in Appendix 2), except in the case where dealing in a Sub-Fund has been suspended as set out under the “**Temporary Suspension of Dealing in Units**” section of this Prospectus. For the avoidance of doubt, all redemption instructions received before a Sub-Fund’s Dealing Deadline on a Dealing Day will be processed based on the Redemption Price calculated as at that Dealing Day’s Valuation Point. All redemption instructions delivered after a Sub-Fund’s Dealing Deadline on a Dealing Day will be rejected. Participating Dealers will be required to re-submit any such applications for redemptions of Units during the next Dealing Day before the Dealing Deadline in order to be accepted.

A redemption request once given cannot be revoked or withdrawn without the Manager’s consent.

Redemption of Units

To be eligible to place a redemption order for Units with the Manager, the investor must be a Participating Dealer. Investors that are not Participating Dealers must make appropriate arrangements with a Participating Dealer in order to redeem Units. For a current list of Participating Dealers, please contact the Manager. Generally, Units may be redeemed only in whole multiples of Redemption Units.

Requests for redemption of Units from Investors

The Manager generally expects Participating Dealers, in the normal course of business, to process requests from investors to redeem Units.

Participating Dealers will generally accept and submit redemption requests received from third parties, but shall, acting in good faith, have the right to reject an application for redemption of Units from third parties under exceptional circumstances, including (i) market disruption events which are out of control of the Participating Dealers (such as if dealing of the Units or determination of the Net Asset Value of the relevant Sub-Fund has been suspended – please refer to the “**Temporary Suspension of Dealing in Units**” section of this Prospectus); (ii) where the investor fails to comply with the redemption procedures of the Participating Dealers; (iii) where there is in existence any trading restriction or limitation, regulatory restriction or requirement, or internal compliance or internal control restrictions of the Participating Dealer which are for the purpose of ensuring compliance with laws and regulations; or (iv) if, in the opinion of the Manager, acceptance of the application for redemption of Units will have a material adverse effect on the relevant Sub-Fund. Participating Dealers may impose fees and charges in handling any redemption request which would increase the cost of investment and investors are advised to check with the Participating Dealers as to relevant fees and charges.

Fees

The Manager may charge a Transaction Fee (the rate of which may be varied by the Manager) in respect of an application for redemption of Units. The Manager may charge an application cancellation fee in connection with the cancellation of each accepted application

for redemption of Units and/or an extension fee in connection with any requests for extended settlement. Please see “**Fees and Expenses**” and Appendix 1 of this Prospectus for further details on fees and charges.

Settlement – In specie

A Participating Dealer redeeming a Redemption Unit generally will receive redemption proceeds consisting of:

- a) a basket of Redemption Securities; plus
- b) Cash Redemption Component equal to the difference between (i) the Redemption Price at the Valuation Point relating to the Dealing Day on which the redemption request is accepted, or deemed to be accepted, and (ii) the value of the Redemption Securities as at that same Valuation Point; less
- c) Duties and Charges; and less
- d) a Transaction Fee.

If the Redemption Securities have a value greater than the Redemption Price, the redeeming Participating Dealer will be required to pay the Cash Redemption Component, rather than receiving such amount from the relevant Sub-Fund.

Settlement – Cash

For cash redemptions, a Participating Dealer will receive redemption proceeds consisting of:

- a) the Redemption Price; less
- b) Duties and Charges; and less
- c) a Transaction Fee.

General

The Manager makes available, at such time as stipulated in the Operational Guidelines, a list of the names and the number of Units of each “Redemption Security” to be included in the next Business Day’s Redemption Basket (subject to possible amendment or correction). Due to any changes to the composition of the Underlying Index which a Sub-Fund seeks to track, the Redemption Basket provided to a Participating Dealer on redemption may not be identical to the basket of Deposit Securities required of a Participating Dealer applying for a Creation Unit. The Manager may agree with Participating Dealers to deliver to the Participating Dealer a customised basket of Redemption Securities that differs from the composition of the Redemption Basket published by the Manager. The Manager reserves the right to deliver cash-in-lieu of any or all Redemption Security for the same reason it might accept cash-in-lieu of a Deposit Security, as discussed in the “**Creation of Units**” section of this Prospectus.

In addition, when the Manager permits or requires (for example where the specified Redemption Securities are not eligible for transfer or not eligible for trading by a Participating Dealer or in the event that in specie trading is not permissible in particular countries or markets) a redeeming Participating Dealer to receive cash-in-lieu of one or

more Redemption Securities, the Participating Dealer will be charged an additional amount on the cash-in-lieu portion of its redemption as part of the Duties and Charges payable. The amount of this charge will vary as determined by the Manager at its sole discretion, but will not be more than as reasonably needed to compensate the relevant Sub-Fund for the transaction costs including, if applicable, the estimated market costs of selling portfolio securities to raise the necessary cash.

Redemption requests for Redemption Units must be submitted to the Manager by a Participating Dealer before the Dealing Deadline. An order to redeem a Redemption Unit is deemed accepted on the Dealing Day if (1) such order is accepted by the Manager prior to the Dealing Deadline on such Dealing Day; and (2) all other procedures set forth in the Participation Agreement are properly followed. If a redemption order in proper form is submitted to the Manager by a Participating Dealer prior to the Dealing Deadline on the Dealing Day, then the value of the Redemption Securities and the Cash Redemption Component will be determined by the relevant Sub-Fund on such Dealing Day. A redemption request is considered to be in "proper form" if: (1) a Participating Dealer has transferred or caused to be transferred to the Registrar the Redemption Unit being redeemed through the book-entry system of CCASS so as to be effective by the Settlement Day on T+2; and (2) a request is accepted by the Manager from the Participating Dealer within the time periods specified herein.

A Participating Dealer must deliver to the Registrar the Units it is seeking to redeem by the Settlement Day on T+2. If on T+2 a Participating Dealer has failed to deliver all of the Units it is seeking to redeem, the Manager shall, with the consent of the Trustee, be entitled to: (i) cancel the redemption order; (ii) postpone the Settlement Day, such postponement to be on such terms and conditions (including as to the payment of any fees it may determine to represent the administrative costs involved in postponing the Settlement Day) as the Manager may determine; or (iii) require a collateral sum as agreed to between the Participating Dealer and the Manager, until the date of delivery of all such undelivered Units. The receipt of this will be deemed to have settled the redemption in full. Cash collateral will be used following the default on the delivery of the Units. In all cases, the Manager shall be entitled to charge the redeeming Participating Dealer for any costs sustained by the relevant Sub-Fund as a result of the late delivery or failure to deliver. The cash collateral will be marked-to-market on a daily basis and additional collateral will be requested if the value of the Units exceeds the value of the cash initially received. Once the Units in question have been delivered, the cash collateral will be returned to the Participating Dealer. Redemption proceeds will not be paid until such time as the relevant Units are received by the relevant Sub-Fund, either through delivery by the redeeming Participating Dealer or the receipt of the relevant collateral. No interest will be paid on any collateral held in these circumstances.

The Manager reserves the right, at its sole discretion, to permit a redeeming Participating Dealer to receive its redemption proceeds either in specie or in cash, as requested by the redeeming Participating Dealer. Where the redemption proceeds are paid in cash, the Participating Dealer will receive a cash payment equal to the Redemption Price (less Duties and Charges and a Transaction Fee).

If a redeeming Participating Dealer is subject to a legal restriction with respect to a particular security included in the basket of Redemption Securities, such Participating Dealer may, in the Manager's discretion, be paid an equivalent amount of cash-in-lieu of the Security.

Deliveries of redemption proceeds generally will be made within four Business Days after the day on which the redemption request is received in proper form. Due to the schedule of holidays in certain countries or where settlement in any market requires, however, the delivery of in specie redemption proceeds may take longer than four Business Days after the day on which the redemption request is received in proper form, but shall not exceed ten Business Days following the Dealing Date on which the application for redemption is accepted.

In the event that cash redemptions of Units are permitted or required in respect of a Sub-Fund, proceeds will be paid to the Participating Dealer redeeming Units as soon as practicable after the date of redemption, normally within T+4, but in any event no later than T+10.

Redemption and Payment of Redemption Proceeds

HKD traded Units, RMB traded Units and USD traded Units can be redeemed directly (through a Participating Dealer). However, the Units redeemed may be withdrawn from any trading counter and the redemption proceeds shall be paid in the Base Currency only, unless otherwise determined by the Manager in its discretion.

Mandatory Redemption

If any redemption order reduces the holding of any Participating Dealer to below any minimum holding required in respect of a Sub-Fund, such order will be treated as an order to redeem all the Units held by that Participating Dealer.

Details in relation to the powers of the Manager and the Trustee to require the compulsory transfer or redemption of Units are described in “**Restrictions and Compulsory Transfer and Redemption of Units**”.

If the Sub-Fund is terminated pursuant to any of the provisions as specified in “**Termination of the Trust or the Sub-Fund**” in Appendix 4 (“**General Information**”) to this Prospectus, the Manager may, upon such notice as may be required by law or regulation, cancel all of the issued Units of any Sub-Fund and distribute remaining proceeds from the realisation of the Fund Assets pro rata to the number of Units in issue.

Rejection of Redemption of Units

Under exceptional circumstances, the Manager reserves the right to reject a redemption request, provided that the Manager must act reasonably and in good faith. In rejecting a redemption request, the Manager will take into account the interests of all Unitholders in a Sub-Fund to ensure that the interest of all Unitholders will not be materially adversely affected.

The Manager shall have the right to reject a redemption request under exceptional circumstances, including without limitation the following circumstances where:

- (a) the acceptance of the redemption of Units would, in the opinion of the Manager, have a material adverse effect on the Trust or the relevant Sub-Fund;
- (b) 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 Underlying Index;

- (c) acceptance of the redemption request would render the Manager in breach of any regulatory restriction or requirement, or internal compliance or internal control restriction or requirement of the Manager which are for the purpose of ensuring compliance with laws and regulations;
- (d) circumstances outside the reasonable control of the Manager make it for all practicable purposes impossible to process the redemption request; or
- (e) any circumstance where there is a suspension of the creation or redemption of Units of the Trust or a Sub-Fund and/or the determination of Net Asset Value of the Trust or a Sub-Fund,

provided that, in so rejecting any redemption request, the Manager will take into account the interests of Unitholders in the Trust or the relevant Sub-Fund to ensure that the interests of such Unitholders will not be materially adversely affected by such rejection.

In the event of such rejection, the Manager shall notify the relevant Participating Dealer and the Trustee of its decision to reject such redemption request in accordance with the Operational Guidelines.

No liability

In the absence of any fraud or negligence on its/their part, neither the Trustee, the Registrar, the Manager nor the Investment Advisor shall be liable for any delay or loss to any Participating Dealer or any investor caused by:

- a) CCASS being closed or the settlement and clearance of Securities in CCASS being disrupted in any way whatsoever;
- b) the creation or redemption of Units being suspended pursuant to the Trust Deed; or
- c) any circumstances beyond the Trustee's, the Registrars', the Manager's or the Investment Advisor's reasonable control.

Liquidity Risk Management

Governance

The Manager has established a liquidity risk management policy which enables it to identify, monitor and manage the liquidity risks of the Sub-Funds and to ensure that the liquidity profile of the investments of the Sub-Funds will facilitate compliance with the Sub-Funds' obligation to meet redemption requests. Such policy, combined with the liquidity risk management tools of the Manager, also seeks to achieve fair treatment of Unitholders and safeguard the interests of remaining Unitholders in case of sizeable redemptions. The overall process involves appropriate oversight by management, measurement processes, regular assessment, on-going monitoring and internal control procedures.

The Manager is supported by a risk management function which is functionally independent from the day-to-day investment management team. The risk management personnel will monitor liquidity on an ongoing basis and utilise liquidity risk management tools where necessary.

Liquidity risk management policy

The Manager's liquidity risk management policy takes into account the investment strategy, the liquidity profile, the redemption policy, the dealing frequency, the ability to enforce redemption limitations and the fair valuation policies of each of the Sub-Funds. In this respect, the liquidity requirements of the Sub-Funds will be considered and an ongoing liquidity risk assessment performed through quantitative and qualitative evaluations. These measures seek to ensure fair treatment and transparency for all investors.

The liquidity risk management policy includes details on periodic stress testing carried out to manage the liquidity risk of a Sub-Fund under normal and exceptional market conditions. Periodic stress testing will be performed on an ongoing basis to ensure that the liquidity profile of each Sub-Fund is appropriate to facilitate compliance with each Sub-Fund's obligation to meet redemption requests in an orderly manner.

The liquidity risk management policy is reviewed periodically from time to time.

Liquidity risk management tools

The Manager has this discretion, but not an obligation, to utilise the following liquidity risk management tools to manage liquidity risks:

- suspension of redemption of Units of any Sub-Fund (including the right to delay payment of any Cash Redemption Component and transfer of any Redemption Securities), after consultation with the Trustee, including during any period in which the determination of the Net Asset Value of the relevant Sub-Fund is suspended; and
- borrowing for the account of any Sub-Fund an amount not exceeding 10% of the value of the Net Asset Value of the Sub-Fund on any Dealing Day for the purposes of paying redemption proceeds on a redemption of Units (for the avoidance of doubt, the success of such borrowing is subject to market conditions at the time of the borrowing).

TEMPORARY SUSPENSION OF DEALING IN UNITS

The Manager may at any time, after consultation with the Trustee, suspend any application for creation or redemption of Units received by the Manager under exceptional circumstances, having regards to the interests of Unitholders, including but not limited to if:

- a) the SEHK, CCASS or any relevant Index Depository is closed;
- b) dealings of the Units on the SEHK are restricted or suspended;
- c) settlement or clearing of Securities in CCASS or any other Index Depository is disrupted;
- d) there are circumstances outside the reasonable control of the Manager which would render it practically impossible to determine the value of the Fund Assets or to process the application for creation or redemption of Units. For example, if there is any breakdown in the means normally employed in determining the value of the Fund Assets or the liabilities of the Sub-Fund(s) or when for any other reason the value of a substantial part of the Investments or other property for the time being comprised in the Fund Assets or the liabilities of the Sub-Fund(s) cannot be promptly and accurately ascertained;
- e) the relevant Sub-Fund is restrained from, subject to a quota limit, or is otherwise unable to acquire or dispose of further Investments for the time being comprised in the Fund Assets of the relevant Sub-Fund;
- f) in the reasonable opinion of the Manager, the acceptance of the application for creation or redemption of Units or any Securities in respect of an in specie application is unlawful or would otherwise have adverse tax consequences for the Trust and/or the Sub-Fund(s);
- g) the Underlying Index is not compiled or published;
- h) there exists any state of affairs which in the reasonable opinion of the Manager might seriously prejudice the interests of the Unitholders as a whole or a substantial part of the Fund Assets; or
- i) following changes in any laws, rules, orders or directions, and regulations (including foreign exchange controls) imposed by any regulatory or supervisory, governmental or quasi-governmental authority, any fiscal body or self-regulatory organisation (whether of a governmental nature or otherwise) as a result of which delivery of Securities in respect of an in specie application for creation or redemption of Units, disposal of Investments for the time being comprised in the Fund Assets or repatriation or remittance of Sub-Fund(s) to Unitholders cannot, in the reasonable opinion of the Manager, be effected normally or without prejudicing the interests of Unitholders.

Any suspension (including the right to delay payment of any Cash Redemption Component and transfer of any Redemption Securities) will take effect as soon as the Manager, after consultation with the Trustee, declares that a suspension is in effect. After this declaration, there shall be no creation or redemption of Units and/or delivery of redemption proceeds until the Manager, in consultation with the Trustee, declares that suspension to be at an end. However, the suspension will terminate in any event on the Business Day following the first Business Day on which (i) the condition giving rise to the suspension ceases to

exist; and (ii) no other condition exists under which a suspension may be declared. The Manager will review any prolonged suspension of dealings and take all necessary steps to resume normal operations as soon as practicable.

Any creation or redemption request which has not been processed prior to a suspension will be rejected. Participating Dealers will be required to re-submit any such applications for creation or redemption requests after the termination of the suspension in order to be accepted.

During any period which there exists any conditions giving the Manager the right to suspend the creation or redemption of Units (as described above), the Manager may also, at any time after consultation with the Trustee, suspend:

- a) the dealing of the Units; and/or
- b) the calculation of the Value of the Fund Assets and the determination of the Net Asset Value per Unit.

For any suspension, (i) notice will be given to the SFC immediately, and (ii) announcements of any suspension of the creation and redemption of Units, any decision to suspend trading in Units by the SEHK and the calculation of the Net Asset Value of the relevant Sub-Fund's portfolio and of each Unit will be published immediately following such suspension and at least once a month, and for the duration of the suspension, at www.vanguard.com.hk¹.

RESTRICTIONS AND COMPULSORY TRANSFER AND REDEMPTION OF UNITS

General

Participating Dealers are required to notify the Manager immediately in the event that: (a) they cease to be Qualified Holders; (b) they hold Units for the account or benefit of a person who is not a Qualified Holder; or (c) they otherwise hold Units in breach of any law or regulation or otherwise in circumstances having or which may have adverse regulatory, tax, pecuniary or fiscal consequences or material administrative disadvantage for the Trust, the relevant Sub-Fund or the Unitholders. If the Manager or the Trustee becomes aware of such facts in (a), (b) or (c) above, the Manager or the Trustee may give notice to the Participating Dealers requiring them to transfer such Units to another Qualified Holder, or redemption of such Units pursuant to the Trust Deed. If the Participating Dealers do not within 30 days after such notice transfer or redeem such Units, the Manager shall be entitled to compulsorily redeem such Units.

No person may offer or sell any Units to any person who would not be a Qualified Holder. No person other than a Qualified Holder shall be entitled to be registered or remain registered as a Unitholder and the Manager may upon an application for any Units or on a transfer of any Units or at any other time and from time to time require such evidence to be furnished to them in this connection as they shall in their discretion deem sufficient and in default of such evidence being furnished to the satisfaction of the Manager, the Manager may require the redemption or transfer of such Units pursuant to the Trust Deed.

U.S. Persons

The Units have not been and will not be registered under the 1933 Act. The Units may not be offered or sold in the U.S. or offered or sold to U.S. Persons, except for Qualified Holders. The Trust and the Sub-Funds have not been and will not be registered under the 1940 Act.

VALUATION

Valuation

The price of a Unit is calculated by reference to the Net Asset Value of the relevant Sub-Fund and the basis of calculation of Net Asset Value is summarised in Appendix 2.

RISK FACTORS

Investment in any Sub-Fund entails a degree of risk. While there are some risks that may be common to a number or all of the Sub-Funds, there may also be specific risk considerations that apply to particular Sub-Funds. It is important to keep in mind one of the main axioms of investing: the higher the risk of losing money, the higher the potential reward. The reverse, also, is generally true: the lower the risk, the lower the potential reward. As you consider an investment in the Sub-Funds, you should take into account your personal risk tolerance.

General Risk Factors

Investment Risk

There can be no assurance that any Sub-Fund will achieve its investment objective. The Net Asset Value of each Sub-Fund may fall in value due to any of the key risks factors below and your investment in such Sub-Fund may suffer losses. There is no guarantee of the repayment of principal or any return on your investment.

Equity Market Risk

The investments of a Sub-Fund in equity securities are subject to general market risks, whose value fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions, issuer-specific factors and the risks inherent in investment in international securities markets, and there can be no assurances that capital will not be lost and that appreciation will occur.

Asset Class Risk

The Underlying Index or each Sub-Fund's portfolio may underperform the returns of other Securities or indices that track other industries, groups of industries, markets, asset classes or sectors. Various types of Securities or indices tend to experience cycles of outperformance and underperformance in comparison to general securities markets.

Funds that invest in stocks are also subject to the risk that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

Currency Risk

The Net Asset Value per Unit will be computed in the Base Currency of the relevant Sub-Fund whereas the underlying investments held for the account of that Sub-Fund may be acquired in currencies other than the Base Currency. A Sub-Fund may also have Units traded in currencies other than the Base Currency. The value of the investments of a Sub-Fund denominated in any currency other than the Base Currency of the relevant Sub-Fund may rise and fall due to exchange-rate fluctuations in respect of the relevant currencies. Adverse movements in currency exchange rates can result in a decrease in return and a loss of capital. The Net Asset Value of the Sub-Fund may also be affected by changes in exchange control regulations such as currency peg or currency de-peg between the Base Currency and the relevant currencies of the underlying securities. The investments of each Sub-Fund may be fully hedged to its Base Currency. In addition, currency hedging transactions, while potentially reducing the currency risks to which a Sub-Fund would otherwise be exposed, involve certain other risks, including the risk of a

default by a counterparty. Furthermore, investors whose own trading currency is different from (or not in a currency linked to) the Sub-Fund's Trading Currency or Base Currency may be exposed to additional currency risk as a result of exchange-rate fluctuations.

Where a Sub-Fund enters into "cross hedging" transactions (for example, utilising currency different from the currency in which the security being hedged is denominated), the Sub-Fund will be exposed to the risk that changes in the value of the currency used to hedge will not correlate with changes in the value of the currency in which the Securities are denominated, which could result in losses for both the hedging transaction and the Sub-Fund's Securities.

Exchange Rates Movement between Base Currency and Other Currencies Risk

Investors who trade Units in currencies other than the Base Currency should take into account the potential risk of loss arising from fluctuations in value between the Base Currency and the currency of the Units traded. There is no guarantee that the Base Currency will appreciate in value against any other currency, or that the strength of the Base Currency may not weaken. Accordingly, it is possible that an investor may enjoy a gain in terms of the Base Currency but suffer a loss when converting funds from the Base Currency into any other currency.

As the RMB is currently not a freely convertible currency and is subject to exchange controls and restriction, investors holding Units traded in RMB may be exposed to fluctuations in the RMB exchange rate against the Base Currency.

Emerging Market Risks

Certain Sub-Funds may invest in securities markets that are considered to be emerging markets which involve a greater risk of loss and special considerations not typically associated with investments in more developed markets. These markets are subject to special risks associated with foreign investment in these emerging markets including, but not limited to: liquidity risk and less efficient securities markets; generally greater price volatility; exchange rate fluctuations and foreign exchange controls; imposition of restrictions on the expatriation of funds or other assets; less financial stability of issuers of securities; less publicly available information about entities comprising the relevant Underlying Index; the imposition of taxes; higher transaction and custody costs; settlement delays and risk of loss; legal risks and difficulties in enforcing contracts; lesser regulation of securities markets; smaller market capitalisations; different accounting and disclosure standards; governmental interference, particularly with respect to foreign investment policies; greater risk of market shutdown; the risk of expropriation of assets; higher inflation; social, economic and political uncertainties; and the risk of war.

Investment Style Risk

Funds are also subject to investment style risk, which is the chance that returns from the types of stocks in which a Sub-Fund invests will trail returns from the overall stock market. Specific types of stocks tend to go through cycles of doing better, or worse, than the stock market in general. These periods have, in the past, lasted for as long as several years and there can be no assurances that appreciation will occur.

Passive Investment Risk

The Sub-Funds are passively managed and the Manager will not have the discretion to adapt to market changes due to the inherent investment nature of each Sub-Fund. Falls in the Underlying Index are expected to result in corresponding falls in the value of the respective Sub-Fund.

In seeking to track an Underlying Index, the Manager will not normally reduce or increase a Sub-Fund's holdings in or exposure to any constituent security of an Underlying Index when to do so would increase the tracking error. Therefore, if a constituent security of an Underlying Index is decreasing in value, the Sub-Fund will generally continue to hold such security (or any other Securities which give exposure or equivalent price performance to such a constituent security's price performance) until the weight of the constituent security is reduced in the Underlying Index, or the constituent security is removed from the Underlying Index, by the Index Provider.

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 Business 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 of the SEHK 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 or when there is any suspension of creations or redemptions. Any of these factors may lead to the Units 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 Net Asset Value of the relevant Sub-Fund 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.

Restriction 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 Creation 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 Creation 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.

Government Intervention and Regulatory and Country Risks

The value of Fund Assets may be negatively affected by factors such as international political developments, government intervention, changes in a country's government policies, taxation, restrictions on foreign investment, currency decisions, other decisions in applicable laws and regulations, or any natural disasters, wars, threat of war, local or regional conflict, economic instability or political upheaval, which will weaken a country's securities markets. In addition, certain governments or regulators may intervene in financial markets by imposing trading restrictions, such as a ban on "naked" short selling or other types of investment activities.

Counterparty Risk

A Sub-Fund will be exposed to credit risk on the counterparties with which it trades in relation to swaps, option contracts and other FDIs that are traded over-the-counter. Such instruments are not afforded the same protections as may apply to participants trading futures or options on an exchange, such as the performance guarantee of an exchange clearing house. A Sub-Fund will be subject to the possibility of the insolvency, bankruptcy or default of a counterparty with which it trades such over-the-counter FDIs, which could result in substantial losses to the Sub-Fund.

Custodian Risk

Custody risk refers to the risks inherent in the process of clearing and settling trades and to the holding of Securities by local banks, agents and depositories. Local agents are held to local standards of care and in general, the less developed a country's securities market is, the greater the likelihood of custody problems. A Sub-Fund's investments may be registered in the name of a sub-custodian where, due to the nature of the laws or market practice of jurisdictions, it is common market practice or not feasible to do otherwise and may be exposed to risk in circumstances whereby the Custodian will have no liability. Such investments may not be segregated from the sub-custodian's own investments and in the event of default or fraud of such sub-custodian, the Fund Assets may not be protected and may be irrecoverable by the Sub-Fund.

Management Risk

Each Sub-Fund may not fully track the Underlying Index and may hold Securities not included in the Underlying Index. As a result, each Sub-Fund is subject to the risk that the Manager's strategy and the implementation thereof which may be subject to a number of constraints, may not produce the intended results.

Auditing and Accounting Standards Risk

The legal infrastructure and accounting, auditing and reporting standards in some countries, particularly emerging markets, in which some Sub-Funds will invest may not provide the same degree of information to investors as would generally apply internationally. In particular, valuation of assets, depreciation, exchange differences, deferred taxation, contingent liabilities and consolidation may be treated differently from international accounting standards.

Under the Trust Deed, the Auditor must prepare the annual accounts of the Trust in accordance with IFRS. However, note that the calculation of the Net Asset Value will not necessarily be in compliance with IFRS. Accordingly, it should be noted that the Net Asset Value as described in this Prospectus may not necessarily be the same as the net asset

value to be reported in the annual accounts as the Manager may make necessary adjustments in the annual accounts to comply with IFRS. Any such adjustments will be disclosed in the annual accounts, including a reconciliation.

Borrowing Risks

The Trustee, at the request of the Manager, may borrow for the account of any Sub-Fund (the principal amount of all such borrowings can be up to 10% of the Net Asset Value of the relevant Sub-Fund unless otherwise specified in each Appendix) for various reasons specified in the Trust Deed, such as facilitating redemptions or to acquire investments for the account of the Sub-Fund. 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 credit will be accessible or be able to be refinanced by the relevant Sub-Fund at any time.

Investment Techniques

There are certain investment risks that apply in relation to techniques and instruments that the Manager may employ for efficient portfolio management purposes. To the extent that the Manager's expectations in employing such techniques and instruments are incorrect, a Sub-Fund may suffer a substantial loss having an adverse effect on the Net Asset Value per Unit.

A Sub-Fund's ability to use these techniques and instruments may be limited by market conditions, regulatory limits and tax considerations.

Umbrella Structure of the Trust and Segregated Liability between Sub-Funds

The Trust Deed allows the Trustee and the Manager to issue Units in separate Sub-Funds as separate trusts, and provides for the manner in which the liabilities are to be attributed across the various Sub-Funds. There should not be the potential for cross contamination of liabilities between Sub-Funds. There can, however, be no categorical assurance that, should an action be brought against the Trust in the courts of any jurisdiction, the segregated nature of the Sub-Funds will be upheld.

Tracking Error Risk

A Sub-Fund may be subject to tracking error risk, which is the risk that its performance may not track that of the Underlying Index exactly. This tracking error may result from the investment strategy used, liquidity of the market and/or fees and expenses. The Manager will monitor and seek to manage such risk in minimising tracking error. There can be no assurance of exact or identical replication at any time of the performance of the Underlying Index.

Unless otherwise stated, a Sub-Fund is not expected to track or replicate the performance of its respective Underlying Index at all times with perfect accuracy. Each Sub-Fund is, however, expected to provide investment results that, before expenses, generally correspond to the price and yield performance of its respective Underlying Index. Although the Manager will regularly monitor the level of correspondence of the performance of a Sub-Fund with the performance of the relevant Underlying Index (i.e. "tracking accuracy"), there is no assurance that a Sub-Fund will achieve any particular level of tracking accuracy

and/or no guarantee or assurance of exact or identical replication by the Sub-Fund of the performance of the relevant Underlying Index due to, amongst others, the fees and expenses of the Sub-Fund and/or the liquidity of the market.

The following factors may adversely affect the tracking by a Sub-Fund of its respective Underlying Index:

- (a) a Sub-Fund must pay various fees and/or expenses, while the Underlying Index does not reflect any fees and/or expenses;
- (b) a Sub-Fund must comply with regulatory constraints, such as those set out in the section headed “Investment Powers and Restrictions” (as set out in Appendix 3 of this Prospectus), that do not affect the calculation of its respective Underlying Index;
- (c) the existence of uninvested Fund Assets in the Sub-Fund (including cash and deferred expenses);
- (d) the timing difference between when the Underlying Index reflects the effect of corporate actions (including dividends) and when a Sub-Fund reflects the effect of corporate actions;
- (e) the temporary unavailability of certain Securities comprising the Underlying Index; and
- (f) the extent that a Sub-Fund is not invested identically in respect of the composition and/or weighting of the constituent securities of its respective Underlying Index, and Securities in which it is underweighted or overweighted in relation to its respective Underlying Index perform differently from its respective Underlying Index as a whole.

Performance

The performance of a Sub-Fund may be negatively affected by a general decline in value of the Securities or the market segment relating to the Underlying Index. Each Sub-Fund invests in Securities included in, or representative of, the Underlying Index regardless of their investment merit. 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 index funds will mean that falls in the relevant Underlying Index are expected to result in corresponding falls in the value of the relevant Sub-Fund.

There can be no assurance that an Underlying Index will continue to be calculated and published on the basis described in this Prospectus or that it will not be amended significantly. The past performance of an Underlying Index is not necessarily a guide to its future performance.

A Sub-Fund whose respective Underlying Index is oriented to a specific economic sector, country or region will (subject to the diversification requirements set out in the “**Investment Powers and Restrictions**” of this Prospectus at Appendix 3) concentrate in the Securities of issuers relating to that economic sector, country or region, and will be particularly subject to the risks of adverse political, industrial, social, regulatory, technological and economic events affecting such sector, country or region.

Termination Risk

The Manager is granted a licence by the relevant Index Provider to use the relevant Underlying Index to create a Sub-Fund based on the relevant Underlying Index and to use certain trademarks and any copyright in the relevant Underlying Index. The licence may be terminated for a material breach of the Licence Agreement. A Sub-Fund may not be able to fulfil its objective and may be terminated if the relevant Licence Agreement is terminated.

A Sub-Fund may also be terminated if the relevant Underlying Index ceases to be compiled or published. In such circumstances, the Manager will seek to identify a suitable replacement index. Any such replacement index will be notified to Unitholders, subject to the prior approval of the SFC under the Code. The Index Provider and the Manager (and its Connected Persons) are independent of one another.

A Sub-Fund may also be terminated if the Manager goes into liquidation, there is no replacement Manager or Trustee upon the retirement or removal of the Manager or Trustee (as applicable), the Manager is incapable of performing its duties properly or has committed a material breach of the terms of the Trust Deed, any laws, rules and regulations renders it illegal, impracticable or inadvisable to continue the Sub-Fund or the Sub-Fund ceases to be authorised by the SFC. Investors may not be able to recover their investments and suffer a loss if the Sub-Fund is terminated.

Redemption in the Absence of a Participating Dealer Risk

The Manager and the Trustee have entered into one or more Participation Agreements with Participating Dealers. This enables each Participating Dealer to request the creation of new Units and/or request the redemption of existing Units. If all of the existing Participating Dealers were to withdraw at any time and no additional Participating Dealer had entered into a Participation Agreement with the Manager and Trustee, no new Units could be created and a Unitholder who was not also a Participating Dealer would not be able to request the redemption of Units held by it. In the absence of a Participating Dealer, Units may be traded at a market price that is at a discount to the Net Asset Value per Unit and the Unitholders may therefore sustain losses. Also, there may be a risk of suspension of trading Units of a Sub-Fund.

No Right to Control Sub-Fund's Operations Risk

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

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 Underlying Index. If the relevant Underlying Index experiences volatility or declines in value, the price of the Units of the Sub-Fund which tracks that Underlying Index will vary or decline accordingly.

Concentration of Underlying Index

The Underlying Index and the investments of a Sub-Fund may be concentrated in securities of a single or several issuers, an industry or group of industries, or in a particular jurisdiction or market (including an emerging market). Changes in the financial condition of

an issuer, changes in specific economic or political conditions that affect an issuer, industry, jurisdiction or market, and changes in general economic or political conditions can adversely affect the value of Securities and result in price volatility. Such changes may have a negative impact on the Securities held by a Sub-Fund. The value of a Sub-Fund with concentrated investment exposure may be more volatile than that of a Sub-Fund having a more diverse portfolio of investments.

Composition of Underlying Index

The composition of an Underlying Index may change as the relevant Index Securities are redeemed, as new securities are included in the Underlying Index, or if any Index Securities are delisted. When this happens, the weighting or composition of the Securities in a Sub-Fund would be changed as considered appropriate by the Manager in order to achieve the investment objective of the relevant Sub-Fund. An investment in Units will generally reflect the relevant Underlying Index as its constituents change and not necessarily the way it is comprised at the time of an investment in Units. However, there can be no guarantee that the Sub-Funds will, at any given time accurately reflect the composition of the Underlying Index.

Compilation of Underlying Index

The Index Securities of each Underlying Index are determined and composed by the Index Provider without regard to the performance of the relevant Sub-Fund. No Sub-Fund is sponsored, endorsed, sold or promoted by any relevant Index Provider. No Index Provider makes any representation or warranty, express or implied, to investors or other persons regarding the advisability of investing in securities generally or in the relevant Sub-Fund particularly.

No Index Provider has any obligation to take the needs of the relevant Sub-Fund or the Unitholders into consideration in determining, composing or calculating any Underlying Index. The Manager has neither control nor input into the determination of the composition or calculation of any Underlying Index. There is no assurance that the Index Provider will compile the relevant Underlying Index accurately, or that the relevant Underlying Index will be determined, composed or calculated accurately. In addition, the process and the basis of computing and compiling each Underlying Index and any of its related formulae, constituent Securities 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 Unitholders.

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.

Financial Derivative Instruments (“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 as there is no regulated market for such FDIs. It may not always be possible for such Sub-Funds to dispose of their investment or liquidate an existing position especially in a falling market. 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 the Sub-Fund. Exposure to FDIs may lead to a high risk of significant loss by the Sub-Fund. There is no assurance that any derivative strategy used by a Sub-Fund will succeed.

Futures Contracts

Futures contracts are exchange traded FDIs. Positions in futures contracts may be closed out only on an exchange that provides a trading market for such futures. However, there can be no assurance that a liquid market will exist for any particular futures contract at any specific time. Thus, it may not be possible to close a futures position. In the event of adverse price movements, a Sub-Fund would continue to be required to make daily cash payments to maintain its required margin on an open futures position. In such situations, if a Sub-Fund has insufficient cash, it may have to sell Securities to meet daily margin requirements at a time when it may be disadvantageous to do so. In addition, a Sub-Fund may be required to make delivery of the instruments underlying futures contracts it holds. The inability to close futures positions also could have an adverse impact on the Sub-Fund.

A Sub-Fund will minimise the risk that it will be unable to close out a futures contract by only entering into futures that are traded on national futures exchanges and for which there appears to be a liquid market.

The risk of loss in trading futures contracts in some strategies can be substantial, due both to the low margin deposits required and the extremely high degree of leverage involved in futures pricing. As a result, a relatively small price movement in a futures contract may result in immediate and substantial loss (as well as gain) to the investor. Thus, a purchase or sale of a futures contract may result in losses in excess of the amount of investment in the contract. The relevant Sub-Fund also incurs the risk that the Manager will incorrectly predict future stock market trends. A Sub-Fund would generally have sustained comparable losses if, instead of the futures contract, it had invested in the underlying financial instrument and sold it after the decline.

Utilisation of futures transactions by a Sub-Fund does involve the risk of imperfect or no correlation where the Securities underlying the futures contracts have different maturities than the Sub-Fund Securities being hedged. It is also possible that a Sub-Fund could both lose money on futures contracts and also experience a decline in the value of its Sub-Fund Securities. There is also a risk of loss by a Sub-Fund of margin deposits in the event of the bankruptcy of a broker with whom a Sub-Fund has an open position in a futures contract.

*Risk relating to Foreign Account Tax Compliance Act (“**FATCA**”)*

Although the Manager has registered the Sub-Funds to be compliant with FATCA and expects to satisfy any obligations imposed on it to avoid the imposition of any FATCA withholding, no assurance can be given that any Sub-Fund will be able to achieve this and/or satisfy such FATCA obligations. If a Sub-Fund becomes subject to a 30% FATCA penalty withholding on most types of income from US investments (further described under the “FATCA” section of this Prospectus) as a result of the FATCA regime, the value of the Units held by Unitholders in the relevant Sub-Fund may suffer material losses.

Listing Related Risks

Multiple Counter Risk

The Sub-Funds are exchange traded funds with Multiple Counter traded Units which means that Units are traded and settled in HKD under the HKD counter, traded and settled in RMB under the RMB counter and traded and settled in USD under the USD counter.

The nature of the Multiple 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, if there is a suspension of the inter-counter transfer of Units between the counters and/or any limitation on the level of services by brokers and CCASS participants, Unitholders will only be able to trade their Units in one counter only, which may inhibit or delay an investor dealing. Accordingly it should be noted that the inter-counter transfers may not always be available.

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

Investors without RMB (or USD) accounts may buy and sell HKD traded Units only. Such investors will not be able to buy or sell RMB (or USD) traded Units. Investors should note that distributions are made in the Base Currency of the relevant Sub-Fund only. As such, investors may pay more or receive less when buying or selling Units traded in one counter on the SEHK than in respect of Units traded in another counter.

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 another, (ii) carry out inter-counter transfers of Units, or (iii) trade Units in different counters at the same time. In such a case, another broker or CCASS participant may need to be used. Accordingly, this may inhibit or delay an investor dealing in the HKD, RMB and USD traded Units and may mean that an investor may only be able to sell their Units in one currency. Investors are recommended to check the readiness of their brokers in respect of the Multiple Counter trading and inter-counter transfer and should fully understand the services which the relevant broker is able to provide (as well as any associated fees).

RMB Counter Risk

The Units in the RMB Counter are RMB-denominated securities traded on SEHK and settled in CCASS. Not all brokers or custodians may be ready and able to carry out trading and settlement of the RMB-traded Units. Also, the limited availability of RMB outside the PRC may also affect the liquidity and trading price of RMB traded units. Investors in the secondary market who buy and sell Units traded in RMB counter are also exposed to foreign exchange currency risk arising from the fluctuations between the Base Currency and the RMB.

Distribution in Base Currency Risk

Unitholders should note that all Units will receive distributions only in the Base Currency of their Sub-Funds. In the event that the relevant Unitholder has no account in the Base Currency, the Unitholder may have to bear the fees and charges associated with the conversion of any distributions from the Base Currency to any other currency. The Unitholder may also have to bear bank or financial institution fees and charges associated with the handling of the distribution payments. Unitholders are advised to check with their brokers regarding arrangements for distributions.

Absence of Active Market Risk and Liquidity Risks

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 Risks

The Manager may suspend calculation of the Net Asset Value and the creation and redemption of Units of one or more Sub-Funds under certain circumstances (see the “**Temporary Suspension of Dealing in Units**” section of this Prospectus). During such suspension it may be difficult for an investor to buy or sell Units, and the market price may not reflect the Net Asset Value per Unit. In the event that the Manager has to suspend the creation and redemption of Units of a Sub-Fund, or if a stock exchange on which a Sub-Fund’s underlying investments are traded is closed, it is expected that the market price may reflect larger discounts or premiums relative to the Net Asset Value per Unit.

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 such Units are suspended. The SEHK may suspend the trading of Units whenever the SEHK determines that it is appropriate in the interests of a fair and orderly market to protect investors. The creation and redemption of Units may also be suspended if the trading of such Units is suspended.

Secondary Market Price Risks

The following factors may result in a fluctuation of the secondary market price of Units: (a) changes in the Net Asset Value per Unit, (b) changes in the exchange rate between the currency(ies) in which the Securities held by the relevant Sub-Fund are denominated and the currency in which the Units are traded, and (c) supply and demand factors on the stock exchange on which the Units are traded. The Manager cannot predict whether the Units will trade below, at, or above their Net Asset Value per Unit (when converted to the currency in which the Units are traded). Price differences may be due, in large part, to the fact that supply and demand forces in the secondary market for a Sub-Fund's Units will be closely related, but not identical, to the same forces influencing the prices of the Index Securities trading individually or in the aggregate at any point in time.

The Net Asset Value per Unit and the secondary market price of Units are expected to track each other through arbitrage. A Participating Dealer or other Professional Investor in calculating the price at which it would be willing to sell the Units of a Sub-Fund on the secondary market (the offer price), or to buy such Units (the bid price), will take account of the notional price at which it could purchase (when selling Units), or sell (when buying Units), the requisite amounts of Securities of the Underlying Index in respect of one or more Creation/Redemption Unit(s) including transfer taxes (if applicable). Where the notional price of purchasing the Securities comprising the Underlying Index corresponding to a creation for a Creation Unit is less, or the notional price of selling Securities comprising the Underlying Index corresponding to a redemption of a Redemption Unit is more, than the secondary market price of Units in a Creation Unit or Redemption Unit, as the case may be, then a Participating Dealer may choose to arbitrage the Sub-Fund by subscribing for or redeeming Creation/Redemption Units. The Manager believes such arbitrage will help to ensure that the deviation of the trading bid and offer price per Unit from the Net Asset Value per Unit (after currency conversion) is generally minimised, however this cannot be assured.

No Assurance on Continued Listing Status

There is no assurance that the Units of a Sub-Fund will continue to meet the listing requirements of the SEHK. If the Units of the Sub-Fund are delisted, the Manager may, in consultation with the Trustee, seek the SFC's approval to operate the Sub-Fund as an unlisted index fund or terminate the Sub-Fund. SFC reserves the right to withdraw the authorisation of the Sub-Fund if SFC considers that the Underlying Index is no longer acceptable.

Trading Risk

Generally, retail investors can only buy or sell Units on the SEHK. The trading price of the Units on the SEHK is driven by market factors such as demand and supply of the Units. Therefore, the Units may trade at a substantial premium/discount to their Net Asset Value. As retail investors will pay certain charges (ie trading fees and brokerage fees) to buy or sell units on the SEHK, retail investors may pay more than the Net Asset Value per Unit when buying a Unit on the SEHK and may receive less than the Net Asset Value per Unit when selling a Unit on the SEHK.

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

Reliance on the Manager

Unitholders must rely upon the Manager in managing the Trust and the performance of the Trust is largely dependent on the services and skills of its officers and employees. In the case of loss of service of the Manager or any of its key personnel, as well as any significant interruption of the Manager's business operations or in the extreme case the insolvency of the Manager, the Trustee may not find successor managers quickly and the new appointment may not be on equivalent terms or of similar quality. Therefore, the occurrence of those events could cause a deterioration in the Trust's performance and investors may lose money in those circumstances.

Reliance on Participating Dealers

Unless an investor is a Participating Dealer, the creation and redemption of Units in a Sub-Fund 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 CCASS is disrupted or the Underlying Index is not compiled or published. In addition, Participating Dealers will not be able to issue or redeem Units if some other event occurs that impedes the calculation of the Net Asset Value of the Units 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 or no Participating Dealer at any given time, there is a risk that investors may not always be able to create or redeem Units freely.

Reliance on Market Makers

Investors should note that liquidity in the secondary market for the Units may be adversely affected if there is no or only one Market Maker for the HKD, RMB or USD traded Units in a Sub-Fund. The Manager will seek to mitigate this risk by ensuring that at least one Market Maker will maintain a market for the Units traded in each counter and that at least one Market Maker to each counter gives not less than 3 months' notice prior to terminating the relevant market making arrangement(s) under the relevant market maker agreement. In addition, there may be less interest by potential Market Makers in making a market in Units traded in RMB. Further, any disruption to the availability of RMB may adversely affect the capability of Market Makers in providing liquidity for RMB traded Units. It is possible that there is only one Market Maker to a counter or to the relevant Sub-Fund or the Manager may not be able to substitute Market Maker within the termination notice period of a Market Maker, and there is no guarantee that any market making activity will be effective.

Illiquid Securities Risk

Liquidity risk exists when particular investments are difficult to purchase or sell. Investments made by a Sub-Fund may become illiquid or less liquid in response to market developments or adverse investor perceptions. Investment in foreign securities, derivatives or securities with substantial market and/or credit risk tend to have the greatest exposure to liquidity risk. Illiquid securities may be highly volatile and more difficult to value. Certain securities may also be illiquid due to limited trading markets or contractual restrictions on their resale. The Sub-Funds are exposed to the risk that a particular investment or position cannot be unwound or offset easily.

To meet redemption requests, the Sub-Funds may be forced to sell securities at an unfavourable time and/or under unfavourable conditions. This can have an adverse impact on the value of the Sub-Fund.

PRC-related Risk Factors (applicable to Vanguard FTSE Asia ex Japan Index ETF, Vanguard FTSE Asia ex Japan High Dividend Yield Index ETF and Vanguard Total China Index ETF only)

Economic, political and social risks in 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.

The Sub-Fund's investments will be concentrated in Chinese securities. Therefore the value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments. Political changes, policy 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, and therefore may have a negative impact on the securities held by the

Sub-Fund. The value of the Sub-Fund may also be more susceptible to the adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory events affecting the PRC market.

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, and therefore may have a negative impact on the securities held by the Sub-Fund.

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.

Government Intervention and Restriction Risk

Governments and regulators may intervene in the financial markets, such as by the imposition of trading restrictions, 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 Underlying Index and as a result the performance of the Sub-Fund.

Foreign Investments Restrictions Risks

Some countries prohibit or restrict investment, or the repatriation of income, capital or the proceeds from sale of securities. The Sub-Fund may incur higher costs investing in these countries. Such restrictions may delay the investment or repatriation of capital of the Sub-Fund. As a result, the Sub-Fund's value may be adversely affected.

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 such Sub-Fund holdings as compared to the performance of the Underlying 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.

RMB Distributions Risk

Investors should note that where a Unitholder holds Units traded under the HKD counter or USD counter, the relevant Unitholder will only receive distributions in RMB and not HKD or USD. 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 USD 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.

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 with prior notice to 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 Currency and Conversion Risks

The RMB is currently not freely convertible and is subject to exchange controls and restrictions. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against investors' base currencies will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Sub-Fund.

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.

Under exceptional circumstances, payment of redemptions and dividends in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

PRC Taxation Risk

The PRC Government has implemented a number of tax reform policies in recent years and there are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of dividend income and capital gains realised from the Sub-Fund's investments in PRC securities via Stock Connect (which may have a retrospective effect). Any revision or amendment in tax laws and regulations may affect the after-taxation profit of the PRC companies and foreign investors investing in such companies. Any increased tax liabilities on the Sub-Fund may adversely affect the Sub-Fund's value.

In order to meet the potential tax liability on dividend income and capital gains arising from the holding and disposal of A-Shares, the Manager reserves the right to make PRC tax provisions on such income and withhold and settle the taxes for the account of the Sub-Fund. It is expected that A-share listed companies distributing dividends or profits to the Sub-Fund will have the obligation to withhold applicable taxes. Based on professional and independent tax advice, the Manager (i) will not make any Withholding Income Tax ("WIT") provision or Value Added Tax ("VAT") provision on the unrealised or realised capital gains derived by the Sub-Fund from the trading of A-Shares; and (ii) will only provide for WIT on dividend income derived by the Sub-Fund from A-Shares to the extent that the 10% WIT on dividend has not been properly withheld at source. The Manager will closely monitor any further guidance by the relevant PRC tax authorities and change its tax

provision policy and the tax provision amount in respect of the Sub-Fund accordingly. Any change to the tax provision policy or the amount of tax provision in respect of the Sub-Fund will be notified to the Unitholders.

The Manager reserves the right to make tax provision for any tax liabilities arising from the income derived from the Sub-Fund's investments in the PRC. Any shortfall between the provision and the actual tax liabilities, may adversely affect the Sub-Fund's Net Asset Value, as the Sub-Fund may ultimately have to bear the additional tax liabilities. On the other hand, actual tax liabilities levied by the PRC tax authorities may be lower than the tax provision made. Depending on the timing of the Unitholder's subscriptions and/or redemptions, investors may be disadvantaged as a result of any shortfall of tax provision and will not have the right to claim any part of the overprovision (as the case may be). Unitholders should seek their own tax advice on their tax position with regard to their investments in the Sub-Fund.

A-Share Market Suspension and Volatility Risk

A-Shares may only be bought from, or sold to, a Sub-Fund from time to time where the relevant A-Shares may be sold or purchased on the SSE or the SZSE, as appropriate. Given that the A-Share market is considered volatile and unstable (with the risk of suspension and/or limit trading of a particular stock or government intervention), the creation and redemption of Units may also be disrupted. Such volatility and suspensions/limitations could contribute to tracking error of a 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. High market volatility and potential settlement difficulties in the A-Shares market may also result in significant fluctuations in the prices of the securities traded on the A-Shares market and thereby may adversely affect the value of the Sub-Fund.

Stock Connect Related Risks (applicable to Vanguard FTSE Asia ex Japan Index ETF, Vanguard FTSE Asia ex Japan High Dividend Yield Index ETF and Vanguard Total China Index ETF only)

Risks Associated with the Stock Connect

The Stock Connect is a securities trading and clearing linked programme developed by the Hong Kong Exchanges and Clearing Limited, the SSE, the 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 Manager intends to utilise such channels to invest in A-Shares.

Further information about the Stock Connect is available at the website: http://www.hkex.com.hk/mutual-market/stock-connect?sc_lang=en.

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 (the "**SSE Securities**") or the SZSE (the "**SZSE Securities**") by routing orders to the SSE or the SZSE (as the case may be).

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”.

A-Shares traded through Stock Connect are issued in scripless form, so investors such as the Sub-Fund will not hold any physical A-Shares. Hong Kong and overseas investors who have acquired SSE Securities or SZSE Securities through Northbound Trading should maintain the SSE Securities or SZSE Securities with their brokers’ or custodians’ stock accounts with CCASS for the clearing securities listed or traded on Stock Exchange.

The relevant rules and regulations on Stock Connect are subject to change which may have potential retrospective effect. Where a suspension in the trading through the programme is effected, the Sub-Fund’s ability to invest in A-Shares or access the PRC market through the programme will be adversely affected. In such event, the Sub-Fund’s ability to achieve its investment objective could be negatively affected. In addition to the risks associated with the China market and risks relating to RMB, the Sub-Fund is also subject to the following additional risks associated with Stock Connect:

- (a) Daily Quota limitations: Trading through the Stock Connect is subject to a daily quota limitation for each of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (“**Daily Quota**”). The Daily Quota imposes a limit on the maximum net value of all cross-boundary purchases of A-Shares through the Stock Connect on a daily basis. The Daily Quota is not applied specifically to the Sub-Fund and is utilised on a first-come-first-serve basis. For Northbound buy orders, once the remaining balance of the Northbound Daily Quota drops to zero or the Northbound Daily Quota is exceeded during the opening call session, such new buy orders for A-Shares will be rejected (though the Sub-Fund will be allowed to sell its A-Shares via the Stock Connect regardless of the Northbound quota balance). If the Sub-Fund’s ability to invest in A-Shares through the Stock Connect is restricted by the Daily Quota to make new buy orders on a Dealing Day, the Sub-Fund may decide to reject creation orders from the Participating Dealers on such Dealing Day.
- (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 enable 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 SEHK 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: As the SSE and the SZSE 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. Differences in trading hours between the SSE or the SZSE and the SEHK may also increase the level of premium or discount of the Unit price to its Net Asset Value. A-Shares are also subject to trading bands which restrict increases and decreases in the trading price whilst Units listed on the SEHK are not. This difference may also increase the level of premium or discount of the Unit Price to its Net Asset Value.
- (e) Operational risk: The Stock Connect provides a 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. The Manager of the Sub-Fund will work with relevant third parties to ensure that the information technology systems are compliant with the requirements as may be specified by the relevant exchange and/or clearing house so to minimise disruption in trading on the PRC markets.

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 Underlying Index if, for example, an Index Security of the Underlying Index is recalled from the scope of eligible stocks.
- (g) Clearing and settlement risk: The HKSCC and CSDCC have established clearing links and each has become a participant of the 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 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.

FEES AND EXPENSES

Management Fee

The Management Fee per Unit will be paid out of the Fund Assets of the relevant Sub-Fund as set out in Appendix 1. This fee will be accrued daily and paid monthly in arrears. The Management Fee is the sum of anticipated charges to the relevant Sub-Fund and expressed as a percentage of the Net Asset Value of the relevant Sub-Fund. The Manager will retain the Management Fee to pay for various fees and expenses, including the Manager's Fee, the Operational Fees (as disclosed below), all costs and expenses connected with the management and operating activities of the relevant Sub-Fund, investment management and advisory fees, administration, registration, transfer agency, listing agent, registrar, custody and trustee fees, and other operating expenses. The Management Fee will not cover (to the extent not included in the Operational Fees as detailed below) any fees, costs and expenses payable by investors on the creation or redemption of Units, such as the fees to Participating Dealers, brokerage fees, Transaction Fees, stamp duty or other Duties and Charges, or any extraordinary or exceptional costs and expenses as may arise from time to time and any tax liabilities in respect of the relevant Sub-Fund which will be paid separately out of the Fund Assets of the relevant Sub-Fund. The Management Fee does not represent the estimated tracking error of the relevant Sub-Fund.

Pursuant to the Trust Deed, the Manager may, on giving one month's notice (or such other period as required by the SFC) to the Trustee and the affected Unitholders, increase the Management Fee to the maximum rate of 4% per annum of the Net Asset Value of the relevant Sub-Fund.

In the event that the costs and expenses of the Trust or any Sub-Fund agreed to be payable out of the Management Fee exceed the Management Fee, the Manager will be responsible for discharging any such excess.

Manager's Fee

The Manager's Fee is the fee paid to the Manager out of the Management Fee for portfolio management services.

Pursuant to the Trust Deed, the Manager may, on giving one month's notice (or such other period as required by the SFC) to the Trustee and the affected Unitholders, increase the Manager's Fee to the maximum rate of 2% per annum of the Net Asset Value of the relevant Sub-Fund. In any event, the Manager's Fee shall not exceed the Management Fee.

Trustee Fee

The trustee fee will be paid by the Manager out of the Management Fee.

Pursuant to the Trust Deed, the Trustee may, with the approval of the Manager, and upon the Manager giving one month's notice (or such other period as required by the SFC) to the affected Unitholders, increase the trustee fee to the maximum rate of 2% per annum of the Net Asset Value of the relevant Sub-Fund. In any event, the trustee fee shall not exceed the Management Fee.

Operational Fees

Operational Fees are part of the Management Fee. The Operational Fees comprise other costs, charges, fees and expenses incurred in the operation of the relevant Sub-Fund, which are to be paid out of the Management Fee, specifically any fees and expenses incurred in relation to banking, the costs and expenses of preparing, printing, publishing and distributing prospectuses, annual and semi-annual reports, and other documents to current and prospective Unitholders, the costs and expenses of obtaining and maintaining authorisations or registrations of the Trust and/or the Sub-Funds with the regulatory authorities (including the SFC), the costs of listing and maintaining a listing of Units on any stock exchange (including the SEHK), the costs of convening and holding Unitholders' meetings and professional fees and expenses for auditing and other consulting services and professional fees incurred in the normal course of business of any Sub-Fund, and such other costs and expenses as may arise from time to time and that have been approved by the Manager as necessary or appropriate for the continued operation of the Trust or of any Sub-Fund.

Expenses of the Trust that are not directly attributable to the operation of a particular Sub-Fund are allocated among all Sub-Funds in a manner determined by the Manager to be fair and equitable.

Establishment Fees

The initial fees and expenses relating to the establishment of the Trust and the initial Sub-Fund in May 2013 (i.e. Vanguard FTSE Asia ex Japan Index ETF) were approximately HK\$1 million and were borne by The Vanguard Group, Inc. (as it then was the manager of the Trust).

The fees and expenses relating to the establishment of the subsequent Sub-Funds in June 2014 (i.e. Vanguard FTSE Japan Index ETF, Vanguard FTSE Developed Europe Index ETF and Vanguard FTSE Asia ex Japan High Dividend Yield Index ETF) were approximately HK\$1,350,000 and were also borne by The Vanguard Group, Inc. (as it then was the manager of the Trust).

The fees and expenses relating to the establishment of Vanguard S&P 500 Index ETF were approximately HK\$500,000 and were borne by The Vanguard Group, Inc.

The fees and expenses relating to the establishment of Vanguard Total China Index ETF were approximately HK\$850,000 and were borne by the Manager.

DIVIDEND DISTRIBUTION POLICY

The Manager may in its absolute discretion declare dividend distributions in accordance with the Trust Deed. Please refer to Appendix 1 of this Prospectus for the frequency of dividend distributions to the Unitholders in respect of each Sub-Fund.

TAXATION

The following summary is of a general nature, for information purposes only, and is not intended to be an exhaustive list of all the tax considerations that may be relevant to an investment in the Sub-Funds. This summary does not constitute legal or tax advice and does not purport to deal with the tax consequences applicable to all investors.

Prospective investors should consult their professional advisers on the possible tax consequences of their subscribing for, purchasing, holding, selling or redeeming Units under the laws of their countries of citizenship, residence, ordinary residence or domicile.

Hong Kong taxation

The information below is based on the law and practice in force in Hong Kong as 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.

The Trust and Sub-Fund(s)

(a) Profit Tax

During such period as the Trust and Sub-Fund(s) are authorised as a collective investment scheme by the SFC pursuant to Section 104 of the Securities and Futures Ordinance, under the prevailing law and practice in Hong Kong, profits of the Trust and the Sub-Fund(s) are exempt from Hong Kong profits tax.

(b) Stamp Duty

The sale and purchase of Hong Kong stock (if any) by the Trust and/or Sub-Fund(s) is generally subject to Hong Kong stamp duty at 0.1% on the higher of the consideration amount or market value, payable by both the buyer and the seller.

Pursuant to the remission order issued by the Secretary for the Treasury on 20 October 1999, any Hong Kong stamp duty payable on the transfer of Securities by an investor to the Trust and/or Sub-Fund(s) as consideration for an allotment of Units, or by the Trust and/or Sub-Fund(s) to an investor upon redemption of Units, will be remitted or refunded.

Therefore, no Hong Kong stamp duty is payable by the Trust and/or Sub-Fund(s) on an issue or redemption of Units.

The Unitholders

(a) Profits Tax

Profits arising from the disposal/redemption of an investment in the Units will only be subject to Hong Kong profits tax for Unitholders who carry on a trade or business in Hong Kong where such profits, not being regarded as capital in nature, arise from such trade or business and are sourced in Hong Kong. Unitholders who are not acquiring the Units as part of a trade or business that they carry on in Hong Kong will not be liable to profits tax in respect of any profits from the disposal/redemption of such Units. In accordance with the practice of the Inland Revenue Department of

Hong Kong (as at the date of this Prospectus), tax should generally not be payable in Hong Kong (whether by way of withholding or otherwise) in respect of distributions payable to Unitholders.

(b) Stamp Duty

Pursuant to the Stamp Duty (Amendment) Ordinance 2015, no stamp duty is payable on the transfer (sale or purchase) of shares or units of exchange traded funds (as defined in Part 1 of Schedule 8 of the Stamp Duty Ordinance) on the SEHK with effect from 13 February 2015. Accordingly, no stamp duty will be payable by Unitholders of the Sub-Funds on any transfer of Units on the SEHK.

FATCA

(a) General Information

The Foreign Account Tax Compliance Act (“**FATCA**”), a US tax law enacted in 2010, attempts to minimise tax avoidance by US persons investing in foreign assets both through their own accounts and through their investments in foreign entities. FATCA generally requires foreign financial institutions (“**FFIs**”) to provide information to the US tax authority, the Internal Revenue Service (the “**IRS**”), regarding their US account holders including substantial US owners of certain non-financial foreign entities (“**NFFE**s”). FFIs who fail to commit to meeting certain due diligence, withholding and reporting requirements and certain NFFEs who fail to provide required information on their substantial US owners are currently subject to 30% FATCA withholding on most types of income from US investments.

Payments of U.S. source fixed, determinable, annual, or periodic income (“**FDAP**”), such as dividends and interest, are subject to withholding when paid to non-participating FFIs (“**NPFFIs**”), non-compliant NFFEs, recalcitrant account holders at participating FFIs (“**PFFIs**”), and electing PFFIs. Payments made in the ordinary course of business for non-financial services are excluded from withholding. Payments of foreign source FDAP income may ultimately be subject to withholding; however, this would be no earlier than two years after the publication of final IRS regulations defining the term “foreign passthru payment”.

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

Under the terms of the Model 2 inter-governmental agreement (“**IGA**”) in effect between the United States and Hong Kong with respect to FATCA, an FFI domiciled in Hong Kong is generally considered to be FATCA compliant and thus not subject to FATCA withholding if it registers with the IRS on the IRS FATCA registration website and complies with the terms of an FFI agreement with the IRS.

(b) FATCA Registration Status

Each Sub-Fund of the Trust is an FFI under FATCA and the US-Hong Kong IGA, and in compliance with FATCA and the US-Hong Kong IGA, is registered on the IRS FATCA registration website as a “Reporting Financial Institution under a Model 2 IGA”.

(c) *Impact to the Sub-Funds and Unitholders*

Investors do not purchase Units from the Sub-Funds directly but instead through a broker or Participating Dealer. Accordingly, any due diligence and reporting as may be required shall be performed, as applicable, by the Participating Dealer or investor's broker. Investors may be asked to provide an additional tax certification or provide other proof that they are not a US person or citizen.

In the event that a Sub-Fund holds US securities and is not FATCA compliant, the relevant Sub-Fund may become subject to a 30% FATCA withholding as a result of the FATCA regime, and the value of the Units held by Unitholders in the relevant Sub-Fund may suffer material losses. In addition, no indemnification on FATCA shall be imposed on Unitholders or at the Unitholder's expense of the relevant Sub-Fund.

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

Automatic Exchange of Financial Account Information

(a) *General Information*

The Inland Revenue (Amendment) (No. 3) Ordinance ("**Ordinance**") came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information ("**AEOI**"). The AEOI requires financial institutions ("**FI**") in Hong Kong to collect information relating to non-Hong Kong tax residents holding accounts with Hong Kong FIs, and to file such information with the Hong Kong Inland Revenue Department ("**IRD**") who in turn will exchange such information with the jurisdiction(s) in which that account holder is resident. Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has a Competent Authority Agreement ("**CAA**"); however, each Sub-Fund and/or agents of the Sub-Fund may further collect information relating to residents of other jurisdictions.

The Trust and each of its Sub-Funds are required to comply with the requirements of AEOI as implemented by Hong Kong, which means that each Sub-Fund, the Manager, the Trustee and/or any of their agents shall collect and provide to the IRD tax information relating to Unitholders (and their Controlling Persons, as defined in the Ordinance) and prospective investors.

The AEOI rules as implemented by Hong Kong require the Trust to, amongst other things: (i) register the Trust's status as a "Reporting Financial Institution" with the IRD; (ii) conduct due diligence on its accounts to identify whether any such accounts are considered reportable accounts ("**Reportable Accounts**") for AEOI purposes; and (iii) report to the IRD information on such Reportable Accounts. The IRD is expected on an annual basis, commencing from 2018, to transmit the information reported to it to the government authorities of the relevant jurisdictions with which Hong Kong has signed a CAA. Broadly, AEOI contemplates that Hong Kong FIs should report on: (i) individuals or entities that are tax resident in a jurisdiction with which Hong Kong has signed a CAA; and (ii) certain entities controlled by individuals who are tax resident in such other jurisdiction. Under the Ordinance, details of Unitholders, including but not

limited to their name, jurisdiction of birth, address, tax residence, account details, account balance/value, and income or sale or redemption proceeds, may be reported to the IRD and subsequently exchanged with government authorities in the relevant jurisdictions of tax residence.

(b) Impact to the Sub-Funds and Unitholders

By investing in the Trust and its Sub-Funds and/or continuing to invest in the Trust and its Sub-Funds, Unitholders acknowledge that they may be required to provide additional information to the Manager, the Trustee and/or their agents in order for the Trust and each of its Sub-Funds to comply with AEOI. The Unitholder's information may be communicated by the IRD to authorities in other jurisdictions. The failure of a Unitholder to provide any requested information, may result in the Manager and/or the Trustee taking any action and/or pursuing remedies at their disposal including, without limitation, compulsory redemption or transfer of the Units held by such Unitholder. Any such compulsory redemption or transfer will be done in accordance with applicable laws and regulations, and the discretion to do so will be exercised by the Manager acting in good faith and on reasonable grounds and the Trustee (as applicable) in accordance with the Trust Deed.

Each Unitholder and prospective investor should consult its own professional advisor(s) on the administrative and substantive implications of AEOI on its current or proposed investment in the Trust and the relevant Sub-Fund.

PRC taxation (applicable to Vanguard FTSE Asia ex Japan Index ETF, Vanguard FTSE Asia ex Japan High Dividend Yield Index ETF and Vanguard Total China Index ETF only)

The information below is based on the laws and regulations in force in the PRC as at the date of this Prospectus. The relevant laws, regulations and practice relating to tax are subject to changes and amendments (and such changes or amendments 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. By investing in A-Shares through the Stock Connect, the Sub-Fund may be subject to enterprise income tax and other taxes imposed by the PRC tax authorities.

(a) Enterprise Income Tax ("EIT")

Under the PRC Enterprise Income Tax Law and its Implementation Rules, if the Sub-Fund is considered as a PRC tax resident enterprise, it will be subject to PRC EIT at 25% on its worldwide taxable income. If the Sub-Fund is considered as a non-PRC tax resident enterprise but has a business establishment or place in the PRC ("**Establishment**") as defined under the PRC domestic tax rules or a permanent establishment in the PRC ("**PE**") under an applicable double tax treaty or arrangement concluded by the PRC with another jurisdiction, the profits attributable to that Establishment or PE would be subject to EIT at 25%. If the Sub-Fund is a non-PRC tax resident enterprise and has no Establishment or PE in the PRC or has an Establishment or PE in the PRC but the income derived is not effectively connected with such an Establishment or PE ("**NRE**"), the PRC sourced income derived by the Sub-Fund from its investment in A-Shares would generally be subject to WIT at a rate of 10%, including but not limited to dividends and gains arising from transfer of A-Shares, unless it is exempt or reduced under specific PRC tax regulations or the provisions of an applicable double tax treaty or arrangement.

It is the intention of the Manager to operate the Sub-Fund in such a manner that the Sub-Fund would not be treated as a PRC tax resident enterprise and has no Establishment or PE in the PRC for PRC EIT purposes, although this cannot be guaranteed.

(b) Dividend

On 31 October 2014, the Ministry of Finance (“**MOF**”), the State Administration of Taxation (“**SAT**”) and China Securities Regulatory Commission (“**CSRC**”) jointly issued Circular Cai Shui [2014] No. 81 concerning the tax treatment for the Shanghai-Hong Kong Stock Connect (The Circular Concerning the Taxation Policy of the Pilot Programme for the Mutual Stock Market Access between Shanghai and Hong Kong Stock Markets, “**Circular 81**”), which became effective from 17 November 2014, and on 5 November 2016, the MOF, SAT and CSRC jointly issued another Circular Cai Shui [2016] No. 127 concerning the tax treatment for the Shenzhen-Hong Kong Stock Connect (The Circular Concerning the Tax Treatment for the Pilot Programme for the Mutual Stock Market Access between Shenzhen and Hong Kong Stock Markets, “**Circular 127**”), which became effective from 5 December 2016.

Unless a preferential rate applies under the applicable double tax treaty or arrangement, a NRE will be subject to WIT at 10% on PRC sourced dividend income on a withholding basis. Pursuant to Circular 81 and Circular 127, dividends and profit distributions derived by the corporate investors of Hong Kong stock market (“**HK Market Investors**”) (including the Sub-Fund) from their investment in the A-Shares via Stock Connect will be subject to WIT at 10% and the A-share listed companies distributing the dividends or profits will have the obligation to withhold such WIT. If the recipient of the dividends or profits is entitled to a lower rate as specified by the applicable double tax treaty or arrangement, it can apply to the PRC tax authority in charge of the listed company for a WIT refund by going through the required process for enjoying treaty benefits.

Pursuant to the Arrangement between the Mainland China and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the “**Arrangement**”), dividends received by a Hong Kong tax resident from shares issued by a PRC tax resident enterprise may be eligible for a reduced PRC WIT rate of 5% provided that (i) the Hong Kong tax resident is the beneficial owner of the dividends; (ii) the Hong Kong tax resident is a company holding at least 25% of the equity of the PRC tax resident enterprise for at least 12 months prior to the receipt of dividend. Due to its investment restrictions, the Sub-Fund will not hold more than 10% of any ordinary shares issued by any single issuer. In this connection, dividends derived by the Sub-Fund from its investment in A-Shares via the Stock Connect will not be eligible for the reduced WIT rate of 5% as provided under the Arrangement and therefore the WIT rate of 10% will be applicable to the Sub-Fund.

Based on professional and independent tax advice, the Manager will only provide for WIT on dividend income derived by the Sub-Fund from A-Shares to the extent that the 10% WIT on dividend has not been properly withheld at source.

(c) Capital Gains

As stated above, a NRE shall be subject to WIT at 10% on the income sourced from the PRC. As stipulated by the applicable EIT regulation, for the gains derived from transfer of equity investment, the source of income shall be determined based on the

location of the invested enterprise. Therefore, a NRE will be subject to WIT at 10% on the gains derived from transfer of shares in a PRC tax resident enterprise. However, pursuant to Circular 81 and Circular 127, the gains derived by HK Market Investors (including the Sub-Fund) through the Stock Connect from the transfer of A-Shares listed on the SSE or the SZSE shall be temporarily exempt from EIT/WIT. Accordingly, based on professional and independent tax advice, no provision for realised or unrealised capital gains derived from trading of A-Shares via Stock Connect will be made by the Manager on behalf of the Sub-Fund.

It should be noted that the EIT/WIT exemptions under Circular 81 and Circular 127 are temporary. As such, as and when the PRC tax authority announces the expiry date of the exemption, the Manager may in future need to make provision to reflect taxes payable, which may have a substantial negative impact on the Net Asset Value of the Sub-Fund.

(d) *VAT and Local Surcharges*

Dividend

Pursuant to Circular Cai Shui [2016] No.36 (Public Notice on Comprehensive Roll-out of the Pilot Program for Transitioning Business Tax to VAT, “**Circular 36**”), effective from 1 May, 2016, entities and individuals engaged in provision of services within the PRC shall be subject to VAT and ‘provision of services within the PRC’ refers to the situation where either the service provider or recipient is located within the PRC.

However, dividends or profit distributions derived from equity investment are not included in the taxable scope of VAT and thus not subject to VAT.

A VAT taxpayer shall also be subject to urban maintenance and construction tax at 7%/5%/1% (depending on the locality), education surcharge at 3% and local education surcharge at 2% (collectively, “**Local Surcharges**”) on the VAT payment, if any, which may result in a combined rate of up to 6.72% for both VAT and Local Surcharges.

Capital Gains

Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable turnover (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. Also, as stated above, Local Surcharges are levied on the VAT payment, if any.

Having said the above, according to Circular 36 and Circular 127, VAT is exempted on gains derived by HK Market Investors (including the Sub-Fund) from the transfer of A-Shares through the Stock Connect.

In light of the above, the Manager would not make VAT provision for gross realised or unrealised gains derived by the Sub-Fund from trading of A-Shares via Stock Connect.

(e) *Stamp duty*

Stamp duty generally applies to the execution and receipt of dutiable documents as stipulated in the Interim Regulations of Stamp Duty and the relevant rules. With respect to the contracts for trading of A-Shares traded on the PRC stock exchanges, stamp duty is levied at 0.1% and on sellers only.

Circular 81 and Circular 127 further clarify that HK Market Investors (including the Sub-Fund) are required to pay stamp duty upon the sale and purchase and the transfer of A-Shares by way of succession and donation through the Stock Connect.

(f) *General*

It should be noted that the actual applicable tax amount imposed by PRC tax authorities may be different and may change from time to time. There is a possibility of the rules being changed and taxes being applied retrospectively. To the extent that the Manager decides to provide for any provision that may be excessive or inadequate in order to meet final PRC tax liabilities, 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.

The Manager reserves the right to make tax provision for any tax liability arising from the income derived from the Sub-Fund's investments in the PRC. If the actual applicable tax amount levied by PRC tax authorities 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 a Sub-Fund may suffer more than the tax provision amount as such Sub-Fund will ultimately have to bear the additional tax liabilities. In this case, the tax liabilities will only impact Units in issue at the relevant time, and the then existing and new Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of the investment in the Sub-Fund. On the other hand, if the actual applicable tax amount levied by PRC tax authorities 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 PRC tax authorities' 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 relevant Sub-Fund as assets thereof.

Notwithstanding the above provisions, Unitholders who have already redeemed their Units in a Sub -Fund before the return of any overprovision to the account of such 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 any of the Sub-Funds.

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.

APPENDIX 1 – THE SUB-FUNDS

VANGUARD FTSE ASIA EX JAPAN INDEX ETF

Underlying Index

FTSE Asia Pacific ex Japan, Australia and New Zealand Index

Investment Objective

The Manager seeks to provide investment results, before the deduction of fees and expenses, that closely correspond to the performance of the Underlying Index.

Investment Strategy

The Manager seeks to achieve the investment objective by employing a passive indexing approach, through physical acquisition of Securities, designed to seek to track the performance of the Underlying Index. The Manager may use either a “Replication Strategy” (by investing all or substantially all of its assets in the Index Securities, broadly in proportion to the respective weightings of the constituents) and/or a “Representative Sampling Strategy” (by investing in a portfolio featuring high correlation with the Underlying Index and the Manager may invest in other securities that are not included in the Underlying Index). Initially, the Manager intends to pursue a “Representative Sampling Strategy”. In the event the Manager wishes to switch between a “Replication Strategy” and a “Representative Sampling Strategy”, or adopt any strategy other than a “Replication Strategy” or a “Representative Sampling Strategy”, prior approval will be obtained from the SFC and not less than one month’s prior notice will be given to Unitholders. The Manager does not currently intend to adopt any strategy other than a “Replication Strategy” or a “Representative Sampling Strategy”.

Investment Policies

In seeking to track the Underlying Index, the Sub-Fund may invest in FDIs such as listed options, exchange traded options contracts, currency forwards, futures, index futures, options on index futures and warrants for investment purposes to gain exposure to the Index Securities or to the performance of the Underlying Index itself, to reduce transaction costs or taxes or allow exposure in the case of illiquid stocks or stocks which are unavailable for market or regulatory reasons or to minimise tracking error.

The Manager does not anticipate that investments in FDIs would exceed 10% of the latest available Net Asset Value of the Sub-Fund.

Portfolio Constraints

Exposure based constraints

The Manager should:

- a) ensure the Sub-Fund maintains at all times a minimum net equity exposure of 95% of the market value of the portfolio of the Sub-Fund;
- b) not, at any time, invest more than 10% of the market value of the portfolio of the Sub-Fund in open futures contracts; and

- c) ensure that the effective market exposure of all Fund Assets (including FDIs) in the portfolio of the Sub-Fund does not exceed the total amount available for investment in the portfolio of the Sub-Fund (i.e. the portfolio is not leveraged). The Sub-Fund will not be considered in breach of this constraint if the leverage was deemed to be caused by market movements. The Manager will correct the leverage as soon as possible.

Other constraints

While the Sub-Fund attempts to be fully invested each day, the Sub-Fund may also invest not more than 5% of the latest available Net Asset Value of the Sub-Fund in short-term, high quality money market instruments (including government securities or bank certificates of deposits) and/or money market funds for cash management purposes.

The Manager will not deal on behalf of the Sub-Fund in the short sale of Securities.

Securities Lending

The Sub-Fund does not currently intend to engage in any securities lending activities, repurchase transactions or other similar over-the-counter transactions. In the event of any change in respect of the Manager's intention to enter into any securities lending, repurchase transaction or other similar over-the-counter transactions, prior approval will be obtained from the SFC and not less than one month's prior notice will be given to the Unitholders.

Risks relating to the Sub-Fund

Risk related to the different trading hours between the stock exchanges and the SEHK

The stock exchanges on which the Index Securities are traded may be open during hours when Units in the Sub-Fund are not priced. Consequently, the value of the Index Securities may change during such hours when the SEHK is closed for trading and investors will not be able to purchase or sell the Units of the Sub-Fund. Furthermore, the market prices of the Index Securities listed on the stock exchanges will not be available during all of the SEHK trading sessions due to the trading hour difference which may lead to increased level of premium or discount of the Unit price to its Net Asset Value.

Specific Currency Risk

The Net Asset Value of the Sub-Fund will be computed in the Base Currency, being Hong Kong dollars. As the investments held for the account of the Sub-Fund may be acquired in other currencies, the value of the investments of the Sub-Fund denominated in currencies other than the Base Currency of the Sub-Fund may rise and fall due to exchange-rate fluctuations and adverse movements in currency exchange rates can result in a decrease in return and a loss of capital.

See the "**Risk Factors**" section of this Prospectus for further information, in particular the risk factors entitled "*Concentration of Underlying Index*", "*Composition of Underlying Index*", "*Compilation of Underlying Index*", "*Tracking Error Risk*", "*Emerging Market Risks*", "*Government Intervention and Regulatory and Country Risks*" and "**FDI Risks**". Please also refer to the "**Listing Related Risks**" for further information on the risks associated with trading units on an exchange.

Creation/Redemption of Units

Units may be created or redeemed in specie or in cash by or through Participating Dealers (see the “**Creation of Units**” and “**Redemption of Units**” sections of this Prospectus for further information).

Units on Offer

Currently Units are available for creation through the primary market or for purchase through the secondary market under the following counters:

	SEHK Stock Code	Short Stock Name	ISIN Number
HKD Counter	2805	VANGUARDASXJP	HK0000146222
RMB Counter	82805	VANGUARDASXJP-R	HK0000398971
USD Counter	9805	VANGUARDASXJP-U	HK0000398963

Sub-Fund Details

Manager: Vanguard Investments Hong Kong Limited

Investment Advisor: Vanguard Investments Australia Ltd

Product Type	Exchange Traded Fund
Stock Code	2805 – HKD Counter 82805 – RMB Counter 9805 – USD Counter
Short Stock Name	VANGUARDASXJP – HKD Counter VANGUARDASXJP-R – RMB Counter VANGUARDASXJP-U – USD Counter
Underlying Index	FTSE Asia Pacific ex Japan, Australia and New Zealand Index Base Date: 31 December 1986 Inception Date: 31 May 2000 Base Currency: HK dollars Number of Constituent Stocks: 1,658 as at 11 November 2019 Total Market Capitalisation: HK\$39,076,906 million as at 11 November 2019
Listing Date	15 May 2013
Initial Issue Price	HK\$20 per Unit excluding Duties and Charges and Transaction Fees (as detailed in the table entitled “ Creation of Units ” below)
Initial Issue Date	14 May 2013
Trading Currency	Hong Kong dollars – HKD Counter Renminbi – RMB Counter US dollars – USD Counter
Base Currency	Hong Kong dollars

Trading Board Lot Size	100 Units – HKD Counter 100 Units – RMB Counter 100 Units – USD Counter
Creation/Redemption Unit size	100,000 Units (or whole multiples thereof)
Minimum Holding	N/A
Dealing Day	Each Business Day will be a Dealing Day, however, days when markets on which a Sub-Fund's Investments are listed or traded, or markets relevant to an Underlying Index are closed and as a result of which 25% or more of the Underlying Index may not be traded, shall not be Dealing Days, provided there is at least one Dealing Day per fortnight. The Dealing Days for the Sub-Fund are available at www.vanguard.com.hk ¹ .
Dealing Deadline – Creation of Units	12:15 p.m. (Hong Kong time) on the Dealing Day or such later time with respect to a particular Dealing Day which is permitted by the Manager in good faith for the interest of the investors and having regard to any material adverse effect on the Trust or the relevant Sub-Fund, and after obtaining the Trustee's approval under exceptional circumstances. Such exceptional circumstances may include (but are not limited to) circumstances where a creation or redemption application(s) has been accepted for the Sub-Fund with respect to a particular Dealing Day and for the purpose of minimising any adverse impact of such creation or redemption on the relevant Sub-Fund, the Dealing Deadline for creation(s) or redemption(s) of Units is extended on that particular Dealing Day.
Dealing Deadline – Settlement of Creations	12.00 p.m. (Hong Kong time) on T+2
Dealing Deadline – Redemption Requests	12:15 p.m. (Hong Kong time) on the Dealing Day or such later time with respect to a particular Dealing Day which is permitted by the Manager in good faith for the interest of the investors and having regard to any material adverse effect on the Trust or the relevant Sub-Fund, and after obtaining the Trustee's approval under exceptional circumstances. Such exceptional circumstances may include (but are not limited to) circumstances where a creation or redemption application(s) has been accepted for the Sub-Fund with respect to a particular Dealing Day and for the purpose of minimising any adverse impact of such creation or redemption on the relevant Sub-Fund, the Dealing Deadline for creation(s) or redemption(s) of Units is extended on that particular Dealing Day.
Settlement of Redemptions	4.00 p.m. (Hong Kong time) on T+2
Payment of Redemption Proceeds	T+4

Valuation Point	4 p.m. (U.S. Eastern time) i.e. 4 a.m. (Hong Kong time, with U.S. daylight savings time); or 5 a.m. (Hong Kong time without U.S. daylight savings time) on a day following the relevant Dealing Day
Financial year end	31 December
Website	www.vanguard.com.hk ¹
Distribution Frequency[#]	Quarterly (in March, June, September, December) – at the Manager’s absolute discretion
Ongoing Charges[*]	0.20% per annum of the Net Asset Value of the Sub-Fund
Listing Agent	Macquarie Capital Securities Limited
Market Makers	Please refer to www.hkex.com.hk for a current list of Market Makers.
Participating Dealers	Please refer to www.vanguard.com.hk ¹ for a current list of Participating Dealers.

HKD traded Units, RMB traded Units and USD traded Units will receive distributions in the Base Currency only. In the event that a Unitholder has no HKD account, the relevant Unitholder may have to bear the fees and charges associated with the conversion of such distribution from the Base Currency into any other currency. Unitholders are advised to check with their brokers arrangements concerning distributions.

* The ongoing charges figure is the sum of the actual expenses charged to the Sub-Fund in a financial year. The figure is expressed as a percentage of the Sub-Fund’s average Net Asset Value. It equals the Management Fee as set out in the section “Ongoing fees payable by the Sub-Fund” in the product key facts statement of the Sub-Fund and includes, the ongoing fees payable out of the Sub-Fund, the Manager’s Fee, the Operational Fees, all costs and expenses connected with the management and operating activities of the Sub-Fund, investment management and advisory fees, administration, registration, transfer agency, listing agent, registrar, custody and trustee fees, and other operating expenses. The ongoing charges figure does not cover (to the extent not included in the Operational Fees) any fees, costs and expenses payable by investors on the creation or redemption of Units, such as the fees to Participating Dealers, brokerage fees, Transaction Fees, stamp duty or other Duties and Charges, or any extraordinary or exceptional costs and expenses as may arise from time to time and any tax liabilities in respect of the Sub-Fund which will be paid separately out of the Fund Assets of the Sub-Fund. The figure may vary from year to year.

DIVIDEND DISTRIBUTION POLICY

The Manager reserves its absolute discretion in determining whether a dividend distribution shall be made for the Sub-Fund, and if so, the amount and the frequency of such a distribution. The Manager does not currently intend to make any dividend distribution out of capital or effectively out of capital. All Units (whether HKD, RMB or USD traded Units) will receive dividends distributions in the Base Currency only.

THE UNDERLYING INDEX

The FTSE Asia Pacific ex Japan, Australia and New Zealand Index was launched on 31 May 2000 and is derived from the FTSE Global Equity Index Series. The FTSE Asia Pacific ex Japan, Australia and New Zealand Index is a total return, free float market capitalisation index, and as at 11 November 2019 comprises of 1,658 large and mid-cap stocks listed in China (A-Shares and B shares and listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange), Hong Kong (including H shares, P chips and red chips listed on the SEHK), India, Indonesia, Malaysia, Pakistan, Philippines, Singapore (including China S-chips), South Korea, Taiwan, Thailand and the United States (China N-shares), with total

market capitalisation of approximately HK\$39,076,906 million. The base date of the Underlying Index is set at 31 December 1986. The Underlying Index is denominated and quoted in Hong Kong dollars.

FTSE International Limited (“**FTSE**”) is the Index Provider of the FTSE Asia Pacific ex Japan, Australia and New Zealand Index. The Manager and its Connected Persons are independent of FTSE.

The initial term of the Licence Agreement is more than 5 years and automatically renews unless either party provides prior written notice of its intent to not renew the Licence Agreement.

The Manager will consult the SFC on any events that may affect the acceptability of the FTSE Asia Pacific ex Japan, Australia and New Zealand Index, and any significant events (such as a change in the methodology/rules for compiling or calculating the index, or a change in the objective or characteristic of the index) will be notified to Unitholders as soon as practicable.

For details of the Sub-Fund’s constituent holdings and their respective weightings, please refer to the FTSE website: <https://research.ftserussell.com/vanguard/Home/Indices?Region=ASIA>.

Index Methodology

In selecting the index constituents of the Underlying Index, FTSE will first identify the investable universe based on the region to which the Underlying Index relates. The eligible universe is then ranked by full market capitalisation in descending order, after which the index universe is defined as 98% of the regional universe (determined based on certain criteria for inclusion and eligibility of securities). Once the index universe has been identified, the eligible securities are then passed through additional eligibility screens (including size, free float restrictions, foreign ownership restrictions, liquidity screen and surveillance stocks screen) before being added to the Underlying Index.

For further details on the index construction rules and eligibility screens, please refer to the Ground Rules of the FTSE Global Equity Index Series that can be found on FTSE website: http://www.ftse.com/products/downloads/FTSE_Global_Equity_Index_Series.pdf.

Further information on the Underlying Index can be found on the FTSE website: <http://www.ftse.com/analytics/factsheets/Home/Search#>.

FEES AND EXPENSES

Management Fee

The Management Fee per Unit will be paid out of the Fund Assets of the Sub-Fund as set out in this Appendix 1. This fee will be accrued daily and paid monthly in arrears. The Management Fee is the sum of anticipated charges to the Sub-Fund and expressed as a percentage of the Net Asset Value of the Sub-Fund. The Manager will retain the Management Fee to pay for various fees and expenses, including the Manager’s Fee, the Operational Fees, all costs and expenses connected with the management and operating activities of the Sub-Fund, investment management and advisory fees, administration, registration, transfer agency, listing agent, registrar, custody and trustee fees, and other operating expenses. The Management Fee will not cover (to the extent not included in the Operational Fees) any fees, costs and expenses payable by investors on the creation or redemption of Units, such as the fees to Participating Dealers, brokerage fees, Transaction

Fees, stamp duty or other Duties and Charges, or any extraordinary or exceptional costs and expenses as may arise from time to time and any tax liabilities in respect of the Sub-Fund which will be paid separately out of the Fund Assets of the Sub-Fund.

As the Management Fee is a single fixed rate, the ongoing charges of the Sub-Fund will be equal to the Management Fee. The Management Fee of the Sub-Fund is 0.20% per annum of the Net Asset Value of the Sub-Fund.

Manager's Fee

The Manager's Fee is the fee paid to the Manager out of the Management Fee for portfolio management services.

In the event that the costs and expenses of the Sub-Fund exceed the Management Fee, the Manager will be responsible for discharging any such excess.

Trustee Fee

The trustee fee is paid by the Manager out of the Management Fee.

FEES PAYABLE BY INVESTORS DEALING IN UNITS ON SEHK

The following table sets out the fees payable by investors dealing in Units on SEHK:

	(% based on price of Units)
Brokerage Fee	As determined by the relevant broker
Transaction Levy	0.0027% of the trading price of the Units, payable by each of the buyer and the seller
Trading Fee	0.005% of the trading price of the Units, payable by each of the buyer and the seller
Inter-counter transfer Fee*	HKD 5
Stamp Duty	Nil

* HKSCC will charge each CCASS participant a fee of HKD 5 per instruction for effecting an inter-counter transfer between one counter and the other counter. Investors should check with their brokers regarding any additional fees.

FEES PAYABLE BY PARTICIPATING DEALERS*

The fees payable by Participating Dealers in respect of the Sub-Fund are summarised in the table below:

Creation of Units

Transaction Fee (See Note 1)	Cash creation: up to 0.18% of the Issue Price per creation application In specie creation: up to 0.14% on cash in lieu as part of the creation application
Service Agent fee (See Note 2)	HK\$1,000
Application Cancellation Fee (See Note 3)	HK\$10,000 per creation application
Cancellation Compensation	See Note 4

Extension Fee	HK\$10,000 per extended settlement application
Stamp Duty	Nil
Duties and Charges	Up to HK\$180,000 per creation application

Redemption of Units

Transaction Fee (See Note 1)	Cash redemption: up to 0.29% of the Redemption Price per redemption application In specie redemption: up to 0.24% on cash in lieu as part of the redemption application
Service Agent fee (See Note 2)	HK\$1,000
Application Cancellation Fee (See Note 3)	HK\$10,000 per redemption application
Cancellation Compensation	See Note 4
Extension Fee	HK\$10,000 per extended settlement application
Stamp Duty	Nil
Duties and Charges	Up to HK\$180,000 per redemption application

* The Manager shall give not less than one (1) month's prior notice to Unitholders if it increases the fees payable on creation and redemption of Units.

Note 1 – The Transaction Fee is payable by the Participating Dealer for the benefit of the relevant Sub-Fund and may be passed on in whole or in part to the investor.

Note 2 – Participating Dealers will be subject to the Service Agent fee, being the fee for each book-entry deposit or book-entry withdrawal transaction, currently to the amount of HK\$1,000 and payable to HKCAS.

Note 3 – An Application Cancellation Fee is payable to the Manager for the benefit of the relevant Sub-Fund by a Participating Dealer in respect of either a withdrawn or failed application for creation or redemption of Units.

Note 4 – A Participating Dealer may be required to pay cancellation compensation to the Trustee, for the account of the Sub-Fund, pursuant to the terms of the Operational Guidelines.

Other Duties and Charges

The current rate of other Duties and Charges, payable only by Participating Dealers on creations or redemptions of Units, is up to HK\$180,000, per creation or redemption (as applicable).

VANGUARD FTSE JAPAN INDEX ETF

Underlying Index

FTSE Japan Index

Investment Objective

The Manager seeks to provide investment results, before the deduction of fees and expenses, that closely correspond to the performance of the Underlying Index.

Investment Strategy

The Manager seeks to achieve the investment objective by employing a passive indexing approach, through physical acquisition of Securities, designed to seek to track the performance of the Underlying Index. The Manager may use either a “Replication Strategy” (by investing all or substantially all of its assets in the Index Securities, broadly in proportion to the respective weightings of the constituents) and/or a “Representative Sampling Strategy” (by investing in a portfolio featuring high correlation with the Underlying Index and the Manager may invest in other securities that are not included in the Underlying Index). Initially, the Manager intends to pursue a “Representative Sampling Strategy”. In the event the Manager wishes to switch between a “Replication Strategy” and a “Representative Sampling Strategy” or adopt any strategy other than a “Replication Strategy” or a “Representative Sampling Strategy”, prior approval will be obtained from the SFC and not less than one month’s prior notice will be given to Unitholders. The Manager does not currently intend to adopt any strategy other than a “Replication Strategy” or a “Representative Sampling Strategy”.

Investment Policies

In seeking to track the Underlying Index, the Sub-Fund may invest in FDIs such as listed options, exchange traded options contracts, currency forwards, futures, index futures, options on index futures and warrants for investment purposes to gain exposure to the Index Securities or to the performance of the Underlying Index itself, to reduce transaction costs or taxes or allow exposure in the case of illiquid stocks or stocks which are unavailable for market or regulatory reasons or to minimise tracking error.

The Manager does not anticipate that investments in FDIs would exceed 10% of the latest available Net Asset Value of the Sub-Fund.

Portfolio Constraints

Exposure based constraints

The Manager should:

- a) ensure the Sub-Fund maintains at all times a minimum net equity exposure of 95% of the market value of the portfolio of the Sub-Fund;
- b) not, at any time, invest more than 10% of the market value of the portfolio of the Sub-Fund in open futures contracts; and

- c) ensure that the effective market exposure of all Fund Assets (including FDIs) in the portfolio of the Sub-Fund does not exceed the total amount available for investment in the portfolio of the Sub-Fund (i.e. the portfolio is not leveraged). The Sub-Fund will not be considered in breach of this constraint if the leverage was deemed to be caused by market movements. The Manager will correct the leverage as soon as possible.

Other constraints

While the Sub-Fund attempts to be fully invested each day, the Sub-Fund may also invest not more than 5% of the latest available Net Asset Value of the Sub-Fund in short-term, high quality money market instruments (including government securities or bank certificates of deposits) and/or money market funds for cash management purposes.

The Manager will not deal on behalf of the Sub-Fund in the short sale of Securities.

Securities Lending

The Sub-Fund does not currently intend to engage in any securities lending activities, repurchase transactions or other similar over-the-counter transactions. In the event of any change in respect of the Manager's intention to enter into any securities lending, repurchase transaction or other similar over-the-counter transactions, prior approval will be obtained from the SFC and not less than one month's prior notice will be given to the Unitholders.

Risks relating to the Sub-Fund

Risks related to investing in Japan

The Sub-Fund will concentrate its investment in the Japanese securities market which may be subject to a higher level of risks compared to investing in a more diversified portfolio/strategy. Investment in the Japanese securities market may involve a greater risk of loss than investing in other markets and may result in a higher risk of loss to the Sub-Fund. Changes in governmental regulations on trade, changes in the exchange rate of the Japanese yen, decreasing imports or exports, and/or an economic recession in Japan may have a significant adverse effect on the Japan economy. Such changes may have a negative impact on the Securities held by the Sub-Fund.

Risk related to the different trading hours between the Tokyo stock exchange and the SEHK

The Tokyo stock exchange on which the Index Securities are traded may be open during hours when Units in the Sub-Fund are not priced. Consequently, the value of the Index Securities may change during such hours when the SEHK is closed for trading and investors will not be able to purchase or sell the Units of the Sub-Fund. Furthermore, the market prices of the Index Securities listed on the Tokyo stock exchange will not be available during all of the SEHK trading sessions due to the trading hour difference which may lead to increased level of premium or discount of the Unit price to its Net Asset Value.

Specific Currency Risk

The Net Asset Value of the Sub-Fund will be computed in the Base Currency, being Hong Kong dollars. As the investments held for the account of the Sub-Fund may be acquired in Japanese Yen, the value of the investments of the Sub-Fund denominated in currencies

other than the Base Currency of the Sub-Fund may rise and fall due to exchange-rate fluctuations and adverse movements in currency exchange rates can result in a decrease in return and a loss of capital.

See the “**Risk Factors**” section of this Prospectus for further information, in particular the risk factors entitled “*Concentration of Underlying Index*”, “*Composition of Underlying Index*”, “*Compilation of Underlying Index*”, “*Currency Risk*”, “*Tracking Error Risk*”, “*Government Intervention and Regulatory and Country Risks*” and “**FDI Risks**”. Please also refer to the “**Listing Related Risks**” for further information on the risks associated with trading units on an exchange.

Creation/Redemption of Units

Units may be created or redeemed in specie or in cash by or through Participating Dealers (see the “**Creation of Units**” and “**Redemption of Units**” sections of this Prospectus for further information).

Units on Offer

Currently Units are available for creation through the primary market or for purchase through the secondary market under the following counters:

	SEHK Stock Code	Short Stock Name	ISIN Number
HKD Counter	3126	VANGUARDJAPAN	HK0000188687
RMB Counter	83126	VANGUARDJAPAN-R	HK0000398997
USD Counter	9126	VANGUARDJAPAN-U	HK0000398989

Sub-Fund Details

Manager: Vanguard Investments Hong Kong Limited

Investment Advisor: Vanguard Investments Australia Ltd

Product Type	Exchange Traded Fund
Stock Code	3126 – HKD Counter 83126 – RMB Counter 9126 – USD Counter
Short Stock Name	VANGUARDJAPAN – HKD Counter VANGUARDJAPAN-R – RMB Counter VANGUARDJAPAN-U – USD Counter
Underlying Index	FTSE Japan Index Base Date: 31 December 1986 Inception Date: 31 December 1993 Base Currency: Hong Kong dollars Number of Constituent Stocks: 505 as at 11 November 2019 Total Market Capitalisation: HK\$30,625,063 million as at 11 November 2019
Listing Date	13 June 2014

Initial Issue Price	HK\$20 per Unit excluding Duties and Charges and Transaction Fees (as detailed in the table entitled “ Creation of Units ” below)
Initial Issue Date	12 June 2014
Trading Currency	Hong Kong dollars – HKD Counter Renminbi – RMB Counter US dollars – USD Counter
Base Currency	Hong Kong dollars
Trading Board Lot Size	100 Units – HKD Counter 100 Units – RMB Counter 100 Units – USD Counter
Creation/Redemption Unit size	100,000 Units (or whole multiples thereof)
Minimum Holding	N/A
Dealing Day	Each Business Day will be a Dealing Day, however, days when markets on which a Sub-Fund’s Investments are listed or traded, or markets relevant to an Underlying Index are closed and as a result of which 25% or more of the Underlying Index may not be traded, shall not be Dealing Days, provided there is at least one Dealing Day per fortnight. The Dealing Days for the Sub-Fund are available at www.vanguard.com.hk ¹ .
Dealing Deadline – Creation of Units	12:15 p.m. (Hong Kong time) on the Dealing Day or such later time with respect to a particular Dealing Day which is permitted by the Manager in good faith for the interest of the investors and having regard to any material adverse effect on the Trust or the relevant Sub-Fund, and after obtaining the Trustee’s approval under exceptional circumstances. Such exceptional circumstances may include (but are not limited to) circumstances where a creation or redemption application(s) has been accepted for the Sub-Fund with respect to a particular Dealing Day and for the purpose of minimising any adverse impact of such creation or redemption on the relevant Sub-Fund, the Dealing Deadline for creation(s) or redemption(s) of Units is extended on that particular Dealing Day.
Dealing Deadline – Settlement of Creations	12.00 p.m. (Hong Kong time) on T+2

Dealing Deadline – Redemption Requests	12:15 p.m. (Hong Kong time) on the Dealing Day or such later time with respect to a particular Dealing Day which is permitted by the Manager in good faith for the interest of the investors and having regard to any material adverse effect on the Trust or the relevant Sub-Fund, and after obtaining the Trustee’s approval under exceptional circumstances. Such exceptional circumstances may include (but are not limited to) circumstances where a creation or redemption application(s) has been accepted for the Sub-Fund with respect to a particular Dealing Day and for the purpose of minimising any adverse impact of such creation or redemption on the relevant Sub-Fund, the Dealing Deadline for creation(s) or redemption(s) of Units is extended on that particular Dealing Day.
Settlement of Redemptions	4.00 p.m. (Hong Kong time) on T+2
Payment of Redemption Proceeds	T+4
Valuation Point	12.30 a.m. (Hong Kong time) on a day following the relevant Dealing Day
Financial year end	31 December
Website	www.vanguard.com.hk ¹
Distribution Frequency[#]	Quarterly (in March, June, September, December) – at the Manager’s absolute discretion
Ongoing Charges[*]	0.18% per annum of the Net Asset Value of the Sub-Fund
Listing Agent	Macquarie Capital Securities Limited
Market Makers	Please refer to www.hkex.com.hk for a current list of Market Makers.
Participating Dealers	Please refer to www.vanguard.com.hk ¹ for a current list of Participating Dealers.

HKD traded Units, RMB traded Units and USD traded Units will receive distributions in the Base Currency only. In the event that a Unitholder has no HKD account, the relevant Unitholder may have to bear the fees and charges associated with the conversion of such distribution from the Base Currency into any other currency. Unitholders are advised to check with their brokers arrangements concerning distributions.

* The ongoing charges figure is the sum of the actual expenses charged to the Sub-Fund in a financial year. The figure is expressed as a percentage of the Sub-Fund’s average Net Asset Value. It equals the Management Fee as set out in the section “Ongoing fees payable by the Sub-Fund” in the product key facts statement of the Sub-Fund and includes, the ongoing fees payable out of the Sub-Fund, the Manager’s Fee, the Operational Fees, all costs and expenses connected with the management and operating activities of the Sub-Fund, investment management and advisory fees, administration, registration, transfer agency, listing agent, registrar, custody and trustee fees, and other operating expenses. The ongoing charges figure does not cover (to the extent not included in the Operational Fees) any fees, costs and expenses payable by investors on the creation or redemption of Units, such as the fees to Participating Dealers, brokerage fees, Transaction Fees, stamp duty or other Duties and Charges, or any extraordinary or exceptional costs and expenses as may arise from time to time and any tax liabilities in respect of the Sub-Fund which will be paid separately out of the Fund Assets of the Sub-Fund. The figure may vary from year to year.

DIVIDEND DISTRIBUTION POLICY

The Manager reserves its absolute discretion in determining whether a dividend distribution shall be made for the Sub-Fund, and if so, the amount and the frequency of such a distribution. The Manager does not currently intend to make any dividend distribution out of capital or effectively out of capital. All Units (whether HKD, RMB or USD traded Units) will receive dividends distributions in the Base Currency only.

THE UNDERLYING INDEX

FTSE Japan Index is derived from the broader FTSE Global Equity Index Series and is designed to measure performance of the Japanese economy through investment in 505 Japanese large and mid-capitalised companies listed on the Tokyo Stock Exchange with total market capitalisation of approximately HK\$30,625,063 million as at 11 November 2019. The base date of the Underlying Index is set at 31 December 1986. The Underlying Index is denominated and quoted in Hong Kong dollars and is a total return, free float market capitalisation index.

FTSE International Limited (“**FTSE**”) is the Index Provider of FTSE Japan Index. The Manager and its Connected Persons are independent of FTSE.

The initial term of the Licence Agreement is more than 5 years and automatically renews unless either party provides prior written notice of its intent to not renew the Licence Agreement.

The Manager will consult the SFC on any events that may affect the acceptability of FTSE Japan Index, and any significant events (such as a change in the methodology/rules for compiling or calculating the index, or a change in the objective or characteristic of the index) will be notified to Unitholders as soon as practicable.

For details of the Sub-Fund’s constituent holdings and their respective weightings, please refer to the FTSE website: <https://research.ftserussell.com/vanguard/Home/Indices?Region=ASIA>.

Index Methodology

In selecting the index constituents of the Underlying Index, FTSE will first identify the investable universe based on the region to which the Underlying Index relates. The eligible universe is then ranked by full market capitalisation in descending order, after which the index universe is defined as 98% of the regional universe (determined based on certain criteria for inclusion and eligibility of securities). Once the index universe has been identified, the eligible securities are then passed through additional eligibility screens (including size, free float restrictions, foreign ownership restrictions, liquidity screen and surveillance stocks screen) before being added to the Underlying Index.

For further details on the index construction rules and eligibility screens, please refer to the Ground Rules of the FTSE Global Equity Index Series that can be found on FTSE website: http://www.ftse.com/products/downloads/FTSE_Global_Equity_Index_Series.pdf.

Further information on the Underlying Index can be found on the online document found on the FTSE website: <http://www.ftse.com/analytics/factsheets/Home/Search#>.

FEES AND EXPENSES

Management Fee

The Management Fee per Unit will be paid out of the Fund Assets of the Sub-Fund as set out in this Appendix 1. This fee will be accrued daily and paid monthly in arrears. The Management Fee is the sum of anticipated charges to the Sub-Fund and expressed as a percentage of the Net Asset Value of the Sub-Fund. The Manager will retain the Management Fee to pay for various fees and expenses, including the Manager's Fee, the Operational Fees, all costs and expenses connected with the management and operating activities of the Sub-Fund, investment management and advisory fees, administration, registration, transfer agency, listing agent, registrar, custody and trustee fees, and other operating expenses. The Management Fee will not cover (to the extent not included in the Operational Fees) any fees, costs and expenses payable by investors on the creation or redemption of Units, such as the fees to Participating Dealers, brokerage fees, Transaction Fees, stamp duty or other Duties and Charges, or any extraordinary or exceptional costs and expenses as may arise from time to time and any tax liabilities in respect of the Sub-Fund which will be paid separately out of the Fund Assets of the Sub-Fund.

As the Management Fee is a single fixed rate, the ongoing charges of the Sub-Fund will be equal to the Management Fee. The Management Fee of the Sub-Fund is 0.18% per annum of the Net Asset Value of the Sub-Fund.

Manager's Fee

The Manager's Fee is the fee paid to the Manager out of the Management Fee for portfolio management services.

In the event that the costs and expenses of the Sub-Fund exceed the Management Fee, the Manager will be responsible for discharging any such excess.

Trustee Fee

The trustee fee is paid by the Manager out of the Management Fee.

FEES PAYABLE BY INVESTORS DEALING IN UNITS ON SEHK

The following table sets out the fees payable by investors dealing in Units on SEHK:

	(% based on price of Units)
Brokerage Fee	As determined by the relevant broker
Transaction Levy	0.0027% of the trading price of the Units, payable by each of the buyer and the seller
Trading Fee	0.005% of the trading price of the Units, payable by each of the buyer and the seller
Inter-counter transfer Fee*	HKD 5
Stamp Duty	Nil

* HKSCC will charge each CCASS participant a fee of HKD 5 per instruction for effecting an inter-counter transfer between one counter and the other counter. Investors should check with their brokers regarding any additional fees.

FEES PAYABLE BY PARTICIPATING DEALERS*

The fees payable by Participating Dealers in respect of the Sub-Fund are summarised in the table below:

Creation of Units

Transaction Fee (See Note 1)	Cash creation: up to 0.06% of the Issue Price per creation application In specie creation: 0% on cash in lieu as part of the creation application
Service Agent fee (See Note 2)	HK\$1,000
Application Cancellation Fee (See Note 3)	HK\$10,000 per creation application
Cancellation Compensation	See Note 4
Extension Fee	HK\$10,000 per extended settlement application
Stamp Duty	Nil
Duties and Charges	Up to HK\$28,500 per creation application

Redemption of Units

Transaction Fee (See Note 1)	Cash redemption: up to 0.06% of the Redemption Price per redemption application In specie redemption: 0% on cash in lieu as part of the redemption application
Service Agent fee (See Note 2)	HK\$1,000
Application Cancellation Fee (See Note 3)	HK\$10,000 per redemption application
Cancellation Compensation	See Note 4
Extension Fee	HK\$10,000 per extended settlement application
Stamp Duty	Nil
Duties and Charges	Up to HK\$28,500 per redemption application

* The Manager shall give not less than one (1) month's prior notice to Unitholders if it increases the fees payable on creation and redemption of Units.

Note 1 – The Transaction Fee is payable by the Participating Dealer for the benefit of the relevant Sub-Fund and may be passed on in whole or in part to the investor.

Note 2 – Participating Dealers will be subject to the Service Agent fee, being the fee for each book-entry deposit or book-entry withdrawal transaction, currently to the amount of HK\$1,000 and payable to HKCAS.

Note 3 – An Application Cancellation Fee is payable to the Manager for the benefit of the relevant Sub-Fund by a Participating Dealer in respect of either a withdrawn or failed application for creation or redemption of Units.

Note 4 – A Participating Dealer may be required to pay cancellation compensation to the Trustee, for the account of the Sub-Fund, pursuant to the terms of the Operational Guidelines.

Other Duties and Charges

The current rate of other Duties and Charges, payable only by Participating Dealers on creations or redemptions of Units, is up to HK\$28,500, per creation or redemption (as applicable).

VANGUARD FTSE DEVELOPED EUROPE INDEX ETF

Underlying Index

FTSE Developed Europe Index

Investment Objective

The Manager seeks to provide investment results, before the deduction of fees and expenses, that closely correspond to the performance of the Underlying Index.

Investment Strategy

The Manager seeks to achieve the investment objective by employing a passive indexing approach, through physical acquisition of Securities, designed to seek to track the performance of the Underlying Index. The Manager may use either a “Replication Strategy” (by investing all or substantially all of its assets in the Index Securities, broadly in proportion to the respective weightings of the constituents) and/or a “Representative Sampling Strategy” (by investing in a portfolio featuring high correlation with the Underlying Index and the Manager may invest in other securities that are not included in the Underlying Index). Initially, the Manager intends to pursue a “Representative Sampling Strategy”. In the event the Manager wishes to switch between a “Replication Strategy” and a “Representative Sampling Strategy”, or adopt any strategy other than a “Replication Strategy” or a “Representative Sampling Strategy”, prior approval will be obtained from the SFC and not less than one month’s prior notice will be given to Unitholders. The Manager does not currently intend to adopt any strategy other than a “Replication Strategy” or a “Representative Sampling Strategy”.

Investment Policies

In seeking to track the Underlying Index, the Sub-Fund may invest in FDIs such as listed options, exchange traded options contracts, currency forwards, futures, index futures, options on index futures and warrants for investment purposes to gain exposure to the Index Securities or to the performance of the Underlying Index itself, to reduce transaction costs or taxes or allow exposure in the case of illiquid stocks or stocks which are unavailable for market or regulatory reasons or to minimise tracking error.

The Manager does not anticipate that investments in FDIs would exceed 10% of the latest available Net Asset Value of the Sub-Fund.

Portfolio Constraints

Exposure based constraints

The Manager should:

- a) ensure the Sub-Fund maintains at all times a minimum net equity exposure of 95% of the market value of the portfolio of the Sub-Fund;
- b) not, at any time, invest more than 10% of the market value of the portfolio of the Sub-Fund in open futures contracts; and

- c) ensure that the effective market exposure of all Fund Assets (including FDIs) in the portfolio of the Sub-Fund does not exceed the total amount available for investment in the portfolio of the Sub-Fund (i.e. the portfolio is not leveraged). The Sub-Fund will not be considered in breach of this constraint if the leverage was deemed to be caused by market movements. The Manager will correct the leverage as soon as possible.

Other constraints

While the Sub-Fund attempts to be fully invested each day, the Sub-Fund may also invest not more than 5% of the latest available Net Asset Value of the Sub-Fund in short-term, high quality money market instruments (including government securities or bank certificates of deposits) and/or money market funds for cash management purposes.

The Manager will not deal on behalf of the Sub-Fund in the short sale of Securities.

Securities Lending

The Sub-Fund does not currently intend to engage in any securities lending activities, repurchase transactions or other similar over-the-counter transactions. In the event of any change in respect of the Manager's intention to enter into any securities lending, repurchase transaction or other similar over-the-counter transactions, prior approval will be obtained from the SFC and not less than one month's prior notice will be given to the Unitholders.

Risks relating to the Sub-Fund

Risks related to investing in European securities markets

The Sub-Fund may invest in European securities markets which involve a greater risk of loss than investing in other markets and may result in a higher risk of loss to the Sub-Fund. Changes in governmental or European Union (the "EU") regulations on trade, changes in the exchange rate of the Euro, decreasing imports or exports, the default or threat of default by an EU member country on its sovereign debt, and/or an economic recession in an EU member country may have a significant adverse effect on the economies of EU member countries. The performance of the Sub-Fund may be affected by the economic, political, regulatory, geopolitical, market, currency or other conditions in the region. The investments in the region may be subject to higher volatility, liquidity, currency and default risks as a result of the exit of EU members from the Eurozone (such as Brexit) and the ongoing concerns about the sovereign debt risk of certain countries within the Eurozone. Any adverse events, such as credit downgrade of a sovereign or exit of EU members from the Eurozone may have a negative impact on the value of the Sub-Fund. Further, the Economic and Monetary Union of the EU requires compliance with interest rates, debt levels, restrictions on inflation rates, deficits and fiscal and monetary controls, each of which may significantly affect every country in Europe, which could result in negative impact to the Net Asset Value of the Sub-Fund and/or substantial loss to the Sub-Fund.

Risks related to the different trading hours between the stock exchanges in European securities markets and the SEHK

The stock exchanges in European securities markets on which the Index Securities are traded may already be/remain open during hours when Units in the Sub-Fund are not priced. Consequently, the value of the Index Securities will change during such hours when

the SEHK is closed for trading and investors will not be able to purchase or sell the Units of the Sub-Fund during such hours. Furthermore, the market prices of the Index Securities listed on such European stock exchanges will not be available during all of the SEHK trading sessions due to the trading hour difference which may lead to increased level of premium or discount of the Unit price to its Net Asset Value.

Specific Currency Risk

The Net Asset Value of the Sub-Fund will be computed in the Base Currency, being Hong Kong dollars. As the investments held for the account of the Sub-Fund may be acquired in other currencies, the value of the investments of the Sub-Fund denominated in currencies other than the Base Currency of the Sub-Fund may rise and fall due to exchange-rate fluctuations and adverse movements in currency exchange rates can result in a decrease in return and a loss of capital.

See the “**Risk Factors**” section of this Prospectus for further information, in particular the risk factors entitled “*Concentration of Underlying Index*”, “*Composition of Underlying Index*”, “*Compilation of Underlying Index*”, “*Currency Risk*”, “*Tracking Error Risk*”, “*Government Intervention and Regulatory and Country Risks*”, and “**FDI Risks**”. Please also refer to the “**Listing Related Risks**” for further information on the risks associated with trading units on an exchange.

Creation/Redemption of Units

Units may be created or redeemed in specie or in cash by or through Participating Dealers (see the “**Creation of Units**” and “**Redemption of Units**” sections of this Prospectus for further information).

Units on Offer

Currently Units are available for creation through the primary market or for purchase through the secondary market under the following counters:

	SEHK Stock Code	Short Stock Name	ISIN Number
HKD Counter	3101	VANGUARDDDVEUR	HK0000188695
RMB Counter	83101	VANGUARDDDVEUR-R	HK0000399011
USD Counter	9101	VANGUARDDDVEUR-U	HK0000399003

Sub-Fund Details

Manager: Vanguard Investments Hong Kong Limited.

Investment Advisor: Vanguard Investments Australia Ltd

Product Type	Exchange Traded Fund
Stock Code	3101 – HKD Counter 83101 – RMB Counter 9101 – USD Counter
Short Stock Name	VANGUARDDDVEUR – HKD Counter VANGUARDDDVEUR-R – RMB Counter VANGUARDDDVEUR-U – USD Counter

Underlying Index	FTSE Developed Europe Index Base Date: 31 May 2000 Inception Date: 3 March 2003 Base Currency: Hong Kong dollars Number of Constituent Stocks: 582 as at 11 November 2019 Total Market Capitalisation: HK\$72,500,075 million as at 11 November 2019
Listing Date	13 June 2014
Initial Issue Price	HK\$20 per Unit excluding Duties and Charges and Transaction Fees (as detailed in the table entitled “ Creation of Units ” below)
Initial Issue Date	12 June 2014
Trading Currency	Hong Kong dollars – HKD Counter Renminbi – RMB Counter US dollars – USD Counter
Base Currency	Hong Kong dollars
Trading Board Lot Size	100 Units – HKD Counter 100 Units – RMB Counter 100 Units – USD Counter
Creation/Redemption Unit size	100,000 Units (or whole multiples thereof)
Minimum Holding	N/A
Dealing Day	Each Business Day will be a Dealing Day, however, days when markets on which a Sub-Fund’s Investments are listed or traded, or markets relevant to an Underlying Index are closed and as a result of which 25% or more of the Underlying Index may not be traded, shall not be Dealing Days, provided there is at least one Dealing Day per fortnight. The Dealing Days for the Sub-Fund are available at www.vanguard.com.hk ¹ .
Dealing Deadline – Creation of Units	1:00 p.m. (Hong Kong time) on the Dealing Day or such later time with respect to a particular Dealing Day which is permitted by the Manager in good faith for the interest of the investors and having regard to any material adverse effect on the Trust or the relevant Sub-Fund, and after obtaining the Trustee’s approval under exceptional circumstances. Such exceptional circumstances may include (but are not limited to) circumstances where a creation or redemption application(s) has been accepted for the Sub-Fund with respect to a particular Dealing Day and for the purpose of minimising any adverse impact of such creation or redemption on the relevant Sub-Fund, the Dealing Deadline for creation(s) or redemption(s) of Units is extended on that particular Dealing Day.
Dealing Deadline – Settlement of Creations	12.00 p.m. (Hong Kong time) on T+2

Dealing Deadline – Redemption Requests	1:00 p.m. (Hong Kong time) on the Dealing Day or such later time with respect to a particular Dealing Day which is permitted by the Manager in good faith for the interest of the investors and having regard to any material adverse effect on the Trust or the relevant Sub-Fund, and after obtaining the Trustee’s approval under exceptional circumstances. Such exceptional circumstances may include (but are not limited to) circumstances where a creation or redemption application(s) has been accepted for the Sub-Fund with respect to a particular Dealing Day and for the purpose of minimising any adverse impact of such creation or redemption on the relevant Sub-Fund, the Dealing Deadline for creation(s) or redemption(s) of Units is extended on that particular Dealing Day.
Settlement of Redemptions	4.00 p.m. (Hong Kong time) on T+2
Payment of Redemption Proceeds	T+4
Valuation Point	12.30 a.m. (Hong Kong time) on a day following the relevant Dealing Day
Financial year end	31 December
Website	www.vanguard.com.hk ¹
Distribution Frequency[#]	Quarterly (in March, June, September, December) – at the Manager’s absolute discretion
Ongoing Charges[*]	0.18% per annum of the Net Asset Value of the Sub-Fund
Listing Agent	Macquarie Capital Securities Limited
Market Makers	Please refer to www.hkex.com.hk for a current list of Market Makers.
Participating Dealers	Please refer to www.vanguard.com.hk ¹ for a current list of Participating Dealers.

HKD traded Units, RMB traded Units and USD traded Units will receive distributions in the Base Currency only. In the event that a Unitholder has no HKD account, the relevant Unitholder may have to bear the fees and charges associated with the conversion of such distribution from the Base Currency into any other currency. Unitholders are advised to check with their brokers arrangements concerning distributions.

* The ongoing charges figure is the sum of the actual expenses charged to the Sub-Fund in a financial year. The figure is expressed as a percentage of the Sub-Fund’s average Net Asset Value. It equals the Management Fee as set out in the section “Ongoing fees payable by the Sub-Fund” in the product key facts statement of the Sub-Fund and includes, the ongoing fees payable out of the Sub-Fund, the Manager’s Fee, the Operational Fees, all costs and expenses connected with the management and operating activities of the Sub-Fund, investment management and advisory fees, administration, registration, transfer agency, listing agent, registrar, custody and trustee fees, and other operating expenses. The ongoing charges figure does not cover (to the extent not included in the Operational Fees) any fees, costs and expenses payable by investors on the creation or redemption of Units, such as the fees to Participating Dealers, brokerage fees, Transaction Fees, stamp duty or other Duties and Charges, or any extraordinary or exceptional costs and expenses as may arise from time to time and any tax liabilities in respect of the Sub-Fund which will be paid separately out of the Fund Assets of the Sub-Fund. *The figure may vary from year to year.*

DIVIDEND DISTRIBUTION POLICY

The Manager reserves its absolute discretion in determining whether a dividend distribution shall be made for the Sub-Fund, and if so, the amount and the frequency of such a distribution. The Manager does not currently intend to make any dividend distribution out of capital or effectively out of capital. All Units (whether HKD, RMB or USD traded Units) will receive dividends distributions in the Base Currency only.

THE UNDERLYING INDEX

FTSE Developed Europe Index is derived from the broader FTSE Global Equity Index Series and is designed to measure performance of the economy in developed Europe through investment in 582 large and mid-capitalised companies of developed European countries (including Austria, Belgium/Luxembourg, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom), with total market capitalisation of approximately HK\$72,500,075 million as at 11 November 2019. The base date of the Underlying Index is set at 31 May 2000. The Underlying Index is denominated and quoted in Hong Kong dollars and is a total return, free float market capitalisation index.

FTSE International Limited (“**FTSE**”) is the Index Provider of FTSE Developed Europe Index. The Manager and its Connected Persons are independent of FTSE.

The initial term of the Licence Agreement is more than 5 years and automatically renews unless either party provides prior written notice of its intent to not renew the Licence Agreement.

The Manager will consult the SFC on any events that may affect the acceptability of FTSE Developed Europe Index, and any significant events (such as a change in the methodology/rules for compiling or calculating the index, or a change in the objective or characteristic of the index) will be notified to Unitholders as soon as practicable.

For details of the Sub-Fund’s constituent holdings and their respective weightings, please refer to the FTSE website: <https://research.ftserussell.com/vanguard/Home/Indices?Region=ASIA>.

Index Methodology

In selecting the index constituents of the Underlying Index, FTSE will first identify the investable universe based on the region to which the Underlying Index relates. The eligible universe is then ranked by full market capitalisation in descending order, after which the index universe is defined as 98% of the regional universe (determined based on certain criteria for inclusion and eligibility of securities). Once the index universe has been identified, the eligible securities are then passed through additional eligibility screens (including size, free float restrictions, foreign ownership restrictions, liquidity screen and surveillance stocks screen) before being added to the Underlying Index.

For further details on the index construction rules and eligibility screens, please refer to the Ground Rules of the FTSE Global Equity Index Series that can be found on FTSE website: http://www.ftse.com/products/downloads/FTSE_Global_Equity_Index_Series.pdf.

Further information on the Underlying Index can be found on the online document found on the FTSE website: <http://www.ftse.com/analytics/factsheets/Home/Search#>.

FEES AND EXPENSES

Management Fee

The Management Fee per Unit will be paid out of the Fund Assets of the Sub-Fund as set out in this Appendix 1. This fee will be accrued daily and paid monthly in arrears. The Management Fee is the sum of anticipated charges to the Sub-Fund and expressed as a percentage of the Net Asset Value of the Sub-Fund. The Manager will retain the Management Fee to pay for various fees and expenses, including the Manager's Fee, the Operational Fees, all costs and expenses connected with the management and operating activities of the Sub-Fund, investment management and advisory fees, administration, registration, transfer agency, listing agent, registrar, custody and trustee fees, and other operating expenses. The Management Fee will not cover (to the extent not included in the Operational Fees) any fees, costs and expenses payable by investors on the creation or redemption of Units, such as the fees to Participating Dealers, brokerage fees, Transaction Fees, stamp duty or other Duties and Charges, or any extraordinary or exceptional costs and expenses as may arise from time to time and any tax liabilities in respect of the Sub-Fund which will be paid separately out of the Fund Assets of the Sub-Fund.

As the Management Fee is a single fixed rate, the ongoing charges of the Sub-Fund will be equal to the Management Fee. The Management Fee of the Sub-Fund is 0.18% per annum of the Net Asset Value of the Sub-Fund.

Manager's Fee

The Manager's Fee is the fee paid to the Manager out of the Management Fee for portfolio management services.

In the event that the costs and expenses of the Sub-Fund exceed the Management Fee, the Manager will be responsible for discharging any such excess.

Trustee Fee

The trustee fee is paid by the Manager out of the Management Fee.

FEES PAYABLE BY INVESTORS DEALING IN UNITS ON SEHK

The following table sets out the fees payable by investors dealing in Units on SEHK:

	(% based on price of Units)
Brokerage Fee	As determined by the relevant broker
Transaction Levy	0.0027% of the trading price of the Units, payable by each of the buyer and the seller
Trading Fee	0.005% of the trading price of the Units, payable by each of the buyer and the seller
Inter-counter transfer Fee*	HKD 5
Stamp Duty	Nil

* HKSCC will charge each CCASS participant a fee of HKD 5 per instruction for effecting an inter-counter transfer between one counter and the other counter. Investors should check with their brokers regarding any additional fees.

FEES PAYABLE BY PARTICIPATING DEALERS*

The fees payable by Participating Dealers in respect of the Sub-Fund are summarised in the table below:

Creation of Units

Transaction Fee (See Note 1)	Cash creation: up to 0.23% of the Issue Price per creation application In specie creation: up to 0.18% on cash in lieu as part of the creation application
Service Agent fee (See Note 2)	HK\$1,000
Application Cancellation Fee (See Note 3)	HK\$10,000 per creation application
Cancellation Compensation	See Note 4
Extension Fee	HK\$10,000 per extended settlement application
Stamp Duty	Nil
Duties and Charges	Up to HK\$88,600 per creation application

Redemption of Units

Transaction Fee (See Note 1)	Cash redemption: up to 0.06% of the Redemption Price per redemption application In specie redemption: 0% on cash in lieu as part of the redemption application
Service Agent fee (See Note 2)	HK\$1,000
Application Cancellation Fee (See Note 3)	HK\$10,000 per redemption application
Cancellation Compensation	See Note 4
Extension Fee	HK\$10,000 per extended settlement application
Stamp Duty	Nil
Duties and Charges	Up to HK\$88,600 per redemption application

* The Manager shall give not less than one (1) month's prior notice to Unitholders if it increases the fees payable on creation and redemption of Units.

Note 1 – The Transaction Fee is payable by the Participating Dealer for the benefit of the relevant Sub-Fund and may be passed on in whole or in part to the investor.

Note 2 – Participating Dealers will be subject to the Service Agent fee, being the fee for each book-entry deposit or book-entry withdrawal transaction, currently to the amount of HK\$1,000 and payable to HKCAS.

Note 3 – An Application Cancellation Fee is payable to the Manager for the benefit of the relevant Sub-Fund by a Participating Dealer in respect of either a withdrawn or failed application for creation or redemption of Units.

Note 4 – A Participating Dealer may be required to pay cancellation compensation to the Trustee, for the account of the Sub-Fund, pursuant to the terms of the Operational Guidelines.

Other Duties and Charges

The current rate of other Duties and Charges, payable only by Participating Dealers on creations or redemptions of Units, is HK\$88,600 per creation or redemption (as applicable).

VANGUARD FTSE ASIA EX JAPAN HIGH DIVIDEND YIELD INDEX ETF

Underlying Index

FTSE Asia Pacific ex Japan, Australia and New Zealand High Dividend Yield Index

Investment Objective

The Manager seeks to provide investment results, before the deduction of fees and expenses, that closely correspond to the performance of the Underlying Index.

Investment Strategy

The Manager seeks to achieve the investment objective by employing a passive indexing approach, through physical acquisition of Securities, designed to seek to track the performance of the Underlying Index. The Manager may use either a “Replication Strategy” (by investing in all or substantially all of its assets in the Index Securities, broadly in proportion to the respective weightings of the constituents) and/or a “Representative Sampling Strategy” (by investing in a portfolio featuring high correlation with the Underlying Index and the Manager may invest in other securities that are not included in the Underlying Index). Initially, the Manager intends to pursue a “Representative Sampling Strategy”. In the event the Manager wishes to switch between a “Replication Strategy” and a “Representative Sampling Strategy”, or adopt any strategy other than a “Replication Strategy” or a “Representative Sampling Strategy”, prior approval will be obtained from the SFC and not less than one month’s prior notice will be given to Unitholders. The Manager does not currently intend to adopt any strategy other than a “Replication Strategy” or a “Representative Sampling Strategy”.

Investment Policies

In seeking to track the Underlying Index, the Sub-Fund may invest in FDIs such as listed options, exchange traded options contracts, currency forwards, futures, index futures, options on index futures and warrants for investment purposes to gain exposure to the Index Securities or to the performance of the Underlying Index itself, to reduce transaction costs or taxes or allow exposure in the case of illiquid stocks or stocks which are unavailable for market or regulatory reasons or to minimise tracking error.

The Manager does not anticipate that investments in FDIs would exceed 10% of the latest available Net Asset Value of the Sub-Fund.

Portfolio Constraints

Exposure based constraints

The Manager should:

- a) ensure the Sub-Fund maintains at all times a minimum net equity exposure of 95% of the market value of the portfolio of the Sub-Fund;
- b) not, at any time, invest more than 10% of the market value of the portfolio of the Sub-Fund in open futures contracts; and

- c) ensure that the effective market exposure of all Fund Assets (including FDIs) in the portfolio of the Sub-Fund does not exceed the total amount available for investment in the portfolio of the Sub-Fund (i.e. the portfolio is not leveraged). The Sub-Fund will not be considered in breach of this constraint if the leverage was deemed to be caused by market movements. The Manager will correct the leverage as soon as possible.

Other constraints

While the Sub-Fund attempts to be fully invested each day, the Sub-Fund may also invest not more than 5% of the latest available Net Asset Value of the Sub-Fund in short-term, high quality money market instruments (including government securities or bank certificates of deposits) and/or money market funds for cash management purposes.

The Manager will not deal on behalf of the Sub-Fund in the short sale of Securities.

Securities Lending

The Sub-Fund does not currently intend to engage in any securities lending activities, repurchase transactions or other similar over-the-counter transactions. In the event of any change in respect of the Manager's intention to enter into any securities lending, repurchase transaction or other similar over-the-counter transactions, prior approval will be obtained from the SFC and not less than one month's prior notice will be given to the Unitholders.

Risks relating to the Sub-Fund

Risk of Investment in High Dividend Yield Securities

Investing in high dividend yield securities may offer a higher rate of dividend yield. However, high dividend yield securities are subject to risks such as risk that the dividend could be reduced or abolished, or the risks that the value of the securities could decline or have lower-than average potential for price appreciation. Any decline in the value of the underlying securities of the Sub-Fund will likely result in a corresponding decline in the value of the Sub-Fund.

Dividend Risk

There is no guarantee that the constituent securities of the Underlying Index will declare or pay out dividends. Therefore, there is no guarantee that the Sub-Fund's investment objectives will be met. There is also no guarantee of dividend or distribution payments by the Sub-Fund during the period an investor holds Units in the Sub-Fund. Dividend yields from the Sub-Fund's investments may fluctuate up or down as a result of changes in the dividend policy or performance of the underlying constituent securities in which the Sub-Fund is invested. Such changes will impact on the level of dividends available for distribution by the Sub-Fund. Further, there is no assurance that the distributing yield of the Sub-Fund is the same as that of the Underlying Index.

Risk related to the different trading hours between the stock exchanges in the Asia ex Japan region and the SEHK

The stock exchanges in the Asia ex Japan region on which the Index Securities are traded may be open during hours when Units in the Sub-Fund are not priced. Consequently, the value of the Index Securities may change during such hours when the SEHK is closed for

trading and investors will not be able to purchase or sell the Units of the Sub-Fund. Furthermore, the market prices of the Index Securities listed on the stock exchanges in the Asia ex Japan region will not be available during all of the SEHK trading sessions due to the trading hour difference which may lead to increased level of premium or discount of the Unit price to its Net Asset Value.

Specific Currency Risk

The Net Asset Value of the Sub-Fund will be computed in the Base Currency, being Hong Kong dollars. As the investments held for the account of the Sub-Fund may be acquired in other currencies, the value of the investments of the Sub-Fund denominated in currencies other than the Base Currency of the Sub-Fund may rise and fall due to exchange-rate fluctuations and adverse movements in currency exchange rates can result in a decrease in return and a loss of capital.

See the “**Risk Factors**” section of this Prospectus for further information, in particular the risk factors entitled “*Concentration of Underlying Index*”, “*Composition of Underlying Index*”, “*Compilation of Underlying Index*”, “*Tracking Error Risk*”, “*Emerging Market Risks*”, “*Government Intervention and Regulatory and Country Risks*”, and “*FDI Risks*”. Please also refer to the “*Listing Related Risks*” for further information on the risks associated with trading units on an exchange.

Creation/Redemption of Units

Units may be created or redeemed in specie or in cash by or through Participating Dealers (see the “**Creation of Units**” and “**Redemption of Units**” sections of this Prospectus for further information).

Units on Offer

Currently Units are available for creation through the primary market or for purchase through the secondary market under the following counters:

	SEHK Stock Code	Short Stock Name	ISIN Number
HKD Counter	3085	VANGUARDAXJHY	HK0000188703
RMB Counter	83085	VANGUARDAXJHY-R	HK0000399037
USD Counter	9085	VANGUARDAXJHY-U	HK0000399029

Sub-Fund Details

Manager: Vanguard Investments Hong Kong Limited.

Investment Advisor: Vanguard Investments Australia Ltd

Product Type	Exchange Traded Fund
Stock Code	3085 – HKD Counter 83085 – RMB Counter 9085 – USD Counter
Short Stock Name	VANGUARDAXJHY – HKD Counter VANGUARDAXJHY-R – RMB Counter VANGUARDAXJHY-U – USD Counter

Underlying Index	FTSE Asia Pacific ex Japan, Australia and New Zealand High Dividend Yield Index Base Date: 19 March 2004 Inception Date: 24 October 2013 Base Currency: Hong Kong dollars Number of Constituent Stocks: 463 as at 11 November 2019 Total Market Capitalisation: HK\$16,022,434 million as at 11 November 2019
Listing Date	13 June 2014
Initial Issue Price	HK\$20 per Unit excluding Duties and Charges and Transaction Fees (as detailed in the table entitled “ Creation of Units ” below)
Initial Issue Date	12 June 2014
Trading Currency	Hong Kong dollars – HKD Counter Renminbi – RMB Counter US dollars – USD Counter
Base Currency	Hong Kong dollars
Trading Board Lot Size	100 Units – HKD Counter 100 Units – RMB Counter 100 Units – USD Counter
Creation/Redemption Unit size	100,000 Units (or whole multiples thereof)
Minimum Holding	N/A
Dealing Day	Each Business Day will be a Dealing Day, however, days when markets on which a Sub-Fund’s Investments are listed or traded, or markets relevant to an Underlying Index are closed and as a result of which 25% or more of the Underlying Index may not be traded, shall not be Dealing Days, provided there is at least one Dealing Day per fortnight. The Dealing Days for the Sub-Fund are available at www.vanguard.com.hk ¹ .
Dealing Deadline – Creation of Units	12:15 p.m. (Hong Kong time) on the Dealing Day or such later time with respect to a particular Dealing Day which is permitted by the Manager in good faith for the interest of the investors and having regard to any material adverse effect on the Trust or the relevant Sub-Fund, and after obtaining the Trustee’s approval under exceptional circumstances. Such exceptional circumstances may include (but are not limited to) circumstances where a creation or redemption application(s) has been accepted for the Sub-Fund with respect to a particular Dealing Day and for the purpose of minimising any adverse impact of such creation or redemption on the relevant Sub-Fund, the Dealing Deadline for creation(s) or redemption(s) of Units is extended on that particular Dealing Day.

Dealing Deadline – Settlement of Creations	12.00 p.m. (Hong Kong time) on T+2
Dealing Deadline – Redemption Requests	12:15 p.m. (Hong Kong time) on the Dealing Day or such later time with respect to a particular Dealing Day which is permitted by the Manager in good faith for the interest of the investors and having regard to any material adverse effect on the Trust or the relevant Sub-Fund, and after obtaining the Trustee's approval under exceptional circumstances. Such exceptional circumstances may include (but are not limited to) circumstances where a creation or redemption application(s) has been accepted for the Sub-Fund with respect to a particular Dealing Day and for the purpose of minimising any adverse impact of such creation or redemption on the relevant Sub-Fund, the Dealing Deadline for creation(s) or redemption(s) of Units is extended on that particular Dealing Day.
Settlement of Redemptions	4.00 p.m. (Hong Kong time) on T+2
Payment of Redemption Proceeds	T+4
Valuation Point	12.30 a.m. (Hong Kong time) on a day following the relevant Dealing Day
Financial year end	31 December
Website	www.vanguard.com.hk ¹
Distribution Frequency[#]	Quarterly (in March, June, September, December) – at the Manager's absolute discretion
Ongoing Charges[*]	0.35% per annum of the Net Asset Value of the Sub-Fund
Listing Agent	Macquarie Capital Securities Limited
Market Makers	Please refer to www.hkex.com.hk for a current list of Market Makers.
Participating Dealers	Please refer to www.vanguard.com.hk ¹ for a current list of Participating Dealers.

- # HKD traded Units, RMB traded Units and USD traded Units will receive distributions in the Base Currency only. In the event that a Unitholder has no HKD account, the relevant Unitholder may have to bear the fees and charges associated with the conversion of such distribution from the Base Currency into any other currency. Unitholders are advised to check with their brokers arrangements concerning distributions.

- * The ongoing charges figure is the sum of the actual expenses charged to the Sub-Fund in a financial year. The figure is expressed as a percentage of the Sub-Fund's average Net Asset Value. It equals the Management Fee as set out in the section "Ongoing fees payable by the Sub-Fund" in the product key facts statement of the Sub-Fund and includes, the ongoing fees payable out of the Sub-Fund, the Manager's Fee, the Operational Fees, all costs and expenses connected with the management and operating activities of the Sub-Fund, investment management and advisory fees, administration, registration, transfer agency, listing agent, registrar, custody and trustee fees, and other operating expenses. The ongoing charges figure does not cover (to the extent not included in the Operational Fees) any fees, costs and expenses payable by investors on the creation or redemption of Units, such as the fees to Participating Dealers, brokerage fees, Transaction Fees, stamp duty or other Duties and Charges, or any extraordinary or exceptional costs and expenses as may arise from time to time and any tax liabilities in respect of the Sub-Fund which will be paid separately out of the Fund Assets of the Sub-Fund. The figure may vary from year to year.

DIVIDEND DISTRIBUTION POLICY

The Manager reserves its absolute discretion in determining whether a dividend distribution shall be made for the Sub-Fund, and if so, the amount and the frequency of such a distribution. The Manager does not currently intend to make any dividend distribution out of capital or effectively out of capital. All Units (whether HKD, RMB or USD traded Units) will receive dividends distributions in the Base Currency only.

THE UNDERLYING INDEX

The FTSE Asia Pacific ex Japan, Australia and New Zealand High Dividend Yield Index comprises stocks that are characterised by higher-than-average dividend yields. The index universe is based on the large and mid-cap constituents of the FTSE Asia Pacific ex Japan, Australia and New Zealand Index, and stocks are ranked by annual dividend yield after removing stocks that are not forecasted to pay a dividend during the next 12 months. The Underlying Index aims to contain the highest yielding stocks accounting for 50% of the investable market capitalisation of the eligible securities. The base date of the Underlying Index is set at 19 March 2004. The Underlying Index is denominated and quoted in Hong Kong dollars and is a total return, free float market capitalisation index. As at 11 November 2019, the Underlying Index comprises 463 large and mid-cap constituent stocks listed in China (A-Shares and B shares listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange), Hong Kong (H shares and Red chips listed on the SEHK), India, Indonesia, Malaysia, Pakistan, Philippines, Singapore, South Korea, Taiwan, Thailand and the United States (China N-Shares), with total market capitalisation of approximately HK\$16,022,434 million.

FTSE International Limited ("**FTSE**") is the Index Provider of the FTSE Asia Pacific ex Japan, Australia and New Zealand High Dividend Yield Index. The Manager and its Connected Persons are independent of FTSE.

The initial term of the Licence Agreement is more than 5 years and automatically renews unless either party provides prior written notice of its intent to not renew the Licence Agreement.

The Manager will consult the SFC on any events that may affect the acceptability of the FTSE Asia Pacific ex Japan, Australia and New Zealand High Dividend Yield Index, and any significant events (such as a change in the methodology/rules for compiling or calculating the index, or a change in the objective or characteristic of the index) will be notified to Unitholders as soon as practicable.

For details of the Underlying Index (including its constituent securities) and their respective underlying weightings), please refer to the index website at <http://www.ftse.com>, and at <https://research.ftserussell.com/vanguard/Home/Indices?Region=ASIA>.

Index Methodology

In selecting the index constituents of the Underlying Index, FTSE will first identify the investable universe based on the region to which the underlying index relates. The eligible universe is then ranked by full market capitalisation in descending order, after which the index universe is defined as 98% of the regional universe (determined based on certain criteria for inclusion and eligibility of securities). Once the index universe has been identified, the eligible securities are then passed through the following dividend screens: (i) stocks that are not forecasted to pay a dividend during the next 12 months (determined by using the most recent 12 month forward forecast dividends per share values from the Institutional Brokers' Estimate System prior to the relevant review data cut-off date) will be removed; and (ii) remaining stocks are ranked by annual dividend yield and included until the cumulative market capitalisation reaches 50% of the total market capitalization of this universe of stocks. Additional eligibility screens (including size, free float restrictions, foreign ownership restrictions, liquidity screen and surveillance stocks screens) will also be applied before being added to the Underlying Index.

For further details on the index construction rules and eligibility screens, please refer to the Ground Rules of the FTSE Global Equity Index Series that can be found on FTSE website: http://www.ftse.com/products/downloads/FTSE_Global_Equity_Index_Series.pdf.

Further information on the Underlying Index can be found on the online document found on the FTSE website: <http://www.ftse.com/analytics/factsheets/Home/Search#>.

FEES AND EXPENSES

Management Fee

The Management Fee per Unit will be paid out of the Fund Assets of the Sub-Fund as set out in this Appendix 1. This fee will be accrued daily and paid monthly in arrears. The Management Fee is the sum of anticipated charges to the Sub-Fund and expressed as a percentage of the Net Asset Value of the Sub-Fund. The Manager will retain the Management Fee to pay for various fees and expenses, including the Manager's Fee, the Operational Fees, all costs and expenses connected with the management and operating activities of the Sub-Fund, investment management and advisory fees, administration, registration, transfer agency, listing agent, registrar, custody and trustee fees, and other operating expenses. The Management Fee will not cover (to the extent not included in the Operational Fees) any fees, costs and expenses payable by investors on the creation or redemption of Units, such as the fees to Participating Dealers, brokerage fees, Transaction Fees, stamp duty or other Duties and Charges, or any extraordinary or exceptional costs and expenses as may arise from time to time and any tax liabilities in respect of the Sub-Fund which will be paid separately out of the Fund Assets of the Sub-Fund.

As the Management Fee is a single fixed rate, the ongoing charges of the Sub-Fund will be equal to the Management Fee. The Management Fee of the Sub-Fund is 0.35% per annum of the Net Asset Value of the Sub-Fund.

Manager's Fee

The Manager's Fee is the fee paid to the Manager out of the Management Fee for portfolio management services.

In the event that the costs and expenses of the Sub-Fund exceed the Management Fee, the Manager will be responsible for discharging any such excess.

Trustee Fee

The trustee fee is paid by the Manager out of the Management Fee.

FEES PAYABLE BY INVESTORS DEALING IN UNITS ON SEHK

The following table sets out the fees payable by investors dealing in Units on SEHK:

	(% based on price of Units)
Brokerage Fee	As determined by the relevant broker
Transaction Levy	0.0027% of the trading price of the Units, payable by each of the buyer and the seller
Trading Fee	0.005% of the trading price of the Units, payable by each of the buyer and the seller
Inter-counter transfer Fee*	HKD 5
Stamp Duty	Nil

* HKSCC will charge each CCASS participant a fee of HKD 5 per instruction for effecting an inter-counter transfer between one counter and the other counter. *Investors should check with their brokers regarding any additional fees.*

FEES PAYABLE BY PARTICIPATING DEALERS*

The fees payable by Participating Dealers in respect of the Sub-Fund are summarised in the table below:

Creation of Units

Transaction Fee (See Note 1)	Cash creation: up to 0.15% of the Issue Price per creation application In specie creation: up to 0.10% on cash in lieu as part of the creation application
Service Agent fee (See Note 2)	HK\$1,000
Application Cancellation Fee (See Note 3)	HK\$10,000 per creation application
Cancellation Compensation	See Note 4
Extension Fee	HK\$10,000 per extended settlement application
Stamp Duty	Nil

Duties and Charges	Up to HK\$93,800 per creation application
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Redemption of Units

Transaction Fee (See Note 1)	Cash redemption: up to 0.23% of the Redemption Price per redemption application In specie redemption: up to 0.17% on cash in lieu as part of the redemption application
Service Agent fee (See Note 2)	HK\$1,000
Application Cancellation Fee (See Note 3)	HK\$10,000 per redemption application
Cancellation Compensation	See Note 4
Extension Fee	HK\$10,000 per extended settlement application
Stamp Duty	Nil
Duties and Charges	Up to HK\$93,800 per redemption application

* The Manager shall give not less than one (1) month's prior notice to Unitholders if it increases the fees payable on creation and redemption of Units.

Note 1 – The Transaction Fee is payable by the Participating Dealer for the benefit of the relevant Sub-Fund and may be passed on in whole or in part to the investor.

Note 2 – Participating Dealers will be subject to the Service Agent fee, being the fee for each book-entry deposit or book-entry withdrawal transaction, currently to the amount of HK\$1,000 and payable to HKCAS.

Note 3 – An Application Cancellation Fee is payable to the Manager for the benefit of the relevant Sub-Fund by a Participating Dealer in respect of either a withdrawn or failed application for creation or redemption of Units.

Note 4 – A Participating Dealer may be required to pay cancellation compensation to the Trustee, for the account of the Sub-Fund, pursuant to the terms of the Operational Guidelines.

Other Duties and Charges

The current rate of other Duties and Charges, payable only by Participating Dealers on creations or redemptions of Units, is up to HK\$93,800 per creation or redemption (as applicable).

VANGUARD S&P 500 INDEX ETF

Underlying Index

S&P 500® Index

Investment Objective

The Manager seeks to provide investment results, before the deduction of fees and expenses, that closely correspond to the performance of the Underlying Index.

Investment Strategy

The Manager seeks to achieve the investment objective by employing a passive indexing approach, through physical acquisition of Securities, designed to seek to track the performance of the Underlying Index. The Manager may use either a “Replication Strategy” (by investing all or substantially all of its assets in the Index Securities, broadly in proportion to the respective weightings of the constituents) and/or a “Representative Sampling Strategy” (by investing in a portfolio featuring high correlation with the Underlying Index and the Manager may invest in other securities that are not included in the Underlying Index). Initially, the Manager intends to pursue a “Replication Strategy” and may at the Manager’s discretion switch between a “Replication Strategy” and a “Representative Sampling Strategy” from time to time. In the event the Manager wishes to adopt any strategy other than a “Replication Strategy” or a “Representative Sampling Strategy”, prior approval will be obtained from the SFC and not less than one month’s prior notice will be given to Unitholders. The Manager does not currently intend to adopt any strategy other than a “Replication Strategy” or a “Representative Sampling Strategy”.

Investment Policies

In seeking to track the Underlying Index, the Sub-Fund may invest in FDIs such as listed options, exchange traded options contracts, currency forwards, futures, index futures, options on index futures and warrants for investment purposes to gain exposure to the Index Securities or to the performance of the Underlying Index itself, to reduce transaction costs or taxes or allow exposure in the case of illiquid stocks or stocks which are unavailable for market or regulatory reasons or to minimise tracking error.

The Manager does not anticipate that investments in FDI would exceed 10% of the latest available Net Asset Value of the Sub-Fund.

Portfolio Constraints

Exposure based constraints

The Manager should:

- a) ensure the Sub-Fund maintains at all times a minimum net equity exposure of 95% of the market value of the portfolio of the Sub-Fund;
- b) not, at any time, invest more than 10% of the market value of the portfolio of the Sub-Fund in open futures contracts; and

- c) ensure that the effective market exposure of all Fund Assets (including FDIs) in the portfolio of the Sub-Fund does not exceed the total amount available for investment in the portfolio of the Sub-Fund (i.e. the portfolio is not leveraged). The Sub-Fund will not be considered in breach of this constraint if the leverage was deemed to be caused by market movements. The Manager will correct the leverage as soon as possible.

Other constraints

While the Sub-Fund attempts to be fully invested each day, the Sub-Fund may also invest not more than 5% of the latest available Net Asset Value of the Sub-Fund in short-term, high quality money market instruments (including government securities or bank certificates of deposits) and/or money market funds for cash management purposes.

The Manager will not deal on behalf of the Sub-Fund in the short sale of Securities.

Securities Lending

The Sub-Fund does not currently intend to engage in any securities lending activities, repurchase transactions or other similar over-the-counter transactions. In the event of any change in respect of the Manager's intention to enter into any securities lending, repurchase transaction or other similar over-the-counter transactions, prior approval will be obtained from the SFC and not less than one month's prior notice will be given to the Unitholders.

Risks relating to the Sub-Fund

Risks related to investing in the U.S.

The Sub-Fund will concentrate its investment in the U.S. securities market which may be more volatile than other securities markets and may be subject to a higher level of risks compared to investing in a more diversified portfolio/strategy. Investment in the U.S. securities market may involve a greater risk of loss than investing in other markets and may result in a higher risk of loss to the Sub-Fund. Changes in financial regulations, tax regulations or governmental regulations on trade, decreasing imports or exports, terrorist acts, political movements and/or an economic crisis or recession in the U.S. may have a significant adverse effect on the U.S. economy. Such changes may have a negative impact on the Securities held by the Sub-Fund.

Risk related to the different trading hours between the U.S. stock exchanges and the SEHK

The U.S. stock exchanges on which the Index Securities are traded are open during hours when Units in the Sub-Fund are not priced. Consequently, the value of the Index Securities may change during such hours when the SEHK is closed for trading and investors will not be able to purchase or sell the Units of the Sub-Fund. Furthermore, the market prices of the Index Securities listed on the U.S. stock exchanges will not be available during all of the SEHK trading sessions due to the trading hour difference which may lead to increased level of premium or discount of the Unit price to its Net Asset Value.

Specific Currency Risk

The Net Asset Value of the Sub-Fund will be computed in the Base Currency, being Hong Kong dollars. As the investments held for the account of the Sub-Fund may be acquired in other currencies (given the denomination currency of the constituent securities in the Underlying Index is in U.S. dollars), the value of the investments of the Sub-Fund denominated in currencies other than the Base Currency of the Sub-Fund may rise and fall due to exchange-rate fluctuations and adverse movements in currency exchange rates can result in a decrease in return and a loss of capital.

See the “**Risk Factors**” section of this Prospectus for further information, in particular the risk factors entitled “*Concentration of Underlying Index*”, “*Composition of Underlying Index*”, “*Compilation of Underlying Index*”, “*Currency Risk*”, “*Tracking Error Risk*”, “*Government Intervention and Regulatory and Country Risks*”, and “*FDI Risks*”. Please also refer to the “*Listing Related Risks*” for further information on the risks associated with trading units on an exchange.

Creation/Redemption of Units

Units may be created or redeemed in specie or in cash by or through Participating Dealers (see the “**Creation of Units**” and “**Redemption of Units**” sections of this Prospectus for further information).

Units on Offer

Currently Units are available for creation through the primary market or for purchase through the secondary market under the following counters:

	SEHK Stock Code	Short Stock Name	ISIN Number
HKD Counter	3140	VANGUARDSP500	HK0000248903
RMB Counter	83140	VANGUARDSP500-R	HK0000399052
USD Counter	9140	VANGUARDSP500-U	HK0000399045

Sub-Fund Details

Manager: Vanguard Investments Hong Kong Limited.

Investment Advisor: Vanguard Investments Australia Ltd

Product Type	Exchange Traded Fund
Stock Code	3140 – HKD Counter 83140 – RMB Counter 9140 – USD Counter
Short Stock Name	VANGUARDSP500 – HKD Counter VANGUARDSP500-R – RMB Counter VANGUARDSP500-U – USD Counter

Underlying Index	S&P 500® Index Base Date: 1941-1943 Inception Date: 4 March 1957 Base Currency: Hong Kong dollars Number of Constituent Stocks: 505 as at 11 November 2019 Total Market Capitalisation: HK\$211,159 billion as at 11 November 2019
Listing Date	21 May 2015
Initial Issue Price	HK\$15 per Unit excluding Duties and Charges and Transaction Fees (as detailed in the table entitled “ Creation of Units ” below)
Initial Issue Date	20 May 2015
Trading Currency	Hong Kong dollars – HKD Counter Renminbi – RMB Counter US dollars – USD Counter
Base Currency	Hong Kong dollars
Trading Board Lot Size	100 Units – HKD Counter 100 Units – RMB Counter 100 Units – USD Counter
Creation/Redemption Unit size	100,000 Units (or whole multiples thereof)
Minimum Holding	N/A
Dealing Day	Each Business Day will be a Dealing Day, however, days when markets on which a Sub-Fund’s Investments are listed or traded, or markets relevant to an Underlying Index are closed and as a result of which 25% or more of the Underlying Index may not be traded, shall not be Dealing Days, provided there is at least one Dealing Day per fortnight. The Dealing Days for the Sub-Fund are available at www.vanguard.com.hk ¹ .
Dealing Deadline – Creation of Units	1:00 p.m. (Hong Kong time) on the Dealing Day or such later time with respect to a particular Dealing Day which is permitted by the Manager in good faith for the interest of the investors and having regard to any material adverse effect on the Trust or the relevant Sub-Fund, and after obtaining the Trustee’s approval under exceptional circumstances. Such exceptional circumstances may include (but are not limited to) circumstances where a creation or redemption application(s) has been accepted for the Sub-Fund with respect to a particular Dealing Day and for the purpose of minimising any adverse impact of such creation or redemption on the relevant Sub-Fund, the Dealing Deadline for creation(s) or redemption(s) of Units is extended on that particular Dealing Day.
Dealing Deadline – Settlement of Creations	12.00 p.m. (Hong Kong time) on T+2

Dealing Deadline – Redemption Requests	1:00 p.m. (Hong Kong time) on the Dealing Day or such later time with respect to a particular Dealing Day which is permitted by the Manager in good faith for the interest of the investors and having regard to any material adverse effect on the Trust or the relevant Sub-Fund, and after obtaining the Trustee’s approval under exceptional circumstances. Such exceptional circumstances may include (but are not limited to) circumstances where a creation or redemption application(s) has been accepted for the Sub-Fund with respect to a particular Dealing Day and for the purpose of minimising any adverse impact of such creation or redemption on the relevant Sub-Fund, the Dealing Deadline for creation(s) or redemption(s) of Units is extended on that particular Dealing Day.
Settlement of Redemptions	4.00 p.m. (Hong Kong time) on T+2
Payment of Redemption Proceeds	T+4
Valuation Point	4 p.m. (U.S. Eastern time) i.e. 4 a.m. (Hong Kong time, with U.S. daylight savings time); or 5 a.m. (Hong Kong time without U.S. daylight savings time) on a day following the relevant Dealing Day
Financial year end	31 December
Website	www.vanguard.com.hk ¹
Distribution Frequency[#]	Quarterly (in March, June, September, December) – at the Manager’s absolute discretion
Ongoing Charges[*]	0.18% per annum of the Net Asset Value of the Sub-Fund
Listing Agent	China International Capital Corporation Hong Kong Securities Limited
Market Makers	Please refer to www.hkex.com.hk for a current list of Market Makers.
Participating Dealers	Please refer to www.vanguard.com.hk ¹ for a current list of Participating Dealers.

HKD traded Units, RMB traded Units and USD traded Units will receive distributions in the Base Currency only. In the event that a Unitholder has no HKD account, the relevant Unitholder may have to bear the fees and charges associated with the conversion of such distribution from the Base Currency into any other currency. Unitholders are advised to check with their brokers arrangements concerning distributions.

* The ongoing charges figure is the sum of the actual expenses charged to the Sub-Fund in a financial year. The figure is expressed as a percentage of the Sub-Fund’s average Net Asset Value. It equals the Management Fee as set out in the section “Ongoing fees payable by the Sub-Fund” in the product key facts statement of the Sub-Fund and includes, the ongoing fees payable out of the Sub-Fund, the Manager’s Fee, the Operational Fees, all costs and expenses connected with the management and operating activities of the Sub-Fund, investment management and advisory fees, administration, registration, transfer agency, listing agent, registrar, custody and trustee fees, and other operating expenses. The ongoing charges figure does not cover (to the extent not included in the Operational Fees) any fees, costs and expenses payable by investors on the creation or redemption of Units, such as the fees to Participating Dealers, brokerage fees, Transaction Fees, stamp duty or other Duties and Charges, or any extraordinary or exceptional costs and expenses as may arise from time to time and any tax liabilities in respect of the Sub-Fund which will be paid separately out of the Fund Assets of the Sub-Fund. The figure may vary from year to year.

DIVIDEND DISTRIBUTION POLICY

The Manager reserves its absolute discretion in determining whether a dividend distribution shall be made for the Sub-Fund, and if so, the amount and the frequency of such a distribution. The Manager does not currently intend to make any dividend distribution out of capital or effectively out of capital. All Units (whether HKD, RMB or USD traded Units) will receive dividends distributions in the Base Currency only.

THE UNDERLYING INDEX

The S&P 500® Index comprises approximately 500 of large cap stocks which are common equities primarily listed on the U.S. publicly traded stock market, and covers approximately 80% of available U.S. market capitalisation. The base date of the Underlying Index is set between 1941 to 1943. The Underlying Index is denominated and quoted in Hong Kong dollars and is a total return, free float market capitalisation index. As at 11 November 2019, the Underlying Index comprises 505 large cap constituent stocks listed in the United States, with total market capitalisation of approximately HK\$211,159 billion.

S&P Dow Jones Indices LLC is the Index Provider of the S&P 500® Index. The Manager and its Connected Persons are independent of S&P Dow Jones Indices LLC

The initial term of the Licence Agreement is more than 5 years and automatically renews unless either party provides prior written notice of its intent to not renew the Licence Agreement.

The Manager will consult the SFC on any events that may affect the acceptability of the S&P 500® Index, and any significant events (such as a change in the methodology/rules for compiling or calculating the index, or a change in the objective or characteristic of the index) will be notified to Unitholders as soon as practicable.

For details of the Underlying Index (including its constituent securities and their respective underlying weightings), please refer to the index website at <https://supplemental.spindices.com/supplemental-data/hong-kong>.

Index Methodology

Stocks that may be included in the Underlying Index are selected based on the following addition criteria:

- Market capitalisation – Stocks which have an unadjusted market capitalisation of USD6.1 billion or more.
- Liquidity – Stocks which have adequate liquidity and are reasonably priced (determined to be where the ratio of annual dollar value traded to float adjusted market capitalisation is 1.00 or greater, and the company trades a minimum of 250,000 shares in each of the six months leading up to the evaluation date).
- Domicile – Stocks which are U.S. companies.
- Public Float – Public float of at least 50% of the stock.
- Sector Classification – Stocks which contribute to sector balance maintenance.

- Financial Viability – Stocks where the sum of the most recent four consecutive quarters' as-reported earnings are positive, as should the most recent quarter.
- Treatment of IPO – Initial public offerings should be traded on an eligible exchange for at least 12 months before being considered for addition to an index.
- Eligible Securities – Eligible Securities include all U.S. common equities listed on the NYSE (including NYSE Arca and NYSE MKT), the NASDAQ Global Select Market, the NASDAQ Select Market and the NASDAQ Capital Market.

Companies that substantially violate one or more of the addition criteria above, or are involved in mergers, acquisitions or significant restructuring such that they no longer meet the inclusion criteria will be removed from the Underlying Index.

On any given day, the value of the Underlying Index is the quotient of the total float-adjusted market capitalization of the Underlying Index's constituents and its divisor. Continuity in values of the Underlying Index is maintained by adjusting the divisor for all changes in the constituents' share capital after the base date. This includes additions and deletions to the Underlying Index, rights issues, share buybacks and issuances, and spin-offs. The divisor is adjusted such that the value of the Underlying Index at an instant just prior to a change in base capital equals the value of the Underlying Index at an instant immediately following that change.

The inclusion criteria above may be amended by the Index Provider from time to time. For the latest and further information on the Underlying Index, please refer to S&P Dow Jones Indices' website at www.spdji.com.

FEES AND EXPENSES

Management Fee

The Management Fee per Unit will be paid out of the Fund Assets of the Sub-Fund as set out in this Appendix 1. This fee will be accrued daily and paid monthly in arrears. The Management Fee is the sum of anticipated charges to the Sub-Fund and expressed as a percentage of the Net Asset Value of the Sub-Fund. The Manager will retain the Management Fee to pay for various fees and expenses, including the Manager's Fee, the Operational Fees, all costs and expenses connected with the management and operating activities of the Sub-Fund, investment management and advisory fees, administration, registration, transfer agency, listing agent, registrar, custody and trustee fees, and other operating expenses. The Management Fee will not cover (to the extent not included in the Operational Fees) any fees, costs and expenses payable by investors on the creation or redemption of Units, such as the fees to Participating Dealers, brokerage fees, Transaction Fees, stamp duty or other Duties and Charges, or any extraordinary or exceptional costs and expenses as may arise from time to time and any tax liabilities in respect of the Sub-Fund which will be paid separately out of the Fund Assets of the Sub-Fund.

As the Management Fee is a single fixed fee, the actual ongoing charges figure of the Sub-Fund will be equal to the Management Fee. The Management Fee of the Sub-Fund is 0.18% per annum of the Net Asset Value of the Sub-Fund.

Manager's Fee

The Manager's Fee is the fee paid to the Manager out of the Management Fee for portfolio management services.

In the event that the costs and expenses of the Sub-Fund exceed the Management Fee, the Manager will be responsible for discharging any such excess.

Trustee Fee

The trustee fee is paid by the Manager out of the Management Fee.

FEES PAYABLE BY INVESTORS DEALING IN UNITS ON SEHK

The following table sets out the fees payable by investors dealing in Units on SEHK:

(% based on price of Units)	
Brokerage Fee	As determined by the relevant broker
Transaction Levy	0.0027% of the trading price of the Units, payable by each of the buyer and the seller
Trading Fee	0.005% of the trading price of the Units, payable by each of the buyer and the seller
Inter-counter transfer Fee*	HKD 5
Stamp Duty	Nil

* HKSCC will charge each CCASS participant a fee of HKD 5 per instruction for effecting an inter-counter transfer between one counter and the other counter. Investors should check with their brokers regarding any additional fees.

FEES PAYABLE BY PARTICIPATING DEALERS*

The fees payable by Participating Dealers in respect of the Sub-Fund are summarised in the table below:

Creation of Units

Transaction Fee (See Note 1)	Cash creation: up to 0.02% of the Issue Price per creation application In specie creation: 0% on cash in lieu as part of the creation application
Service Agent fee (See Note 2)	HK\$1,000
Application Cancellation Fee (See Note 3)	HK\$10,000 per creation application
Cancellation Compensation	See Note 4
Extension Fee	HK\$10,000 per extended settlement application
Stamp Duty	Nil
Duties and Charges	Up to HK\$11,500 per creation application

Redemption of Units

Transaction Fee (See Note 1)	Cash redemption: up to 0.02% of the Redemption Price per redemption application In specie redemption: 0% on cash in lieu as part of the redemption application
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Service Agent fee (See Note 2)	HK\$1,000
Application Cancellation Fee (See Note 3)	HK\$10,000 per redemption application
Cancellation Compensation	See Note 4
Extension Fee	HK\$10,000 per extended settlement application
Stamp Duty	Nil
Duties and Charges	Up to HK\$11,500 per redemption application

* The Manager shall give not less than one (1) month's prior notice to Unitholders if it increases the fees payable on creation and redemption of Units.

Note 1 – The Transaction Fee is payable by the Participating Dealer for the benefit of the relevant Sub-Fund and may be passed on in whole or in part to the investor.

Note 2 – Participating Dealers will be subject to the Service Agent fee, being the fee for each book-entry deposit or book-entry withdrawal transaction, currently to the amount of HK\$1,000 and payable to HKCAS.

Note 3 – An Application Cancellation Fee is payable to the Manager for the benefit of the relevant Sub-Fund by a Participating Dealer in respect of either a withdrawn or failed application for creation or redemption of Units.

Note 4 – A Participating Dealer may be required to pay cancellation compensation to the Trustee, for the account of the Sub-Fund, pursuant to the terms of the Operational Guidelines.

Other Duties and Charges

The current rate of other Duties and Charges, payable only by Participating Dealers on creations or redemptions of Units, is up to HK\$11,500 per creation or redemption (as applicable).

VANGUARD TOTAL CHINA INDEX ETF

Underlying Index

FTSE Total China Connect Index

Investment Objective

The Manager seeks to provide investment results, before the deduction of fees and expenses that closely correspond to the performance of the Underlying Index.

Investment Strategy

The Manager seeks to achieve the investment objective by employing a passive indexing approach, through physical acquisition of securities, designed to seek to track the performance of the Underlying Index. The Underlying Index comprises of Chinese equity securities listed in or outside the PRC (including A-Shares, B Shares, H Shares, Red Chips, P Chips, S Chips and N Shares, where the A-share constituents are those which are available for investment through Stock Connect).

The Manager may use either a “Replication Strategy” (by investing all or substantially all of its assets in the Index Securities, broadly in proportion to the respective weightings of the constituents) and/or a “Representative Sampling Strategy” (by investing in a portfolio featuring a high correlation with the Underlying Index and the Manager may invest in other securities that are not included in the Underlying Index). Initially, the Manager intends to pursue a “Representative Sampling Strategy” and may at the Manager’s discretion switch between a “Replication Strategy” and a “Representative Sampling Strategy” from time to time. In the event the Manager wishes to adopt any strategy other than a “Replication Strategy” or a “Representative Sampling Strategy”, prior approval will be obtained from the SFC and not less than one month’s prior notice will be given to the Unitholders.

Investment Policies

In seeking to track the performance of the Underlying Index, the Manager currently invests in a representative sample of the Index Securities of the Underlying Index selected by the Manager using quantitative analytical models in a technique known as “portfolio optimisation”, under which each Index Security is considered for inclusion and weighting in the portfolio of the Sub-Fund based on risk, industry, country or other factors. Portfolios are optimised to minimise tracking error given a set of constraints which may include transaction costs, trade sizes, country, risk factor and stock specific constraints. The Sub-Fund will invest in A-Shares listed on SSE or SZSE through Stock Connect only.

Further, the Sub-Fund may invest in FDIs such as listed options, exchange traded options contracts, currency forwards, futures, index futures, options on index futures and warrants for investment purposes to gain exposure to the Index Securities or to the performance of the Underlying Index itself, to reduce transaction costs or taxes or allow exposure in the case of illiquid stocks or stocks which are unavailable for market or regulatory reasons or to minimise tracking error.

The Manager does not anticipate that investments in FDIs would exceed 10% of the latest available Net Asset Value of the Sub-Fund.

Portfolio Constraints

Exposure based constraints

The Manager should:

- a) ensure the Sub-Fund maintains at all times a minimum net equity exposure of 95% of the market value of the portfolio of the Sub-Fund;
- b) not, at any time, invest more than 10% of the market value of the portfolio of the Sub-Fund in open futures contracts; and
- c) ensure that the effective market exposure of all Fund Assets (including FDIs) in the portfolio of the Sub-Fund does not exceed the total amount available for investment in the portfolio of the Sub-Fund (i.e. the portfolio is not leveraged). The Sub-Fund will not be considered in breach of this constraint if the leverage was deemed to be caused by market movements. The Manager will correct the leverage as soon as possible.

Other constraints

While the Sub-Fund attempts to be fully invested each day, the Sub-Fund may also invest not more than 5% of the latest available Net Asset Value of the Sub-Fund in short-term, high quality money market instruments (including government securities or bank certificates of deposits) and/or money market funds for cash management purposes.

The Manager will not deal on behalf of the Sub-Fund in the short sale of Securities.

Securities Lending

The Sub-Fund does not currently intend to engage in any securities lending activities, repurchase transactions or other similar over-the-counter transactions. In the event of any change in respect of the Manager's intention to enter into any securities lending, repurchase transaction or other similar over-the-counter transactions, prior approval will be obtained from the SFC and not less than one month's prior notice will be given to the Unitholders.

Risks relating to the Sub-Fund

Mid-capitalised Companies Risk

The stock of mid-capitalised companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalised companies in general.

Risk related to the different trading hours between overseas stock exchanges and the SEHK

The overseas stock exchanges on which some of the Index Securities are traded are open during hours when Units in the Sub-Fund are not priced. Consequently, the value of the Index Securities may change during such hours when the SEHK is closed for trading and investors will not be able to purchase or sell the Units of the Sub-Fund. Furthermore, the

market prices of the Index Securities listed on the overseas stock exchanges will not be available during all of the SEHK trading sessions due to the trading hour difference which may lead to increased level of premium or discount of the Unit price to its Net Asset Value.

Specific Currency Risk

The Net Asset Value of the Sub-Fund will be computed in the Base Currency, being Renminbi. It should be noted that the following risks associated with the China market and risks relating to RMB should be taken into account:

- (a) 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.

- (b) Exchange rates movements between the RMB and other currencies: As the investments held for the account of the Sub-Fund may be acquired in currencies other than the Base Currency, the value of the investments of the Sub-Fund denominated in currencies other than the Base Currency of the Sub-Fund may rise and fall due to exchange-rate fluctuations and adverse movements in currency exchange rates. There is no guarantee that RMB will appreciate or depreciate in value against HKD or any

other currency. If RMB appreciates in value, an investor may enjoy a gain in RMB terms but suffer a loss when the value of the investments denominated in HKD or USD (or any other currency) is converted to RMB.

- (c) RMB Trading and settlement of Units: The trading and settlement of RMB securities are recent developments in Hong Kong and there is no assurance that there will not be problems with the systems or that other logistical problems will not arise in respect of Units traded in RMB. 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 nor is there any assurance of their readiness for dealing in RMB traded securities. The Units in the RMB counter are RMB denominated securities traded on the SEHK and settled in CCASS. Investors should note that not all brokers or custodians 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 Multiple 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 Multiple Counter trading services. The limited availability of RMB outside the PRC may also affect the liquidity and trading prices of the RMB traded Units.
- (d) Future movements in RMB exchange rates: Since July 2005, the exchange rate of RMB ceased to be pegged to the USD and the appreciation of RMB has begun to accelerate. 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. Although the PRC government has constantly reiterated its intention to maintain the stability of RMB and has introduced RMB devaluation measures, 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 further devaluation.
- (e) Offshore RMB (“**CNH**”) Market: The onshore RMB (“**CNY**”) is the only official currency of the PRC and is used in all financial transactions between individuals, the state and corporations in the PRC. Hong Kong is the first jurisdiction to allow accumulation of RMB deposits outside the PRC. Since June 2010, CNH is traded officially and is regulated jointly by the Hong Kong Monetary Authority (the “**HKMA**”) and the PBOC. While both CNY and CNH represent RMB, they are traded in different and separate markets. The two RMB markets operate independently where the flow between them is highly restricted. Though the CNH is a proxy of the CNY, they do not necessarily have the same exchange rate and their movement may not be in the same direction. This is because these currencies act in separate jurisdictions, which leads to separate supply and demand conditions for each, and therefore separate but related currency markets. For the purposes of valuation, no foreign exchange conversion will be applied for converting the value of the investments of the Sub-Fund traded via Stock Connect (denominated in CNY) into the Base Currency.

However, the current size of RMB-denominated financial assets outside the PRC is limited. In addition, participating authorised institutions are also required by the HKMA 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. The Renminbi Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source RMB from the offshore market to square such open positions. Although it is expected that the offshore RMB market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the relevant settlement agreements between Hong Kong banks and the PBOC will not be terminated or amended in the future which will have the effect of restricting availability of RMB offshore. The limited availability of RMB outside the PRC may affect the ability of investors to acquire Units trading in RMB or sell Units trading in RMB affecting the liquidity and trading price of the Units trading in RMB 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.

New Index Risk

The Underlying Index is a new index having only been launched on 29 December 2017. Given the Underlying Index is relatively new, the Sub-Fund may be riskier than other exchange traded funds tracking more established indices with a longer operating history.

See the “**Risk Factors**” section of this Prospectus for further information, in particular the risk factors entitled “*Concentration of Underlying Index*”, “*Composition of Underlying Index*”, “*Compilation of Underlying Index*”, “*Currency Risk*”, “*Tracking Error Risk*”, “*Government Intervention and Regulatory and Country Risks*”, and “*FDI Risks*”. Please also refer to the “*Listing Related Risks*” for further information on the risks associated with trading units on an exchange.

Creation/Redemption of Units

Units may be created or redeemed in specie or in cash by or through Participating Dealers (see the “**Creation of Units**” and “**Redemption of Units**” sections of this Prospectus for further information).

Creation of Units in RMB – Payment Procedures

Investors may, unless otherwise agreed by the relevant Participating Dealer, apply for creation of Units in RMB through Participating Dealers only if they have sufficient RMB to pay the application monies and the related fees. 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.

Redemption of Units

RMB traded Units, HKD traded Units and USD 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.

Units on Offer

Currently Units are available for creation through the primary market or for purchase through the secondary market under the following counters:

	SEHK Stock Code	Short Stock Name	ISIN Number
RMB Counter	83169	VANGUARDCHINA-R	HK0000415312
HKD Counter	3169	VANGUARDCHINA	HK0000415296
USD Counter	9169	VANGUARDCHINA-U	HK0000415304

Sub-Fund Details

Manager: Vanguard Investments Hong Kong Limited.

Investment Advisor: Vanguard Investments Australia Ltd

Product Type	Exchange Traded Fund
Stock Code	83169 – RMB Counter 3169 – HKD Counter 9169 – USD Counter
Short Stock Name	VANGUARDCHINA-R – RMB Counter VANGUARDCHINA – HKD Counter VANGUARDCHINA-U – USD Counter
Underlying Index	FTSE Total China Connect Index Base Date: 14 November 2014 Inception Date: 29 December 2017 Base Currency: Renminbi (CNH) Number of Constituent Stocks: 996 as at 11 November 2019 Total Market Capitalisation: RMB19,719,775 million as at 11 November 2019
Listing Date	10 May 2018
Initial Issue Price	RMB 8 per Unit excluding Duties and Charges and Transaction Fees (as detailed in the table entitled " Creation of Units " below)

Initial Offer Period	The Initial Offer Period will open at 9:00 a.m. (Hong Kong time) on 4 May 2018 and will close at 11:30 a.m. (Hong Kong time) on 7 May 2018
Initial Issue Date	9 May 2018
Trading Currency	Renminbi – RMB counter Hong Kong dollars – HKD counter US dollars – USD counter
Base Currency	Renminbi
Trading Board Lot Size	100 Units – RMB Counter 100 Units – HKD Counter 100 Units – USD Counter
Creation/Redemption Unit size	100,000 Units (or whole multiples thereof)
Minimum Holding	N/A
Dealing Day	Each Business Day will be a Dealing Day, however, days when (i) markets on which the Sub-Fund's investments are listed or traded or markets relevant to an Underlying Index are closed and as a result of which 25% or more of the Underlying Index may not be traded, or (ii) such other day(s) with respect to the Sub-Fund when any other circumstances as specified in the Prospectus occur, shall not be Dealing Days, provided there is at least one Dealing Day per fortnight. The Dealing Days for the Sub-Fund are available at www.vanguard.com.hk ¹
Dealing Deadline – Creation of Units	11.30 a.m. (Hong Kong time) on the Dealing Day or such later time with respect to a particular Dealing Day which is permitted by the Manager in good faith for the interest of the investors and having regard to any material adverse effect on the Trust or the relevant Sub-Fund, and after obtaining the Trustee's approval under exceptional circumstances. Such exceptional circumstances may include (but are not limited to) circumstances where a creation or redemption application(s) has been accepted for the Sub-Fund with respect to a particular Dealing Day and for the purpose of minimising any adverse impact of such creation or redemption on the relevant Sub-Fund, the Dealing Deadline for creation(s) or redemption(s) of Units is extended on that particular Dealing Day.
Dealing Deadline – Settlement of Creations	12.00 p.m. (Hong Kong time) on T+2

Dealing Deadline – Redemption Requests	11.30 a.m. (Hong Kong time) on the Dealing Day or such later time with respect to a particular Dealing Day which is permitted by the Manager in good faith for the interest of the investors and having regard to any material adverse effect on the Trust or the relevant Sub-Fund, and after obtaining the Trustee’s approval under exceptional circumstances. Such exceptional circumstances may include (but are not limited to) circumstances where a creation or redemption application(s) has been accepted for the Sub-Fund with respect to a particular Dealing Day and for the purpose of minimising any adverse impact of such creation or redemption on the relevant Sub-Fund, the Dealing Deadline for creation(s) or redemption(s) of Units is extended on that particular Dealing Day.
Settlement of Redemptions	4.00 p.m. (Hong Kong time) on T+2
Payment of Redemption Proceeds	T+4
Valuation Point	4 p.m. (U.S. Eastern time) i.e. 4 a.m. (Hong Kong time, with U.S. daylight savings time); or 5 a.m. (Hong Kong time, without U.S. daylight savings time) on a day following the relevant Dealing Day
Financial year end	31 December
Website	www.vanguard.com.hk ¹
Distribution Frequency[#]	Quarterly (in March, June, September, December) – at the Manager’s absolute discretion
Ongoing Charges[*]	0.40% per annum of the Net Asset Value of the Sub-Fund
Listing Agent	Vanguard Investments Hong Kong Limited, the Manager
Market Makers	Please refer to www.hkex.com.hk for a current list of Market Makers.
Participating Dealers	Please refer to https://www.vanguard.com.hk/portal/mvc/etfs/etfs ¹ for a current list of Participating Dealers.

[#] RMB traded Units, HKD traded Units and USD 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 USD 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” above.

^{*} The ongoing charges figure is the sum of the actual expenses charged to the Sub-Fund in a financial year. The figure is expressed as a percentage of the Sub-Fund’s average Net Asset Value. It equals the Management Fee as set out in the section “Ongoing fees payable by the Sub-Fund” in the product key facts statement of the Sub-Fund and includes, the ongoing fees payable out of the Sub-Fund, the Manager’s Fee, the operational fees, all costs and expenses connected with the management and operating activities of the Sub-Fund, investment management and advisory fees, administration, registration, transfer agency, listing agent, registrar, custody and trustee fees, and other operating expenses. The ongoing charges figure does not cover (to the extent not included in the Operational Fees) any fees, costs and expenses payable by investors on the creation or redemption of Units, such as the fees to Participating Dealers, brokerage fees, Transaction Fees, stamp duty or other Duties and Charges,

or any extraordinary or exceptional costs and expenses as may arise from time to time and any tax liabilities in respect of the Sub-Fund which will be paid separately out of the Fund Assets of the Sub-Fund. The figure may vary from year to year.

DIVIDEND DISTRIBUTION POLICY

The Manager reserves its absolute discretion in determining whether a dividend distribution shall be made for the Sub-Fund, and if so, the amount and the frequency of such a distribution. The Manager does not currently intend to make any dividend distribution out of capital or effectively out of capital. All Units (whether RMB, HKD or USD traded Units) will receive dividend distributions in the Base Currency only (i.e. RMB).

THE UNDERLYING INDEX

The FTSE Total China Connect Index is an index derived from the FTSE China Index and the FTSE China A Index. It is designed to represent the performance of the Chinese companies listed in or outside the PRC, with a broad coverage of Chinese share classes, including A-Shares, B Shares, H Shares, Red Chips, P Chips, S Chips and N Shares, where the A-Share constituents listed on the SSE and SZSE are available to international investors through the Stock Connect.

The FTSE Total China Connect Index was launched on 29 December 2017. The Underlying Index comprises of 996 large and mid-cap onshore (PRC) and offshore listed (Hong Kong, United States and Singapore) China equity securities with total market capitalisation of approximately RMB19,719,775 million as at 11 November 2019. The base date of the Underlying Index is set at 14 November 2014. The Underlying Index is denominated and quoted in Renminbi (CNH) and is a net total return, free float market capitalisation index.

FTSE International Limited (“**FTSE**”) is the Index Provider of the Underlying Index. The Manager and its Connected Persons are independent of FTSE.

The initial term of the Licence Agreement is more than 5 years and automatically renews unless either party provides prior written notice of its intent to not renew the Licence Agreement.

The Manager will consult the SFC on any events that may affect the acceptability of the Underlying Index, and any significant events (such as a change in the methodology/rules for compiling or calculating the index, or a change in the objective or characteristic of the index) will be notified to Unitholders as soon as practicable.

For details of the Sub-Fund’s constituent holdings and respective weightings, please refer to the FTSE website: <https://research.ftserussell.com/vanguard/Home/Indices?Region=ASIA>.

Index Methodology

Constituents of the FTSE China Index (i.e. the B Shares, H Shares, Red Chips, P Chips, S Chips and N Shares that are included in the FTSE Global Equity Index Series) and constituents of the FTSE China A Index (i.e. A-shares) that trade under the Northbound China Stock Connect Scheme Buy-and-Sell List are eligible for inclusion in the FTSE Total China Connect Index. The investability weighting of an individual constituent is the same as in the respective Underlying Index, with the exception of N Shares which are included at 100 percent of their investability weight.

In selecting the index constituents of the FTSE China Index and the FTSE China A Index, FTSE will first identify the investable universe based on the region to which the Underlying Index relates. The eligible universe is then ranked by full market capitalisation in descending order, after which the index universe is defined as 98% of the regional universe (determined based on certain criteria for inclusion and eligibility of securities). Once the index universe has been identified, the eligible securities are then passed through additional eligibility screens (including size, free float restrictions, foreign ownership restrictions, liquidity screen and surveillance stocks screen (for example, A-shares that are designated “(ST or *ST)” by SSE and SZSE are excluded)) before being added to their respective index.

For further details on index construction rules and eligibility screens, please refer to the following documents that can be found on the FTSE website:

- The Ground Rules of the FTSE Global Equity Index Series:
http://www.ftse.com/products/downloads/FTSE_Global_Equity_Index_Series.pdf
- The Ground Rules of the FTSE China Index Series:
http://www.ftse.com/products/downloads/FTSE_China_Index_Series_Ground_Rules.pdf
- The Ground Rules of the FTSE China A All Cap Index Series:
http://www.ftse.com/products/downloads/FTSE_China_A_All_Cap_Index_Series_English.pdf
- The Ground Rules of the FTSE Total China Connect Index:
http://www.ftse.com/products/downloads/FTSE_Total_China_Connect_Index_Ground_Rules.pdf

Further information on the Underlying Index can be found on the following FTSE websites:

- <http://www.ftse.com/Analytics/Factsheets/Home/DownloadSingleIssue?issueName=FTTCC&IsManual=True>
- http://www.ftse.com/products/downloads/FTSE_Total_China_Connect_Index_Ground_Rules.pdf
- <http://www.ftse.com/products/indices/china>

FEES AND EXPENSES

Management Fee

The Management Fee per Unit will be paid out of the Fund Assets of the Sub-Fund as set out in this Appendix 1. This fee will be accrued daily and paid monthly in arrears. The Management Fee is the sum of anticipated charges to the Sub-Fund and expressed as a percentage of the Net Asset Value of the Sub-Fund. The Manager will retain the Management Fee to pay for various fees and expenses, including the Manager’s Fee, the Operational Fees, all costs and expenses connected with the management and operating activities of the Sub-Fund, investment management and advisory fees, administration, registration, transfer agency, listing agent, registrar, custody and trustee fees, and other operating expenses. The Management Fee will not cover (to the extent not included in the Operational Fees) any fees, costs and expenses payable by investors on the creation or redemption of Units, such as the fees to Participating Dealers, brokerage fees, Transaction Fees, stamp duty or other Duties and Charges, or any extraordinary or exceptional costs and expenses as may arise from time to time and any tax liabilities in respect of the Sub-Fund which will be paid separately out of the Fund Assets of the Sub-Fund.

As the Management Fee is a single fixed rate, the actual ongoing charges figure of the Sub-Fund will be equal to the Management Fee. The Management Fee of the Sub-Fund is 0.40% per annum of the Net Asset Value of the Sub-Fund.

Manager's Fee

The Manager's Fee is the fee paid to the Manager out of the Management Fee for portfolio management services.

In the event that the costs and expenses of the Sub-Fund exceed the Management Fee, the Manager will be responsible for discharging any such excess.

Trustee Fee

The trustee fee is paid by the Manager out of the Management Fee.

FEES PAYABLE BY INVESTORS DEALING IN UNITS ON SEHK

The following table sets out the fees payable by investors dealing in Units on SEHK:

	(% based on price of Units)
Brokerage Fee	As determined by the relevant broker
Transaction Levy	0.0027% of the trading price of the Units, payable by each of the buyer and the seller
Trading Fee	0.005% of the trading price of the Units, payable by each of the buyer and the seller
Inter-counter transfer Fee*	HKD 5
Stamp Duty	Nil

* HKSCC will charge each CCASS participant a fee of HKD 5 per instruction for effecting an inter-counter transfer between one counter and the other counter. Investors should check with their brokers regarding any additional fees.

FEES PAYABLE BY PARTICIPATING DEALERS*

The fees payable by Participating Dealers in respect of the Sub-Fund are summarised in the table below:

Creation of Units

Transaction Fee (See Note 1)	Cash creation: up to 0.15% of the Issue Price per creation application In specie creation: 0.10% on cash in lieu as part of the creation application
Service Agent fee (See Note 2)	HK\$1,000
Application Cancellation Fee (See Note 3)	RMB8,000 per creation application
Cancellation Compensation	See Note 4
Extension Fee	RMB8,000 per extended settlement application
Stamp Duty	Nil

Duties and Charges	Up to RMB34,000 per creation application
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Redemption of Units

Transaction Fee (See Note 1)	Cash redemption: up to 0.15% of the Redemption Price per redemption application In specie redemption: 0.10% on cash in lieu as part of the redemption application
Service Agent fee (See Note 2)	HK\$1,000
Application Cancellation Fee (See Note 3)	RMB8,000 per redemption application
Cancellation Compensation	See Note 4
Extension Fee	RMB8,000 per extended settlement application
Stamp Duty	Nil
Duties and Charges	Up to RMB34,000 per redemption application

* The Manager shall give not less than one (1) month's prior notice to Unitholders if it increases the fees payable on creation and redemption of Units.

Note 1 – The Transaction Fee is payable by the Participating Dealer for the benefit of the relevant Sub-Fund and may be passed on in whole or in part to the investor.

Note 2 – Participating Dealers will be subject to the Service Agent fee, being the fee for each book-entry deposit or book-entry withdrawal transaction, currently to the amount of HK\$1,000 and payable to HKCAS.

Note 3 – An Application Cancellation Fee is payable to the Manager for the benefit of the relevant Sub-Fund by a Participating Dealer in respect of either a withdrawn or failed application for creation or redemption of Units.

Note 4 – A Participating Dealer may be required to pay cancellation compensation to the Trustee, for the account of the Sub-Fund, pursuant to the terms of the Operational Guidelines.

Other Duties and Charges

The current rate of other Duties and Charges, payable only by Participating Dealers on creations or redemptions of Units, is up to RMB34,000 per creation or redemption (as applicable).

APPENDIX 2

VALUATION

Determination of Net Asset Value

The Net Asset Value of a Sub-Fund is determined by the Manager or its duly appointed agent (or if the Manager and the Trustee so agree, by the Trustee or its duly appointed agent) (the “Valuer”) at the Valuation Point relating to each Dealing Day by valuing the assets of the Sub-Fund and deducting the liabilities of the Sub-Fund in accordance with the terms of the Trust Deed.

Set out below is a summary of how the value of the assets comprised in a Sub-Fund is calculated:

- a) the value of any investment (other than a unit or other interest in a collective investment scheme or a commodity) is generally calculated by reference to the price appearing as the last traded price on the principal stock exchange for such investment as at the close of the business in such place on the Dealing Day;
- b) the value of any investment (other than a unit or other interest in a collective investment scheme or a commodity) that is not quoted will be the initial value as ascertained or the value as assessed on the latest revaluation;
- c) subject to sub-sections (d) and (e) below, the value of each unit or other interest in a collective investment scheme which is valued as at the same day as the Sub-Fund will be the net asset value per unit or other interest in such collective investment scheme calculated as at that day or, if the Valuer so determines, in consultation with the Manager and the Trustee, or if such collective investment scheme is not valued as at the same day as the Sub-Fund, will be the last published net asset value per unit or other interest in such collective investment scheme, or if unavailable, the last published bid and offer price for such unit or other interest;
- d) if no net asset value, bid and offer prices or price quotations are available for such unit or other interest as provided in sub-section (c) above, the value shall be determined from time to time in such manner as the Valuer shall determine in consultation with the Manager and the Trustee;
- e) the Manager may, in consultation with the Trustee, adjust the value of any investment if, having regard to currency, applicable rates of interest, maturity, marketability and other considerations it deems relevant, it considers that such adjustment is required to reflect the fair value of the investment or permit some other method of valuation to be used if it considers that to do so better reflects the fair value of the investment; and
- f) assets other than investments and cash will be valued in such manner and at such times as the Valuer may decide acting prudently and in good faith and after consultation with the Manager and the Trustee.

The term “last traded price” referred to above refers to the last traded price reported on the relevant exchange for the day, commonly referred to in the market as the “settlement” or “exchange price”, and represents a price at which members of the exchange settle between them for their outstanding positions.

Determination of Issue Price

The Issue Price at which any issue of Units after the Initial Offer Period shall be ascertained as follows:

- a) by dividing the Value of the relevant Sub-Fund at the relevant Valuation Point relating to the Dealing Day by the number of Units then in issue and deemed to be in issue;
- b) by adjusting the resulting total per Unit to four decimal places (or such other method of rounding or adjustment as may be determined by the Manager from time to time in consultation with the Trustee) ("**Issue Price Per Unit**");
- c) by multiplying the Issue Price Per Unit by the number of Units in the relevant Sub-Fund to be created; and
- d) thereafter by adjusting the amount determined under paragraph (c) above to the nearest HK\$0.01 (with fractions of HK\$0.005 being rounded up) (or such other method of rounding or adjustment as may be determined by the Manager from time to time in consultation with the Trustee).

Determination of Redemption Price

The Redemption Price of any redemption and cancellation of Units shall be ascertained as follows:

- a) by dividing the Value of the relevant Sub-Fund at the relevant Valuation Point relating to the Dealing Day by the number of Units then in issue and deemed to be in issue;
- b) by adjusting the resulting total per Unit to four decimal places (or such other method of rounding or adjustment as may be determined by the Manager from time to time in consultation with the Trustee) ("**Redemption Price Per Unit**");
- c) by multiplying the Redemption Price Per Unit as determined under paragraph (b) above by the number of Units to be redeemed; and
- d) thereafter by adjusting the amount to the nearest HK\$0.01 (one cent) (with fractions of HK\$0.005 being rounded down) (or such other method of rounding or adjustment as may be determined by the Manager from time to time in consultation with the Trustee).

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

For further details on suspension of determination of Net Asset Value, please refer to "**Temporary Suspension of Dealing in Units**" in this Prospectus.

APPENDIX 3

INVESTMENT POWERS AND RESTRICTIONS

Investment Restrictions

The Trust is subject to certain investment restrictions set out under the Code and Trust Deed, as amended from time to time. No holding of any Securities may be acquired or added for each Sub-Fund which would result in:

- (a) more than 10% of the latest available Net Asset Value of the aggregate value of a Sub-Fund's investments in, or exposed to, any single entity through (i) investments in Securities issued by such entity; (ii) exposure to such entity through underlying assets of FDIs and (iii) net counterparty exposure to such entity arising from transactions of the over-the-counter FDIs, unless such investment is permitted under the Code (as specified below) or as varied by Chapter 8.6(h)(a) of the Code (as applicable):
 - (i) it is limited to any Securities that each accounts for more than 10% of the weighting of the Underlying Index; and
 - (ii) the relevant Sub-Fund's holding of any such Securities may not exceed their respective weightings in the Underlying Index, except where weightings are exceeded as a result of changes in the composition of the Underlying Index and the excess is only transitional and temporary in nature.

Subject to the approval by the SFC, the Value of a Sub-Fund's holding in Government and other Public Securities of the same issue may exceed 30% of the latest available Net Asset Value of the Sub-Fund. Further, subject to the restriction aforementioned, the Manager may invest all of the assets of a Sub-Fund in Government and other Public Securities in any number of different issues despite paragraph (d) below;

- (b) subject to paragraph (a) above, and Chapter 7.28(c) of the Code (as applicable), more than 20% of the Net Asset Value of the aggregate value of a Sub-Fund's investment in, or exposure to, entities within the same group through (i) investments in Securities issued by any such entity; (ii) exposure to any such entity through underlying assets of FDIs; and (iii) net counterparty exposure to any such entity arising from transactions of over-the-counter FDIs;
- (c) the value of a Sub-Fund's cash deposits made with the same entity (or entities within the same group) to exceed 20% of the Net Asset Value of the Sub-Fund, unless: (i) the cash is held before the launch of the relevant Sub-Fund and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested, or (ii) the cash 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 would not be in the best interest of investors; or (iii) the cash 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;
- (d) the Sub-Funds collectively holding more than 10% of any ordinary shares issued by any single entity;

- (e) more than 15% of the latest available Net Asset Value of any Sub-Fund being invested in Securities and other financial products or instruments which are not listed, quoted or dealt in on a Recognised Exchange;
- (f) except as permitted by Chapter 8.6(i) of the Code, and notwithstanding paragraphs (a), (b) and (d) above, more than 30% of the latest available Net Asset Value of any Sub-Fund being invested in Government and other Public Securities of the same issue, save that the relevant Sub-Fund may invest all of its assets in Government and other Public Securities in at least six different issues;
- (g) investment in physical commodities unless otherwise approved by the SFC on a case-by-case basis taking into account the liquidity of the physical commodities concerned and availability of sufficient and appropriate additional safeguards where necessary;
- (h) more than 10% of the latest available Net Asset Value of any Sub-Fund's investment in any units or shares in other collective investment schemes which are non-eligible schemes (as designated by the SFC) and not authorised by the SFC; and
- (i) more than 30% of the latest available Net Asset Value of any Sub-Fund's investment in units or shares in one or more collective investment schemes which are either authorised by the SFC or eligible schemes (as designated by the SFC), provided always that such limit may be exceeded if (x) such collective investment scheme is authorised by the SFC and (y) the name and key investment information of such collective investment scheme are disclosed in this Prospectus.

In addition, the Trust is subject to the following investment restrictions, which prohibits the Manager, for the account of any Sub-Fund, from:

- (j) investment in a collective investment scheme, the objective of which is to invest primarily in any investments prohibited or restricted under chapter 7 of the Code, and where such collective investment 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 limitations;
- (k) investment in a collective investment scheme managed by the Manager or its Connected Persons unless all initial charges and redemption charges on such collective investment scheme are waived and the Manager or any person acting on behalf of the collective investment scheme or the Manager does not retain any rebate on any fees or charges levied by the collective investment scheme or the management company of such collective investment scheme, or any quantifiable monetary benefits in connection with investments in any collective investment scheme;
- (l) investment 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);
- (m) making short sales unless (i) the Sub-Fund's liability to deliver securities does not exceed 10% of its latest available Net Asset Value; and (ii) the security which is to be sold short is actively traded on a market where short selling activity is permitted;
- (n) subject to Chapter 7.3 of the Code, lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person;

- (o) acquisition of any asset or engagement in any transaction which may involve any Sub-Fund in any unlimited liability;
- (p) causing the Unitholders to incur liability in relation to a Sub-Fund beyond their investments in such Sub-Fund;
- (q) investment in securities of any class in any company or body if any director or officer of the Manager individually owns more than 0.5% of those securities of that class or such directors and officers collectively own more than 5% of those securities; and
- (r) acquisition of any security where a call is to be made for any sum unpaid on that security unless that call can be met in full out of cash or near cash by the Fund Assets, whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transaction in FDIs for the purposes of Chapter 7.29 and 7.30 of the Code.

If any of the investment restrictions and limitations under this section of the Prospectus are breached, the Manager will take as a priority objective all steps as are necessary within a reasonable period of time to remedy the situation, taking due account of the interests of the Unitholders.

Borrowing Restrictions

The Trustee may, at any time at the written request of the Manager, borrow money for the account of any Sub-Fund, subject to the following limitations:

- (a) the principal amount for the time being of all borrowings for the account of any Sub-Fund shall not exceed an amount equal to 10% of the value of the Fund Assets of the Sub-Fund on any Dealing Day; and
- (b) each borrowing may be related to any one or more of the following:
 - (i) to pay the Cash Redemption Component or Redemption Price on a redemption of Units;
 - (ii) to purchase Securities following a creation of Units where the cash amount of the Issue Price is not received in full in cleared funds by the Trustee on the relevant settlement date for such cash amount;
 - (iii) to settle the purchase or sale of any Investments in order to facilitate a rebalance of the portfolio of the Fund Assets;
 - (iv) to pay any negative Cash Issue Component;
 - (v) to meet the fees, expenses and liabilities of the Trust or the relevant Sub-Fund (excluding the Manager's Fee or fees payable to the Trustee);
 - (vi) to pay distributions of income; or
 - (vii) for any other proper purpose as may be agreed by the Manager and the Trustee from time to time.

If at any time the aggregate principal amount of all outstanding borrowings under the Trust Deed in respect of a Sub-Fund shall exceed an amount equal to 10% of the value of the Fund Assets calculated on the then most recent Dealing Day, the Manager shall take as a priority objective all steps as are reasonably necessary within a reasonable time to remedy the situation, taking into account the interests of Unitholders.

Financial Derivative Instruments (“FDIs”)

Subject to any provisions herein and the Code, a Sub-Fund may acquire FDIs for hedging purposes and non-hedging purposes (“**investment purposes**”) subject to the limit that the relevant Sub-Fund’s global exposure relating to such FDIs (“**net derivative exposure**”) for non-hedging purposes does not exceed 50% of its total Net Asset Value, provided that the exposure to the underlying assets of the FDIs, together with the other Investments of the scheme, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets and Investments as set out in under paragraphs (a), (b), (c), (f), (i), (j) and (l) under the section headed “**Investment Restrictions**” above.

In addition, investment by the relevant Sub-Fund in FDIs should be either listed or quoted on a stock exchange or dealt in over-the-counter market, and comply with the following requirements:

- (a) the underlying assets of the FDIs invested in by the relevant Sub-Fund consist solely of shares in companies, debt securities, money market instruments, units/shares in 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, currencies, or other asset classes acceptable to the SFC, in which the scheme may invest according to its investment objectives and policies;
- (b) the counterparties to transactions of over-the-counter FDIs or their guarantors are substantial financial institutions (as designated by SFC);
- (c) subject to paragraphs (a) and (b) above, the net counterparty exposure to a single entity arising from transactions of over-the-counter FDIs may not exceed 10% of the Net Asset Value of the relevant Sub-Fund; and
- (d) the valuation of the FDIs is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager or the Trustee or their nominee(s), agent(s), or delegates(s) independent of the issuer of the FDIs through measures such as the establishment of a valuation committee or engagement of third party services. The FDIs can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Sub-Fund’s initiative. Further, calculation agent or Administrator should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the FDIs on a regular basis.

The portfolio of a Sub-Fund will not be leveraged either through borrowing to purchase Securities or through the acquisition of options, futures or other derivative products without appropriate cash offsets and capable of meeting all its payments and delivery obligations incurred under such transactions (whether for hedging or for investment purposes). The Manager shall ensure that, as part of its risk management process, that such 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 be covered in

accordance with chapter 7.30 of the Code. Where a financial instrument embeds a FDI, the investment restrictions and limitations under this section headed “**Financial Derivative Instruments**” will also apply to the embedded FDI.

The Manager must not leverage the portfolio or use FDIs to gear a Sub-Fund or to place a contingent liability or a contingent risk on the Trustee, the Trust or the relevant Sub-Fund, except contingent liabilities or contingent risks associated with permitted derivative Securities.

- (a) Derivatives are to be used only when the Manager considers their use to be consistent with the investment objectives and strategy of the portfolio of a Sub-Fund, to reduce tracking error and to maintain market exposure.
- (b) The Manager must not use derivatives for the purposes of speculation.
- (c) The Manager will ensure that the portfolio of a Sub-Fund holds only “covered” derivatives.

In the case of derivatives positions to achieve exposure, “cover” consists of assets which the Manager determines:

- (i) are equivalent to cash (i.e. short term assets); and
- (ii) are sufficient to meet all potential obligations associated with the derivatives position.

In the case of derivatives positions to remove exposure, “cover” consists of sufficient assets that the Manager determines to be a reasonable hedge for the derivatives position.

The portfolio of a Sub-Fund will not be considered in breach of this constraint if the leverage was deemed to be caused by market movements. The Investment Advisor will correct the leverage as soon as possible.

In making these determinations, the Investment Advisor will consider net derivatives positions where relevant.

Risk Management Process (“RMP”)

The Investment Advisor employs an RMP which enables it to accurately measure, monitor and manage the various risks associated with the use of FDIs. The Investment Advisor will only use FDIs which are specified in the RMP.

Amongst others, to mitigate borrower’s risk, the Manager or Investment Advisor maintains an approved counterparty list where credit rating of the counterparties for FDIs will be checked using an independent source on a weekly basis and a report will be made where there are any changes. All dealings with approved counterparties will occur subject to legal documentation that is satisfactory to the Manager or Investment Advisor. Dealings with approved counterparties shall also comply with limits detailed in the RMP.

The RMP also includes policies on risk monitoring, reporting and operational control. Amongst others, an independent designated team will at all times have reporting lines and will ensure:

- comprehensive capture of the relevant Sub-Fund's holdings in risk measures and mandate compliance;
- no reliance exists on the portfolio managers for calculation of effective exposures or calculation of risk measures;
- counterparties are authorised to move money to the Trustee;
- where reliance exists on a third party for information (including valuations), that information is issued by the third party's back office and is received directly and systematically; and
- separation of reconciliation, accounting and settlement functions, and other back office procedures.

APPENDIX 4

GENERAL INFORMATION

Trust Deed

The Trust was established under Hong Kong law by the Trust Deed. 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 and their relief from liability in certain circumstances. Unitholders and prospective investors are advised to consult the terms of the Trust Deed. Nothing in the Trust Deed shall exempt either the Trustee or the Manager (as the case may be) from any liability to fraud or negligence.

Accounting periods and annual and interim reports

The Manager, with the assistance of the Trustee or other service provider appointed by the Manager, shall cause to be prepared an annual report and an interim report for the each Sub-Fund for the period ending 31 December in every financial year. The first annual report and audited annual accounts for the Trust and the initial Sub-Fund, Vanguard FTSE Asia ex Japan Index ETF covered the period from establishment of the Trust to 31 December 2013. No unaudited semi-annual half-yearly accounts were prepared in the first financial year. The first unaudited semi-annual half-yearly accounts of the initial Sub-Fund, Vanguard FTSE Asia ex Japan Index ETF covered the period from 1 January 2014 to 30 June 2014.

The first annual report and audited annual accounts for the subsequent Sub-Funds introduced in June 2014, namely Vanguard FTSE Japan Index ETF, Vanguard FTSE Developed Europe Index ETF and Vanguard FTSE Asia ex Japan High Dividend Yield Index ETF, covered the period from establishment of such Sub-Funds to 31 December 2014. The first unaudited semi-annual half-yearly accounts of these Sub-Funds will cover the period from 1 January 2015 to 30 June 2015.

The first annual report and audited annual accounts for the Sub-Fund, Vanguard S&P 500 Index ETF will cover the period from establishment of this Sub-Fund to 31 December 2015. The first unaudited semi-annual half-yearly accounts of Vanguard S&P 500 Index ETF will cover the period from 1 January 2016 to 30 June 2016.

The first annual report and audited annual accounts for the Sub-Fund, Vanguard Total China Index ETF will cover the period from establishment of this Sub-Fund to 31 December 2018. The first unaudited semi-annual half-yearly accounts of Vanguard Total China Index ETF will cover the period from 1 January 2019 to 30 June 2019.

The financial year of each Sub-Fund ends on 31 December of each year. The unaudited semi-annual half-yearly reports for each Sub-Fund will cover the period from 1 January to 30 June. The audited annual reports and interim reports will be prepared in English only and will be posted at www.vanguard.com.hk¹ and available at the office of the Manager free of charge within four months of the end of each financial year and two months after the end of the semi-financial year-end respectively. Chinese annual reports and interim reports will not be prepared in respect of the Sub-Funds.

Communications with Unitholders

Communications with Unitholders may be effected by mail. In addition, communications with Unitholders will also be published on the website of the HKEx (<http://www.hkexnews.hk/>) or at www.vanguard.com.hk¹. Unitholders should regularly visit the HKEx website, or request that their representatives do so on their behalf, to ensure that they obtain such information on a timely basis. The following information will be available at www.vanguard.com.hk¹, in both English and Chinese:

- this Prospectus, including the product key facts statements (as revised from time to time);
- the most recent audited annual and unaudited semi-annual reports of the Sub-Funds (available in English only);
- the last Net Asset Value of the Sub-Funds in their Base Currency only and the last Net Asset Value per Unit of the Sub-Funds in each of the Sub-Fund's trading currencies (i.e. HKD, RMB and USD where applicable) (updated on a daily basis);
- the Dealing Days for the Sub-Funds;
- near real-time estimated Net Asset Value per Unit of the Sub-Funds throughout each Dealing Day in each of the Sub-Fund's trading currencies (i.e. HKD, RMB and USD where applicable);
- any public announcements or notices made by the Trust and Sub-Funds, including information regarding the Sub-Funds or the Underlying Index, the suspension of creation and redemption of Units, the suspension of the calculation of the Net Asset Value, changes in fees and the suspension and resumption of trading, and notices relating to material alterations or additions to this Prospectus or the constitutive documents of the Trust;
- full holdings of the Sub-Funds (updated on a monthly basis within one month of the end of each month);
- the latest list of Participating Dealers and Market Maker(s) of the Sub-Funds
- the last closing level of the Underlying Index (in Base Currency);
- the ongoing changes figure and the past performance information of the Sub-Funds; and
- the tracking difference and tracking error of the Sub-Funds.

The near real time estimated NAV per Unit (in each of the Sub-Fund's trading currencies) and the last NAV per Unit (in each of the Sub-Fund's trading currencies (other than the Base Currency)) are indicative and for reference only. The near real time estimated NAV per Unit in each of the Sub-Fund's trading currencies (other than the Base Currency) uses a real time exchange rate between the Base Currency and each of the trading currencies (other than the Base Currency). It is calculated using the near real time estimated NAV per Unit in the Base Currency of the relevant Sub-Fund multiplied by the real time exchange rate provided by ICE Data Services for the relevant trading currencies of each Sub-Fund (other than the Base Currency).

The last NAV per Unit in each of the Sub-Fund's trading currencies (other than the Base Currency) are calculated using the last NAV per Unit in the Base Currency of the relevant Sub-Fund multiplied by the WM Reuters at 4:00 p.m. (London time)* rate for the relevant trading currencies of each Sub-Fund other than the Base Currency for that Dealing Day.

* Please note 4:00 p.m. (London time), (i) during British Summer Time is equivalent to 11:00 p.m. (Hong Kong time); and (ii) otherwise is equivalent to 12:00 a.m. (Hong Kong time).

Unitholders' meetings and voting rights

The Trust Deed provides that the Trustee or the Manager may (and the Trustee shall at the request in writing of Unitholders together registered as holding not less than one-tenth of the Units for the time being in issue) at any time convene a meeting of Unitholders after giving at least either 14 days' prior notice for every general meeting at which an ordinary resolution is proposed, or 21 days' prior notice for a general meeting at which an Extraordinary Resolution is proposed.

General meetings may be used to sanction any modification, alteration or addition to the terms of the Trust Deed to increase the maximum Management Fee, Manager's Fee or trustee fee, to permit other types of fees or to approve termination of the Trust or any Sub-Fund in accordance to the terms of the Trust Deed. Such matters must be considered by one or more Unitholders present in person or by proxy and registered as holding in aggregate at least 25% of the Units in issue for the relevant Sub-Fund and passed by at least 75% majority of the votes cast.

Proxies may be appointed. A Unitholder may appoint more than one proxy to attend and vote a prescribed number of his or its Units. Where the Unitholder is a recognised clearing house (within the meaning of the Securities and Futures Ordinance) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any meeting of the Trust or the relevant Sub-Fund provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number of Units in respect of which each such representative is so authorised. The person so authorised will be deemed to have been duly authorised without the need of producing any documents of title, notarised authorisation and/or further evidence for substantiating the facts that it is duly authorised and will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house or its nominee(s) could exercise if it were an individual Unitholder, including the right to vote individually. Each of the Manager and the Trustee undertakes that either one of them shall nominate a chairman at any meeting of Unitholders, and shall ensure that such chairman shall demand a poll for any resolution put to the vote of the meeting.

The Trust Deed sets out procedures to be followed in respect of meetings of the Unitholders, including provisions as to the giving of notice, appointment of proxies and quorum.

Documents Available for Inspection

Copies of the following documents may be inspected free of charge at the place of business of the Manager at 48/F, The Center, 99 Queen's Road Central, Hong Kong, during normal business hours on any Business Day:

- a) the Trust Deed and any supplemental deed;
- b) this Prospectus, including the product key facts statements; and

- c) any audited annual or unaudited interim reports of any Sub-Fund.

A copy of the Trust Deed and any supplemental deed may be supplied by the Manager on application at a reasonable fee.

Enquiries and Complaints

Any person who has an enquiry or complaint to make about the operation of the Trust or any Sub-Fund may submit his complaint directly to the Manager in writing to the Manager's address or by calling the Manager on +852 3409 8333 during normal business hours. The Manager will respond to any enquiry or complaint in writing as soon as practicable and within one month under normal circumstances.

Modification of Trust Deed

The Trustee and the Manager may jointly modify, alter or add to the provisions of the Trust Deed by supplemental deed to the extent as they may consider expedient for any purpose, provided that unless the Trustee and the Manager will certify in writing (in such form and manner agreed between the Trustee and the Manager) that in their reasonable opinion such proposed modification, alteration or addition:

- a) is necessary or desirable in order to make possible compliance with any fiscal, statutory, regulatory or other official requirements of any country or authority (whether or not having the force of law); or
- b) does not materially prejudice the interests of Unitholders in the relevant Sub-Fund(s), does not to any material extent release the Trustee, the Manager or any other person from any liability to Unitholders under the Trust Deed and (with the exception of the payment of proper fees and expenses incurred in relation to the preparation and execution of the relevant supplemental deed) will not result in any increase in the amount of costs and charges payable from the relevant Sub-Fund(s) and borne by the Unitholders relating to the relevant Sub-Fund(s) which are in issue at the time such modification, alteration or addition takes effect; or
- c) is necessary or desirable to correct a manifest or technical error,

no such modification, alteration or addition may be made without an Extraordinary Resolution of Unitholders in each Sub-Fund specified by the Trustee as being required to approve such modification, alteration or addition and no such modification, alteration or addition (whether or not approved by an Extraordinary Resolution) shall impose upon any Unitholder any obligation to make any further payment in respect of his Units or to accept any liability in respect thereof.

Unitholders shall be given prior notice of the details of any modification, alteration or addition to the Trust Deed and their effects on existing Unitholders (if any). Any such modification, alteration or addition to the Trust Deed shall be subject to prior approval by the SFC.

Removal and Retirement of the Trustee and the Manager

The Trustee

Subject to requisite regulatory approvals (including the SFC's prior approval), the Trustee may retire from office by giving not less than six months' notice (or such shorter period as the SFC may approve), upon and subject to the appointment of a new trustee in accordance with the provisions of the Trust Deed. The Manager shall be responsible for finding a new trustee approved by the SFC as trustee of the Trust. The retirement of the Trustee shall take effect at the same time as the appointment of the new trustee. The Trustee, the new trustee and the Manager shall by deed or deeds supplemental to the Trust Deed appoint such new trustee to be the Trustee in the place of the retiring Trustee.

If following a material breach of the Trustee's obligations under the Trust Deed which, if capable of remedy, and:

- a) the Trustee fails to remedy within 60 days (or such longer period as the Trustee and the Manager may agree) of being specifically required to do so by the Manager; and
- b) the Manager is of the opinion and so states in writing to the Trustee that a change of the Trustee is desirable and in the best interests of Unitholders as a whole,

the Manager shall be entitled to give not less than one month's notice in writing to the Trustee that it wishes the Trustee to retire and specify in such notice the name of a company eligible, in accordance with the Code and any other applicable laws, to be the trustee of the Trust and is acceptable to the SFC (and any other competent governmental authority as required by law), whereupon the Trustee shall, with effect on and from the date on which the appointment of such new Trustee takes effect, by deed supplemental to the Trust Deed retire as the Trustee.

The new Trustee shall as soon as practicable after its appointment give notice to the Unitholders specifying the name and address of the office of the new Trustee.

The Trustee may be removed by prior notice in writing given by the Manager:

- a) if the Trustee goes into liquidation (other than a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Manager) or shall be adjudged a bankrupt or insolvent or appoints a liquidator or if a receiver shall be appointed in respect of the property or undertaking of the Trustee or any part thereof or a judicial manager is appointed in respect of the Trustee or the Trustee is the subject of any analogous proceedings or procedure in each case under such law as may be applicable in the circumstances;
- b) if the Manager acting in good faith and in the best interests of Unitholders, wishes to remove the Trustee;
- c) if a Unitholder or Unitholders who is or between them are registered as holding in aggregate 50% or more in value of the Units outstanding (other than those held or deemed to be held by the Trustee) delivers or deliver to the Manager in writing a request to dismiss the Trustee; or
- d) if the SFC or any other competent governmental authority directs the Manager to remove the Trustee (including the circumstances where the SFC withdraws its approval of the Trustee as trustee of the Trust).

The Manager shall inform the SFC and any other competent governmental authority of any decision to remove the Trustee, if required by law. The Manager shall be responsible for finding a new trustee approved by the SFC as trustee of the Trust. The Trustee, the new trustee and the Manager shall by deed or deeds supplemental to the Trust Deed appoint such new trustee to be the Trustee in the place of the retiring Trustee.

The Manager

Upon giving three months' written notice to the Trustee, the Manager may retire in favour of some other person eligible to be the manager of the Trust in accordance with the Code and approved by the Trustee and the SFC (and any other governmental authority as required by law) upon and subject to such person entering into such deed or deeds (being a deed or deeds supplemental to the Trust Deed) as the Trustee may be advised to be necessary or desirable to be entered into by such person in order to secure the due performance of its duties as Manager. In the event that the Manager desires for any of its Connected Persons to assume its duties as the Manager, the retiring Manager shall be entitled to provide the Trustee and all Unitholders in the Sub-Funds with at least one month written notice (or such other period as permitted by the SFC), and the Trustee agrees to appoint such Connected Person to be the Manager in place of the retiring Manager, subject to the prior approval of the SFC.

The Manager shall be subject to removal by notice in writing given by the Trustee:

- a) if the Manager goes into liquidation (other than voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously notified in writing to the Trustee) or shall be adjudged a bankrupt or insolvent or appoints a liquidator or if a receiver shall be appointed in respect of the property or undertaking of the Manager or any part thereof or a judicial manager is appointed in respect of the Manager or the Manager is the subject of any analogous proceedings or procedure in each case under such law as may be applicable in the circumstances;
- b) if the SFC or any other competent governmental authority directs the Trustee to remove the Manager (including the circumstances where the SFC withdraws its approval of the Manager as manager of the Trust);
- c) following a material breach of the Manager's obligations under the Trust Deed which, if the breach is capable of remedy, the Manager fails to remedy within 60 days (or such longer period as the Trustee and the Manager may agree), and the Trustee acting in good faith is of the reasonable opinion and so states in writing to the Manager that a change of Manager is desirable and in the best interests of Unitholders as a whole;
- d) if for good and sufficient reason the Trustee, acting in good faith, is of the reasonable opinion and so states in its written notice of removal to the Manager that a change of Manager is desirable in the interest of the Unitholders as a whole, provided that if the Manager shall be dissatisfied with such opinion and so states to the Trustee within seven days of receipt of the Trustee's written notice of removal the matter shall be referred to a third party mediator as agreed between the Trustee and the Manager for determination, and his/her determination shall be final and bind the Trustee and the Manager; or
- e) if a Unitholder or Unitholders who is or between them are registered as holding in aggregate 50% or more in value of the Units outstanding delivers or deliver to the Trustee in writing a request to dismiss the Manager.

The Trustee shall inform the SFC and any other competent governmental authority of any decision to remove the Manager, if required by law. The Trustee shall by writing appoint as Manager some other person eligible to be the manager of the Trust and acceptable to the SFC (and any other competent governmental authority as required by law) and subject to such person entering into such deed or deeds (being a deed or deeds supplemental to the Trust Deed) as the Trustee may be advised to be necessary or desirable to be entered into by such person in order to secure the due performance of its duties as Manager. The Trustee shall also, as soon as practicable after the appointment of a new Manager, give notice to the Unitholders specifying the name and the address of the office of the new Manager.

Termination of the Trust or the Sub-Fund

The Trust shall continue for a period of 80 years from the date of the Trust Deed unless it is earlier terminated as described below and/or in accordance with the Trust Deed.

The Trust or any Sub-Fund may be terminated by the Trustee in the following circumstances:

- a) if the Manager goes into liquidation (other than voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or is adjudged a bankrupt or insolvent or appoints liquidators or if a receiver is appointed in respect of the property or undertaking of the Manager or any part thereof or the Manager is the subject of any analogous proceedings or procedure in each case under the laws of Hong Kong or such other laws as may be applicable in the circumstances where, after the expiration of a period of three months, the Trustee has not appointed a new Manager in accordance with the Trust Deed;
- b) if on the expiration of three months after notifying the Manager that in the Trustee's opinion a change of Manager is desirable in the interests of the Unitholders, the Trustee has not found another company ready to accept the office of manager of the Trust of which the Trustee and the SFC (and any other government authority required by law) shall approve;
- c) if the Manager shall fail to appoint a new trustee in place of the Trustee within such time as the Manager considers to be reasonable (which shall be not less than three months) after the date of the Trustee's written notice to retire in accordance with the Trust Deed;
- d) if, in the reasonable opinion of the Trustee acting in good faith, the Manager is incapable of performing its duties properly or has done any other thing which in the opinion of the Trustee is calculated to bring the Trust or any Sub-Fund into disrepute or to be harmful to the interests of the Unitholders or if the Manager is no longer licensed or authorised pursuant to applicable law or regulation to perform its duties hereunder, provided that if the Manager shall be dissatisfied with such opinion and so states to the Trustee in writing within seven days of receipt of the Trustee's notice in writing hereunder the matter shall be referred to a third party mediator as agreed between the Trustee and the Manager for determination and his/her determination shall be final and bind the Trustee and the Manager;
- e) if any laws, rules and regulations imposed by any regulatory or supervisory, governmental, or quasi-governmental authority, any fiscal body or self-regulatory organisation (whether of a governmental nature or otherwise) render it illegal or in the

reasonable opinion of the Trustee (in consultation with the Manager and if the Trustee deems necessary, upon advice from legal counsel) impracticable or inadvisable to continue the Trust or Sub-Fund(s);

- f) if the Manager has committed a material breach of any of the terms of the Trust Deed and has failed to remedy such breach within 60 days after service of a notice by the Trustee requiring such breach to be remedied provided that the Trustee certifies that in its opinion the proposed termination is necessary having regard to the interests of the Unitholders;
- g) in respect of any Sub-Fund, if the relevant Underlying Index is no longer available for benchmarking and there is no successor index;
- h) in respect of any Sub-Fund, if the relevant Licence Agreement is terminated and a new Licence Agreement relating to the Underlying Index is not entered into by the Manager; or
- i) if the Trust or the relevant Sub-Fund ceases to be authorised by the SFC pursuant to the Securities and Futures Ordinance, or if the SFC directs under the Securities and Futures Ordinance or any other competent governmental authority directs that the Trust or a Sub-Fund be terminated.

The Manager may terminate the Trust or a Sub-Fund, by notice in writing, if the Manager considers it to be in the best interests of Unitholders to terminate the Sub-Fund or the Trust and, with the approval of the SFC (and any other competent governmental authority as required by law), gives written notice to the Trustee and the Unitholders of its intention to terminate the Trust or the Sub-Fund, as the case may be.

The Trustee or Manager terminating the Trust or a Sub-Fund (as applicable) will give written notice of termination of the Trust or a Sub-Fund to the Unitholders (such notice having been previously approved by the SFC, if necessary) containing the reasons for the termination, the relevant provisions under the Trust Deed that enable such termination, the consequences of the termination and their effects on existing Unitholders, the alternatives available to Unitholders, the estimated costs of the termination and who is expected to bear them. The Trustee or Manager (as applicable) shall by such notice fix the date at which such termination is to take effect (where the Trust is terminated by reason of illegality, impracticality or inadvisability in which case termination may take effect forthwith without any prior notice to Unitholders, provided that notice of termination shall be given to Unitholders as soon as reasonably practicable).

Any unclaimed Securities held by the Trustee in the event of a termination may at the expiration of twelve months from the date upon which the same were to be distributed under the Trust Deed be sold by the Manager with the Trustee carrying out settlement accordingly and the net proceeds together with any unclaimed cash held by the Trustee at such time be paid into Court subject to the right of the Trustee to deduct therefrom any expenses it may incur in carrying out such payment.

Anti-Money Laundering Regulations

In order to comply with the responsibilities for the prevention of money laundering and to comply with all applicable laws to which the Manager, the Investment Advisor, the Trustee, the Registrar, the Sub-Fund(s), the Trust or the relevant Participating Dealer is subject, the

Manager, the Investment Advisor, the Registrar, the Trustee or the relevant Participating Dealer may require a detailed verification of an investor's identity and the source of payment of any applications for Units.

Depending on the circumstances of each application, a detailed verification might not be required where:

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

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

Each of the Manager, the Investment Advisor, the Trustee, the Registrar and the relevant Participating Dealer reserves the right to request such information as is necessary to verify the identity of an applicant and the source of payment. In the event of delay or failure by the applicant to produce any information required for verification purposes, each of the Manager, the Investment Advisor, the Trustee, the Registrar and the relevant Participating Dealer, as applicable, may refuse to accept the relevant application and the application monies. None of the Manager, the Investment Advisor, the Trustee, the Registrar or the relevant Participating Dealer shall be liable to the applicant for any loss caused as a result of such delay or refusal to process applications.

Part XV of the Securities and Futures Ordinance

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

DISCLAIMERS

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