



# CSOP ETF Series III Prospectus

29 April 2026

**Important - If you are in doubt about the contents of this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant and other financial adviser for independent financial advice.**

**Investors should note that this Prospectus relates to Sub-Funds which may offer both exchange-traded class of Units and unlisted (not exchange-traded) class of Units.**

# CSOP ETF SERIES III

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

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## PROSPECTUS

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MANAGER

CSOP Asset Management Limited

29 April 2026

The Stock Exchange of Hong Kong Limited (“**SEHK**”), Hong Kong Exchanges and Clearing Limited (“**HKEX**”), Hong Kong Securities Clearing Company Limited (“**HKSCC**”) and the Hong Kong Securities and Futures Commission (“**Commission**”) take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus. CSOP ETF Series III (“**Trust**”) and its sub-funds set out in Part 2 of this Prospectus (collectively referred to as the “**Sub-Funds**”) have been authorised by the Commission pursuant to section 104 of the Securities and Futures Ordinance. Each of the Sub-Funds is a fund falling within Chapter 8.6 of the Code on Unit Trusts and Mutual Funds (“**Code**”). Authorisation by the Commission is not a recommendation or endorsement of the Trust or any of the Sub-Funds nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the Trust or the Sub-Funds are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

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## PARTIES

### **Manager**

CSOP Asset Management Limited  
2801-2803, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

### **Trustee, Custodian and Registrar**

BOCI-Prudential Trustee Limited  
Suite 1501-1507 & 1513-1516, 15/F  
1111 King's Road, Taikoo Shing  
Hong Kong

### **Listing Agent**

Altus Capital Limited  
21 Wing Wo Street  
Central  
Hong Kong

### **Legal Adviser to the Manager**

Deacons  
5/F, Alexandra House  
18 Chater Road  
Central  
Hong Kong

### **Auditors**

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

### **Directors of the Manager**

Yi Zhou  
Li Chen  
Xiaosong Yang  
Zhongping Cai  
Chen Ding  
Qin Wang  
Huachen Zhang

## **PRELIMINARY**

This Prospectus has been prepared in connection with the offer in Hong Kong of Units in the Trust and its Sub-Funds. The Trust is an umbrella unit trust established under Hong Kong law by a trust deed dated 16 March 2021 between CSOP Asset Management Limited (the “**Manager**”) and BOCI-Prudential Trustee Limited (the “**Trustee**”), as may be amended and supplemented from time to time. Where specified in the relevant Appendix, a Sub-Fund may issue both exchange-traded classes of Units and/or unlisted (not exchange-traded) classes of Units.

The Manager accepts full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of its knowledge and belief, there are no other facts the omission of which would make any statement misleading. The Manager also confirms that this Prospectus includes particulars given in compliance with the Code and the “Overarching Principles” of the Commission Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products and (in respect of the Listed Class of Units) the Rules Governing the Listing of Securities on the SEHK for the purposes of giving information with regard to the Units of the Trust and the Sub-Funds. The Prospectus contains the information necessary for investors to be able to make an informed judgment of the investment and meets the disclosure requirements under the Code. Before making any investment decisions, investors should consider their own specific circumstances, including without limitation, their own risk tolerance level, financial circumstances, investment objectives. If in doubt, investors should consult their financial adviser, consult their tax advisers and take legal advice as appropriate as to whether any governmental or other consents are required, or other formalities need to be observed, to enable them to acquire Units and as to whether any taxation effects, foreign exchange restrictions or exchange control requirements are applicable and to determine whether any investment in any of the Sub-Funds, is appropriate.

Applications may be made to list Units in a Sub-Fund constituted under the Trust on the SEHK. Subject to compliance with the admission requirements of HKSCC, the Units in such Sub-Fund will be accepted as eligible securities by HKSCC for deposit, clearing and settlement in CCASS with effect from the date of commencement of dealings in the Units in such Sub-Fund on the SEHK or such other date as may be determined by HKSCC. A class of Units which is listed on the SEHK is known as a Listed Class of Units. For further details on listing or application for listing of Listed Class of Units of a Sub-Fund on the SEHK and admission of Listed Class of Units of such Sub-Fund as eligible securities by HKSCC, please refer to Part 2 of this Prospectus. Settlement of transactions between participants of SEHK is required to take place in CCASS on the second CCASS Settlement Day (as defined in the “**Definitions**” section) after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No action has been taken to permit an offering of Units or the distribution of this Prospectus in any jurisdiction other than Hong Kong where action would be required for such purposes. Accordingly, this Prospectus may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized. Distribution of this Prospectus shall not be permitted unless it is accompanied by a copy of the latest Product Key Facts Statement(s) of each of the Sub-Funds, the latest annual financial report of the Trust (if any) and, if later, its most recent interim report. For Sub-Funds which issue both Listed Class of Units and Unlisted Class of Units, a separate set of product key facts statement will be available for each class.

The Trust is not registered as an investment company with the United States Securities and Exchange Commission. Units have not been, and will not be, registered under the United States Securities Act of 1933 or any other United States Federal or State law and accordingly Units are not offered to, and may not be transferred to or acquired by, US persons (including without limitation US citizens and residents as well as business entities organized under United States’ law), except under any relevant exemption.

The Manager shall have the power to impose such restrictions as the Manager may think necessary for the purpose of ensuring that no Units in any Sub-Fund are acquired or held by an Unqualified Person (as defined in the “**Definitions**” section).

Potential applicants for Units in any of the Sub-Funds should inform themselves as to (a) the possible tax consequences, (b) the legal requirements and (c) any foreign exchange restrictions or exchange control requirements which they might encounter under the laws of the countries of their incorporation, citizenship, residence or domicile and which might be relevant to the subscription, holding or disposal of Units in such Sub-Fund.

Investors should note that any amendment or addendum to this Prospectus will only be posted on the **Manager's website** (<http://www.csopasset.com/en/resources>)<sup>1</sup>.

Investment involves risk and investors should note that losses may be sustained on their investment. There is no assurance that the investment objective of any of the Sub-Funds of the Trust will be achieved. In particular, investors should consider the general risk factors set out in section "**4. General Risk Factors**" of Part 1 of this Prospectus and any specific risk factors relating to a Sub-Fund as set out in Part 2 of this Prospectus, before investing in any of the Sub-Funds.

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<sup>1</sup> The contents of this website and any other websites referred to in this Prospectus have not been reviewed by the Commission and may contain information which is not targeted to Hong Kong investors.

## DEFINITIONS

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

**“Application”** means, in respect of Listed Class of Units, a Creation Application or a Redemption Application.

**“Application Basket Value”** means, in respect of Listed Class of Units, the aggregate value of the Index Securities and/or Non-Index Securities comprising a Basket as fixed by the Manager on the relevant Valuation Day for the purpose of the creation and redemption of such Units in an Application Unit size.

**“Application Cancellation Fee”** means, in respect of Listed Class of Units, the fee payable by a Participating Dealer or Approved Applicant in respect of cancellation of an Application as set out in the Trust Deed, the rate of which is set out in Part 2 of this Prospectus.

**“Application Unit”** means, in respect of Listed Class of Units, such number of Units of a class or whole multiples thereof as specified in Part 2 of this Prospectus or such other multiple of Units of a class from time to time determined by the Manager, in consultation with the Trustee, and notified to Participating Dealers or Approved Applicants, either generally or for a particular class or classes of Units.

**“Approved Applicant”** means an applicant other than a Participating Dealer which has been approved by the Manager in consultation with the Trustee to make Creation and Redemption Applications of Units in respect of the relevant Sub-Fund.

**“Auditors”** means the auditor or auditors of the Sub-Funds and the Trust from time to time appointed by the Manager with the prior approval of the Trustee pursuant to the provisions of the Trust Deed.

**“Base Currency”** means the currency of account of a Sub-Fund as specified in Part 2 of this Prospectus.

**“Base Security”** means a security (which is a FDI, including, without limitation, a warrant, a note or a participation certificate) which is linked to or otherwise tracks the performance of (i) one or more constituent securities of the relevant Underlying Index and/or (ii) such other security or securities as may be designated by the Manager.

**“Basket”** means, for the purpose of the creation and redemption of Listed Class of Units in an Application Unit size, a portfolio of Index Securities and/or Non-Index Securities, which seeks to benchmark the Underlying Index by replication or sampling strategy or otherwise, provided that such portfolio shall comprise only whole numbers of Index Securities and/or Non-Index Securities and no fraction or, if the Manager determines, shall comprise only round lots and not odd lots.

**“Business Day”** means, unless the Manager and the Trustee otherwise agree or otherwise specified in Part 2 of this Prospectus, a day on which (a) (i) the SEHK is open for normal trading; and (ii) the relevant securities market on which the relevant Index Securities and/or Non-Index Securities are traded is open for normal trading; or (iii) if there are more than one such securities markets, the securities market designated by the Manager is open for normal trading, and (b) the Underlying Index is compiled and published, or such other day or days as the Manager and the Trustee may agree from time to time provided that if on any such day, the period during which the relevant securities market is open for normal trading is reduced as a result of a Number 8 Typhoon Signal, Black Rainstorm warning or other similar event, such day shall not be a Business Day unless the Manager and the Trustee otherwise agree.

**“Cancellation Compensation”** means, in respect of Listed Class of Units, an amount payable by a Participating Dealer or Approved Applicant in respect of cancellation of an Application pursuant to the Trust Deed.

**“Cash Component”** means the aggregate Net Asset Value of the Units comprising the Application Unit(s) less the relevant Application Basket Value.

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

**“CCASS Operational Procedures”** means the CCASS Operational Procedures as amended from time to time.

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

**“China” or the “PRC”** means the People’s Republic of China.

**“China A-Shares”** means shares issued by companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, traded in Renminbi and available for investment by domestic (Chinese) investors, RQFII Holders, QFII and through Stock Connect.

**“China B-Shares”** means shares issued by companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, traded in foreign currencies and available for investment by domestic (Chinese) investors and foreign investors.

**“Code”** means the Code on Unit Trusts and Mutual Funds issued by the Commission, as may be amended from time to time.

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

**“Connected Person”** in relation to a company, means:

- (a) any person or company beneficially owning, directly or indirectly, twenty per cent (20%) or more of the ordinary share capital of that company or able to exercise, directly or indirectly, twenty per cent (20%) or more of the total votes in that company;
- (b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a) above;
- (c) any member of the group of which that company forms part; or
- (d) any director or other officer of that company or of any of its Connected Persons as defined in (a), (b) or (c) above.

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

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

**“Conversion Agent’s Fee”** means the fee which may be charged for the benefit of the Conversion Agent to each Participating Dealer on Creation Application and Redemption Application made by the relevant Participating Dealer, and which shall be determined by the Conversion Agent and set out in the Operating Guidelines and the Part 2 of this Prospectus.

**“Creation Application”** means, in respect of Listed Class of Units, an application by a Participating Dealer or PD Agent or Approved Applicant (as the case may be) for the creation of Units of a Sub-Fund in Application Unit size (or whole multiples thereof) in accordance with the relevant procedures set out in the Trust Deed, this Prospectus and/or the relevant Participation Agreement (where applicable).

**“CSRC”** means China Securities Regulatory Commission.

**“Custodian”** means any such person or person(s) who for the time being appointed to act as custodian of a Sub-Fund, as specified in Part 2 of this Prospectus.

**“Dealing Day”** means, in respect of a Sub-Fund, each Business Day during the continuance of such Sub-Fund or such other day or days as the Manager may from time to time, in consultation with the Trustee, determine either generally or in respect of a particular class or classes of Units.

**“Dealing Deadline”** in relation to any Dealing Day, shall be such time or times as the Manager may from time to time in consultation with the Trustee determine generally or in relation to a particular class or classes of Units or any particular jurisdiction in which Units may from time to time be sold or any particular place for submission of Application(s) by a Participating Dealer or Approved Applicant, as set out in Part 2 of this Prospectus.

**“Deposited Property”** means, in respect of each Sub-Fund, all the assets (including cash) received or receivable by the Trustee for the time being held or deemed to be held upon the trusts of the Trust Deed for the account of the relevant Sub-Fund excluding (i) the Income Property and (ii) any amount for the time being standing to the credit of the Distribution Account (as defined in the Trust Deed).

**“Dual Counter”** means, in respect of Listed Class of Units, the facility by which the Units of a Sub-Fund traded in two different currencies are each assigned separate stock codes on the SEHK.

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

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

**“Extension Fee”** means, in respect of Listed Class of Units, any fee payable by a Participating Dealer or Approved Applicant to the Trustee for its account and benefit on each occasion the Manager grants the request of such Participating Dealer or Approved Applicant for extended settlement in respect of an Application, as set out in the Operating Guidelines and Part 2 of this Prospectus.

**“FDI”** means financial derivative instrument.

**“Government and other Public Securities”** means any investment issued by, or the payment of principal and interest on, which is guaranteed by a government, or any fixed-interest investment issued by its public or local authorities or other multilateral agencies.

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

**“Hong Kong”** means the Hong Kong Special Administrative Region of the PRC.

**“Hong Kong dollar”** or **“HK\$”** or **“HKD”** means the lawful currency for the time being and from time to time of Hong Kong.

**“H-Shares”** means shares issued by companies incorporated in the PRC and listed on the SEHK and traded in Hong Kong dollars.

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

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

**“Index Securities”** means (i) the constituent Securities of the relevant Underlying Index; (ii) such other Securities the Index Provider has publicly announced shall form part of the Underlying Index in the future but are currently not constituent Securities of the relevant Underlying Index.

**“Initial Issue Date”** means, in respect of a Sub-Fund, the date of the first issue of Units relating to the Sub-Fund as set out in Part 2 of this Prospectus.

**“Initial Offer Period”** means, in respect of a class of Units, such period as may be determined by the Manager for the purpose of making an initial offer of Units of such class as set out in Part 2 of this Prospectus.

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

**“Investment Delegate”** means an entity that has been delegated the investment management function of all or part of the assets of a Sub-Fund;

**“Issue Price”** means, in respect of each Sub-Fund, the issue price per Unit of a particular class during the Initial Offer Period as determined by the Manager in respect of such class of Units and thereafter the issue price per Unit calculated pursuant to the Trust Deed at which Units are from time to time issued or to be issued, each as set out in Part 2 of this Prospectus.

**“Listed Class of Units”** means a class of Units of a Sub-Fund which is listed on either the SEHK or any other Recognised Stock Exchange.

**“Listing Agent”** means, in respect of Listed Class of Units, such entity appointed by the Manager as the listing agent for such Sub-Fund.

**“Listing Date”** means, in respect of Listed Class of Units, the date on which such Units are listed on the SEHK.

**“Chinese Mainland”** or **“PRC mainland”** means all the customs territories of the PRC excluding Hong Kong, Macau and Taiwan for the purpose of interpretation of this document only.

**“Manager”** means CSOP Asset Management Limited or any other person (or persons) who for the time being is duly appointed as manager (or managers) of the Trust and accepted by the Commission as qualified to act as such for the purposes of the Code.

**“Multi-Counter”** means, in respect of Listed Class of Units, the facility by which the Units traded in multiple currencies are each assigned separate stock codes on the SEHK.

**“MPF Scheme”** means any mandatory provident fund scheme or its constituent fund or approved pooled investment fund approved by the Mandatory Provident Fund Schemes Authority; or any person who, in relation to any mandatory provident fund scheme, is an approved trustee or service provider, or who is an investment manager of any such mandatory provident fund scheme, constituent fund or approved pooled investment fund.

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

**“Non-Index Securities”** means any securities, other than Index Securities, as may be designated by the Manager and any Base Securities linked to or otherwise used to track the performance of one or more such securities.

**“Operating Guidelines”** means, in respect of Listed Class of Units, the operating guidelines governing, including without limitation, the procedures for creation and redemption of Units of such Sub-Fund, as amended from time to time by the Manager with the approval of the Trustee, and where applicable, with the approval of HKSCC and the Conversion Agent, and in accordance with the terms of the relevant Participation Agreement.

**“ORSO Scheme”** means any voluntary occupational retirement scheme operating in or from Hong Kong which is administered by the Mandatory Provident Fund Schemes Authority; or any person who, in relation to any occupational retirement schemes, is an approved trustee or service provider, who is an investment manager of any such occupational retirement scheme.

**“Participating Dealer”** means a broker or dealer (licensed for Type 1 regulated activity under the Securities and Futures Ordinance) which has entered into a Participation Agreement, and any reference in this Prospectus to “Participating Dealer” shall, where the context requires, include a reference to any PD agent so appointed by the Participating Dealer.

**“Participation Agreement”** means an agreement either (1) entered into between the Trustee, the Manager and a Participating Dealer (and if applicable, supplemented with a supplemental participation agreement entered into between the same parties and the PD Agent), or (2) entered into between the Trustee, the Manager, the Participating Dealer, HKSCC and the Conversion Agent, each setting out, amongst other things, the arrangements in respect of Applications by such Participating Dealer or PD Agent (as the case may be), as may be amended from time to time. References to the Participation Agreement shall, where appropriate, mean the Participation Agreement, read together with the Operating Guidelines.

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

**“Primary Market Investor”** means an investor who makes a request to a Participating Dealer or to a stockbroker who has opened an account with a Participating Dealer to effect an Application on his behalf.

**“QFII”** means a qualified foreign institutional investor approved pursuant to the relevant PRC laws and regulations, as may be promulgated and/or amended from time to time.

**“Redemption Application”** means, in respect of Listed Class of Units, an application by a Participating Dealer or PD Agent or Approved Applicant (as the case may be) for the redemption of Units in Application Unit size (or whole multiples thereof) in accordance with the relevant procedures set out in the Trust Deed, this Prospectus and/or the relevant Participation Agreement (where applicable).

**“Redemption Price”** means, in respect of a Unit of each Sub-Fund, the redemption price per Unit of a particular class calculated in accordance with the Trust Deed at which Units are from time to time redeemed, as set out in Part 2 of this Prospectus.

**“Register”** means, in respect of each Sub-Fund, the register of Unitholders of that Sub-Fund to be kept pursuant to the Trust Deed.

**“Registrar”** means BOCI-Prudential Trustee Limited or such other entity as may from time to time be appointed by the Trustee and acceptable to the Manager, to maintain the Register.

**“reverse repurchase transactions”** means transactions whereby a Sub-Fund purchases Securities from a counterparty of sale and repurchase transactions and agrees to sell such Securities back at an agreed price in the future.

**“RMB” or “Renminbi”** means renminbi, the currency of Chinese Mainland.

**“RQFII” or “RQFII Holder”** means a Renminbi qualified foreign institutional investor approved pursuant to the relevant PRC laws and regulations, as may be promulgated and/or amended from time to time.

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

**“sale and repurchase transactions”** means transactions whereby a Sub-Fund sells its Securities to a counterparty of reverse repurchase transactions and agrees to buy such Securities back at an agreed price with a financing cost in the future.

**“Secondary Market Investor”** means an investor who purchases and sells Listed Class of Units in the secondary market on the SEHK.

**“Securities”** has the meaning given to such term in Section 1 of Part I of Schedule 1 of the Securities and Futures Ordinance.

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

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

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

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

**“Service Agreement”** means the service agreement entered into among the Manager, the Trustee, the Service Agent, HKSCC, the Registrar and the relevant Participating Dealer and (where applicable) the PD Agent.

**“Settlement Day”** means, in respect of Listed Class of Units, the Business Day which is two Business Days after the relevant Dealing Day (or such other Business Day after the relevant Dealing Day as permitted pursuant to the Operating Guidelines) or such other number of Business Days after the relevant Dealing Day as the Manager, in consultation with the Trustee, may from time to time determine and notify to the Participating Dealers and Approved Applicants, either generally or for a particular class or classes of Units.

**“Sub-Fund”** means a separate trust fund with a segregated pool of assets and liabilities established under the Trust, specific details of which are set out in Part 2 of this Prospectus.

**“Subscription Price”** means, in respect of Unlisted Class of Units, the price at which Units may be subscribed for, determined in accordance with the Trust Deed.

**“substantial financial institution”** has the same meaning as in the Code.

**“Transaction Fee”** means, in respect of Listed Class of Units, the fee which may at the discretion of the Trustee be charged for the account and benefit of the Trustee, where applicable, the Conversion Agent or the Service Agent to each Participating Dealer or Approved Applicant under the Trust Deed, the maximum level of which shall be determined by the Trustee with the consent of the Manager from time to time and, where applicable, the Conversion Agent or the Service Agent as set out in Part 2 of this Prospectus and in accordance with the terms of the relevant agreements.

**“Trust”** means the unit trust constituted by the Trust Deed and to be called CSOP ETF Series III or such other name as the Trustee and the Manager may from time to time determine.

**“Trust Deed”** means the trust deed dated 16 March 2021 between the Manager and the Trustee, as may be amended, modified or supplemented from time to time.

**“Trustee”** means BOCI-Prudential Trustee Limited or such other person (or persons) who for the time being is duly appointed to be trustee (or trustees) of the Trust.

**“Underlying Index”** means the index against which the relevant Sub-Fund is benchmarked.

**“Unit”** means such number of undivided shares or such fraction of an undivided share of a Sub-Fund to which a Unit relates as is represented by a Unit of the relevant class and, except where used in relation to a particular class of Unit, a reference to Units means and includes Units of all classes.

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

**“Unit Cancellation Fee”** means, in respect of Listed Class of Units, the fee charged by the Conversion Agent in respect of the cancellation of Units in connection with an accepted Redemption Application.

**“Unlisted Class of Units”** means one or more class(es) of Units of a Sub-Fund which is/are neither listed on the SEHK nor any other Recognised Stock Exchange.

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

**“US dollar”** or **“US\$”** or **“USD”** means the lawful currency for the time being and from time to time of the United States of America.

**“Unqualified Person”** means:

- (a) a person who by virtue of any law or requirement of any country or governmental authority is not qualified to hold a Unit or who would be in breach of any such law or regulation in acquiring or holding a Unit or if, in the opinion of the Manager, the holding of a Unit by such person might result in the Trust incurring any liability to taxation or suffering a pecuniary disadvantage which

the Trust might not otherwise have incurred or suffered, or might result in the Trust, the Manager or the Trustee or any of their Connected Persons being exposed to any liability, penalty or regulatory action; or

- (b) any person if the holding of a Unit by such person might, due to any circumstances whether directly affecting such person and whether relating to such person alone or to any other person in conjunction therewith (whether such persons are connected or not), in the opinion of the Manager, result in the Trust incurring any liability to taxation or suffering a pecuniary disadvantage which the Trust might not otherwise have incurred or suffered, or in the Trust, the Manager or the Trustee or any of their Connected Persons being exposed to any liability, penalty or regulatory action.

**“Valuation Day”** means each Business Day on which the Net Asset Value of a Sub-Fund and/or the Net Asset Value of a Unit falls to be calculated and in relation to each Dealing Day of any class or classes of Units means either such Dealing Day or such Business Day as the Manager may from time to time determine in its absolute discretion (in consultation with the Trustee).

**“Valuation Point”** means, in respect of a Sub-Fund, the official closing of trading on the securities market on which the Index Securities and/or Non-Index Securities are listed on each Valuation Day, and in case there are more than one such securities markets, the official close of trading on the last relevant securities market to close, or such other time or times as specified in Part 2 of this Prospectus or as determined by the Manager, in consultation with the Trustee, from time to time provided that there shall always be a Valuation Point on each Valuation Day other than where there is a suspension of determination of the Net Asset Value of the relevant Sub-Fund pursuant to the provisions of the Trust Deed.

**PART 1**

**GENERAL INFORMATION RELATING TO THE TRUST**

## **PART 1: GENERAL INFORMATION RELATING TO THE TRUST**

**Part 1 of this Prospectus contains general information about the Trust and its Sub-Funds, while Part 2 of this Prospectus sets out additional details specific to a Sub-Fund (such as additional terms, conditions and restrictions applicable to the relevant Sub-Fund). Investors should read both Parts of the Prospectus before investing in any of the Sub-Fund. In case of any inconsistency between Part 1 and Part 2, the information in Part 2 shall prevail.**

### **1 THE TRUST**

The Trust is an umbrella unit trust constituted by way of a trust deed dated 16 March 2021, between CSOP Asset Management Limited as Manager and BOCI-Prudential Trustee Limited as Trustee, as may be amended and supplemented from time to time. The terms of the Trust Deed are governed by the laws of Hong Kong.

Specific details of a Sub-Fund of the Trust are set out in Part 2 of this Prospectus.

The Manager may create further Sub-Funds in the future. Where indicated in the relevant Appendix in Part 2 of this Prospectus, Units in a Sub-Fund may be available for trading on the SEHK using a Dual Counter or Multi-Counter.

Multiple classes of Units may be issued in respect of each Sub-Fund and the Manager may create additional classes of Units for any Sub-Fund in its sole discretion in the future. All assets and liabilities attributable to each Sub-Fund shall be segregated from the assets and liabilities of any other Sub-Funds, and shall not be used for the purpose of, or borne by the assets of, any other Sub-Fund (as the case may be).

Each Sub-Fund may issue Listed Class of Units and Unlisted Class of Units. In respect of Sub-Funds which offer both Listed Class of Units and Unlisted Class of Units, please refer to the table set out in the relevant Appendix which sets out the key similarities and differences between each class of Units.

### **2 KEY OPERATORS AND SERVICE PROVIDERS**

#### **2.1 Manager**

The Manager of the Trust and its Sub-Funds is CSOP Asset Management Limited.

The Manager was established in January 2008 and is licensed to carry on Types 1 (Dealing in Securities), 4 (Advising on Securities) and 9 (Asset Management) regulated activities under Part V of the Securities and Futures Ordinance.

The Manager, a subsidiary of China Southern Asset Management Co. Limited, is the first Hong Kong subsidiary set up by Chinese Mainland fund houses to carry out asset management and securities advisory activities in Hong Kong.

The Manager is dedicated to serving investors as a gateway for investment between China and the rest of the world. For inbound investment, the Manager's boasting local expertise makes it the ideal adviser or partner of international investors. For outbound investment, it is keen to introduce suitable overseas investment opportunities to domestic Chinese institutional and retail investors. The Manager provides discretionary management services and advisory services to both institutional investors and investment funds.

The Manager undertakes the management of the assets of the Trust. The Manager may appoint Investment Delegate(s) to provide investment management services in relation to any Sub-

Fund. Details of Investment Delegates appointed in relation to a Sub-Fund (if any) and their remuneration will be stated in Part 2 of this Prospectus.

### 2.1.1 **Directors of the Manager**

The directors of the Manager are Yi Zhou, Li Chen, Xiaosong Yang, Zhongping Cai, Chen Ding, Qin Wang and Huachen Zhang.

#### **Yi Zhou**

Mr. Zhou holds a degree in Computer Communication from the Nanjing University of Posts and Telecommunications and has 16 years of experience in the securities industry. Mr. Zhou once worked on technology management in the telecommunications center of Jiangsu Posts & Telecommunications Bureau and administrative management at Jiangsu Mobile Communication Co., Ltd. He served as the Chairman of the Board of Directors at Jiangsu Beier Co., Ltd. and Nanjing Xinwang Tech Co., Ltd., and the Deputy General Manager of Shanghai Beier Fortune Communications Company.

Mr. Zhou is the CEO, Chairmen of Executive Committee, and Executive Director of Huatai Securities Co., Ltd., and is appointed as the Chairman of China Southern Asset Management Co., Ltd. in May 2022. Mr. Zhou joined Huatai Securities in August 2006 and served as the President and party secretary of Huatai Securities Co., Ltd. Mr. Zhou, from June 2016 to December 2019, served as the Chairman of the Board of Directors of Huatai Securities Co., Ltd.

#### **Li Chen**

Ms. Chen, holder of Master of Laws, has served as Researcher, Assistant General Manager of Security Business Department, Deputy Director of Research Department, Director of Research Department, Assistant Director of the Executive Committee in Huatai Securities. Ms. Chen is currently the Director, Secretary of the Party Committee and Executive Vice President in China Southern Fund Management Company Limited.

#### **Xiaosong Yang**

Mr. Yang is the Chief Executive Officer and Director of China Southern Asset Management Co., Ltd where Mr. Yang has overall responsibility for the business. He joined China Southern Asset Management Co., Ltd as the Head of Compliance in 2012.

Prior to joining China Southern Asset Management Co. Ltd., Mr. Yang worked for China Securities Regulatory Commission. Mr. Yang holds a Master's Degree in Economics from Renmin University of China in the PRC mainland.

#### **Zhongping Cai**

Mr. Cai is the Chief Financial Officer and the General Manager of the Finance Department of China Southern Asset Management Co. Ltd., Director of CSOP Asset Management Limited, Supervisor of China Southern Capital Management Limited, and Director of Shenzhen SouthernFund Equity Investment Fund Management Co. Ltd.

Prior to joining China Southern Asset Management Co. Ltd., Mr. Cai served as Director of the Finance Department of UBS SDIC in China. He joined China Southern Asset Management Co. Ltd. in 2014.

Mr. Cai holds a Master's Degree from Zhongnan University of Economics and Law in PRC mainland.

## **Chen Ding, MH, JP**

Ms. Ding has served as Chief Executive Officer of CSOP Asset Management Limited since joining the company in 2010, overseeing the formulation of the firm's overall business direction and setting strategic priorities. Prior to this role, she was the Assistant CEO, Managing Director at China Southern Asset Management Co., Ltd. from 2003 to 2013, accumulating over 30 years of experience in the asset management industry.

Ms. Ding was awarded the Medal of Honour by the Hong Kong Special Administrative Region Government in 2021 and appointed as a Justice of the Peace in 2024. In 2025, she was appointed by the Hong Kong Special Administrative Region Government as an Independent Non-Executive Director of the Hong Kong Exchanges and Clearing Limited.

Since 2023, Ms. Ding has held the position of Vice Chairperson of the Hong Kong Financial Services Development Council, concurrently serving as Convener of the Mainland Opportunities Committee. Additionally, she transitioned to the position of Permanent Honorary Chairperson of the Chinese Asset Management Association of Hong Kong in 2020, following her tenure as its chairperson. Her current roles also include serving as Executive Board Member of the Treasury Markets Association Council.

Throughout her career, Ms. Ding has held several roles across government advisory bodies, including serving on the government's Task Force on Enhancing Stock market Liquidity, the Securities and Futures Commission's Product Advisory Committee, Process Review Panel, and Securities and Futures Appeals Tribunal, as well as the sub-Committee of Hong Kong Monetary Authority's Financial Infrastructure and Market Development. Additionally, she was a member of The Mandatory Provident Fund Schemes Appeal Board. Her leadership extended to co-chairing the International Business Committee of the Asset Management Association of China and she held leadership positions as Vice Chairperson of the Chinese Securities Association of Hong Kong and as member of the Executive Committee of the Investment Management Association of Singapore.

## **Qin Wang**

Mr. Wang, holder of PhD in Economics, has served as Research Director of Guosen Securities, General Manager of ChiNext Qianhai Capital Company Limited, Deputy General Manager of Great Wall Fund Management Company Limited, General Manager of Baoying Fund Management Company Limited, and General Manager of Changan Fund Management Company Limited. He is currently the Chairman of Board of Directors of Wealththink AI-Innovation Capital Limited.

## **Huachen Zhang**

Mr. Zhang, holder of Master in Business Administration, has served as Assistant Vice President of Huarong International Asset Management Company Limited, and Managing Director of Wealththink AI-Innovation Capital Limited. Mr. Zhang is currently the Co-CEO of GoFintech Innovation Limited.

### **2.2 Investment Delegate**

The details of the Investment Delegate appointed in respect of a Sub-Fund (if any) are set out in Part 2 of this Prospectus.

### **2.3 Listing Agent (applicable in respect of Listed Class of Units only)**

The details of the Listing Agent appointed in respect of a Sub-Fund are set out in Part 2 of this Prospectus.

## 2.4 Trustee, Custodian and Registrar

The Trustee of the Trust and the Sub-Funds is BOCI-Prudential Trustee Limited, which is registered under Part VIII of the Trustee Ordinance (Cap. 29 of Hong Kong). The principal activity of the Trustee is the provision of trustee services. The Trustee is independent of the Manager within the meaning of Chapters 4.7 and 4.8 of the Code.

The Trustee is a joint venture founded by BOC Group Trustee Company Limited and Prudential Corporation Holdings Limited. BOC Group Trustee Company Limited is owned by Bank of China (Hong Kong) Limited and BOC International Holdings Limited, which are subsidiaries of Bank of China Limited.

Under the Trust Deed, the Trustee shall take into its custody or under its control and be responsible for the safekeeping of all the investments, cash and other assets forming part of the assets of each Sub-Fund and hold them in trust for the Unitholders of the relevant Sub-Fund in accordance with the provisions of the Trust Deed and, to the extent permitted by law, shall register such investments, cash and registrable assets in the name of or to the order of the Trustee and such investments, cash and registrable assets of the relevant Sub-Fund shall be dealt with as the Trustee may think proper for the purpose of providing for the safe keeping thereto. The Trustee shall, in respect of any investments or other assets of each Sub-Fund which by nature cannot be held in custody, maintain a proper record of such investments or assets in its books under the name of the relevant Sub-Fund. The Trustee may, from time to time appoint such person or persons (including a Connected Person to the Trustee) as custodian, co-custodians, sub-custodian, delegate, nominee or agent in respect of the whole or any part of the assets of any Sub-Fund and may empower any such person to appoint, with no objection in writing by the Trustee, sub-custodians, nominees, agents and/or delegates. Unless otherwise specified in the relevant Appendix, the fees and expenses of such custodian, co-custodian, sub-custodians, nominees, agents, delegates or any persons appointed by the Trustee in relation to the relevant Sub-Fund shall, if approved by the Manager, be paid out of the relevant Sub-Fund.

The Trustee shall (A) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of agent, nominee, delegate, custodian, co-custodian or sub-custodian which are appointed for the custody and/or safekeeping of any of the investments, cash, assets or other property comprised in the Sub-Fund of the Trust (each a “**Correspondent**”); and (B) be satisfied that each Correspondent retained remains suitably qualified and competent on an ongoing basis to provide the relevant services to the Trust or any Sub-Fund; and (C) shall be responsible for any act or omission of any Correspondent (except those Correspondents which are not Connected Persons of the Trustee) as if the same were the act or omission of the Trustee, provided that the Trustee has discharged its obligations set out above, the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any Correspondent that is not a Connected Person of the Trustee. The Trustee shall remain liable for any act or omission of any Correspondent that is a Connected Person of the Trustee as if the same were the act or omission of the Trustee. The Trustee shall use reasonable endeavours to recover any loss of investments and other assets arising from any default of a Correspondent.

The Trustee shall not be responsible for any act or omission of (a) Euroclear Bank S.A./N.V., Clearstream Banking, S.A. or any other such central depository or clearing and settlement system in relation to any investment deposited with such central depository or clearing and settlement system; or (b) any lender or a nominee appointed by the lender in whose name any assets of a Sub-Fund transferred to it are registered pursuant to a borrowing undertaken for the account of such Sub-Fund.

Under the Trust Deed, the Trustee and its directors, officers, employees, delegates and agents shall be entitled for the purpose of indemnity against any actions, proceedings, liabilities, costs,

claims, damages, expenses (including all reasonable legal, professional and other similar expenses) or demands to which it may be put or asserted against or which it may incur or suffer, whether directly or indirectly, or which are or may be imposed on the Trustee in performing its obligations, duties or functions, or exercising its powers, authorities or discretions under the Trust Deed or relating to a Sub-Fund, to have recourse to the assets of the relevant Sub-Fund or any part thereof but shall not have a right of recourse to the assets of any other Sub-Fund. Notwithstanding the foregoing, the Trustee shall not be exempted from or indemnified against any liability imposed under the laws of Hong Kong (including under the Trustee Ordinance) or for breach of trust through fraud or negligence for which it may be liable in relation to its duties, or be indemnified against such liability by Unitholders or at Unitholders' expense.

The Manager is solely responsible for making investment decisions in relation to the Trust and/or each Sub-Fund. The Trustee shall take reasonable care to ensure that the investment and borrowing limitations set out in Schedule 1 and any specific investment and borrowing limitations as set out in the relevant Appendix as they relate to a Sub-Fund and the conditions under which such Sub-Fund is authorised pursuant to the SFO are complied with and save for the aforesaid, the Trustee is not responsible and has no liability for any investment decision made by the Manager.

The Trustee also acts as the custodian of the Trust and its Sub-Funds.

The Trustee also acts as the Registrar of the Trust. The Registrar provides services in respect of the establishment and maintenance of the Register of the Unitholders of the Sub-Funds.

The Trustee is not responsible for the preparation or issue of this Prospectus other than the disclosures on the profile of the Trustee as set out herein.

The Trustee will be entitled to the fees described in the section headed “**10. Fees and Charges**” under the heading “**10.2 Trustee’s, Custodian’s and Registrar’s Fee**” below and to be reimbursed for all costs and expenses in accordance with the provisions of the Trust Deed.

#### **2.5 Service Agent or Conversion Agent (applicable in respect of Listed Class of Units only)**

HK Conversion Agency Services Limited acts as Service Agent or Conversion Agent, as appropriate in respect of the Listed Class of Units of a Sub-Fund, the details of which as set out in Part 2 of this Prospectus. Under the terms of the Service Agreement, the Participation Agreement or Conversion Agency Agreement (as the case may be), the Service Agent or the Conversion Agent (as the case may be) performs, through HKSCC, certain of its services in connection with the creation and redemption of Listed Class of Units in a Sub-Fund by Participating Dealers or PD Agent or Approved Applicants (as the case may be).

#### **2.6 Auditors**

The auditors of the Trust and the Sub-Funds are Ernst & Young.

#### **2.7 Participating Dealers and Approved Applicants (applicable in respect of Listed Class of Units only)**

The role of the Participating Dealers is to apply to create and redeem Listed Class of Units in a Sub-Fund from time to time in accordance with the terms of the relevant Participation Agreement. Approved Applicants may also be approved from time to time to apply to create and redeem Listed Class of Units in a Sub-Fund.

If the Participating Dealer has appointed a PD Agent, the PD Agent will help as an agent of the Participating Dealer to create and redeem Listed Class of Units in a Sub-Fund insofar as any

obligations under the relevant Participation Agreement or the Service Agreement (where applicable) entered into by the Participating Dealer and where applicable, which appointment is acknowledged by the Participating Dealer, the Trustee and the Manager.

The Manager has the right to appoint the Participating Dealers and approve Approved Applicants for a Sub-Fund. The criteria for the eligibility and selection of Participating Dealers or PD Agent (as the case may be) is as follows: (i) the Participating Dealer and PD Agent must be licensed for at least Type 1 regulated activity pursuant to the Securities and Futures Ordinance with a business presence in Hong Kong; (ii) the Participating Dealer and (where applicable) PD Agent must have entered into a Participation Agreement with the Manager and the Trustee; (iii) the Participating Dealer (and where applicable, the appointment of the PD Agent by the Participating Dealer) must be acceptable to the Manager; and (iv) the Participating Dealer (and where applicable, the PD Agent appointed by the Participating Dealer) must be a participant in CCASS. The Manager may also at its discretion in consultation with the Trustee approve Approved Applicants to apply to create and redeem Listed Class of Units in a Sub-Fund.

The list of Participating Dealers or PD Agent (as the case may be) in respect of each Sub-Fund is available on [www.csopasset.com/etf](http://www.csopasset.com/etf)<sup>1</sup>. The Participating Dealers or PD Agent (as the case may be) are not responsible for the preparation of this Prospectus and shall not be held liable to any person for any information disclosed in this Prospectus.

## 2.8 **Market Makers (applicable in respect of Listed Class of Units only)**

A market maker is a broker or a dealer permitted by the SEHK to act as such by making a market for the Listed Class of 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 when there is a wide spread between the prevailing bid prices and offer prices for Listed Class of Units on the SEHK. Market makers accordingly facilitate the efficient trading of Listed Class of Units by providing liquidity in the secondary market when it is required in accordance with the market making requirements of the SEHK.

Subject to applicable regulatory requirements, the Manager will use its best endeavours to put in place arrangements so that there is at least one market maker for each Sub-Fund in respect of the Listed Class of Units to facilitate efficient trading. Where a Dual Counter or Multi-Counter has been adopted, the Manager will use its best endeavours to put in place arrangements so that there is at all times at least one market maker for Listed Class of Units traded in each counter although these market makers may be the same entity. If the SEHK withdraws its permit to the existing market maker(s), the Manager will use its best endeavours to put in place arrangements so that there is at least one other market maker per counter to facilitate the efficient trading of Listed Class of Units. The Manager will use its best endeavours to put in place arrangements so that at least one market maker per counter is required to give not less than three months' prior notice to terminate market making under the relevant market making arrangement.

The list of market makers in respect of each Sub-Fund is available on [www.csopasset.com/etf](http://www.csopasset.com/etf)<sup>1</sup> and from time to time will be displayed on [www.hkex.com.hk](http://www.hkex.com.hk). Further details relating to market making arrangement (including market making arrangement where Dual Counter or Multi-Counter is adopted) are described in Part 2 of this Prospectus.

## 3 **INVESTMENT CONSIDERATIONS**

The investment objective of each Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Underlying Index to that Sub-Fund.

An Underlying Index comprises a group of Index Securities which an Index Provider selects as being representative of a market, market segment, specific industry sector or other appropriate benchmark. The Index Provider determines the relative weightings of the Index Securities in the relevant Underlying Index and publishes information regarding the market value of such Underlying Index.

The investment objective and strategy specific to each Sub-Fund, as well as other important details, are set out in Part 2 of this Prospectus.

#### 4 **GENERAL RISK FACTORS**

Investments involve risks. Each Sub-Fund is subject to market fluctuations and to the risks inherent in all investments. The price of Units of each Sub-Fund and the income from them may go down as well as up and an investor may not get back part or all of the amount they invest.

The performance of each Sub-Fund will be subject to a number of risks, including those risk factors set out below. Some or all of the risk factors may adversely affect a Sub-Fund's Net Asset Value, yield, total return and/or its ability to achieve its investment objective. There is no assurance that a Sub-Fund will achieve its investment objective. The following general risk factors apply to each Sub-Fund unless stated otherwise.

**Before investing in any of the Sub-Funds, investors should carefully consider the general risk factors set out in this section and any specific risk factors relating to a Sub-Fund as set out in Part 2 of this Prospectus.**

##### 4.1 **Risk Factors relating to Chinese Mainland**

*Chinese Mainland market risk.* A Sub-Fund may invest in Chinese Mainland. Investing in the Chinese Mainland market is subject to the risks of investing in emerging markets generally and the risks specific to the Chinese Mainland market which involves a greater risk of loss than investment in more developed countries due to higher economic, political, social and regulatory uncertainty and risks linked to volatility and market liquidity.

Since 1978, the Chinese Mainland government has implemented economic reform measures which emphasise decentralisation and the utilisation of market forces in the development of the Chinese Mainland economy, moving from the previous planned economy system. However, many of the economic measures are experimental or unprecedented and may be subject to adjustment and modification. Any significant change in the PRC mainland's political, social or economic policies may have a negative impact on investments in the Chinese Mainland market.

Chinese Mainland accounting standards and practices may deviate significantly from international accounting standards. The settlement and clearing systems of the Chinese Mainland securities markets may not be well tested and may be subject to increased risks of error or inefficiency.

Investments in equity interests of Chinese Mainland companies may be made through China A-Shares, B-Shares and H-Shares. The PRC mainland securities market has in the past experienced substantial price volatility, and there is no assurance that such volatility will not occur in future.

Investment in RMB denominated bonds may be made in or outside the PRC mainland. As the number of these securities and their combined total market value are relatively small compared to more developed markets, investments in these securities may be subject to increased price volatility and lower liquidity.

Investors should also be aware that changes in the PRC mainland taxation legislation could affect the amount of income which may be derived, and the amount of capital returned, from the investments of the relevant Sub-Fund. Laws governing taxation will continue to change and may contain conflicts and ambiguities.

*Foreign exchange control risk.* The Renminbi is not currently a freely convertible currency and is subject to exchange control imposed by the Chinese Mainland government. Such control of currency conversion and movements in the Renminbi exchange rates may adversely affect the operations and financial results of companies in the PRC mainland. Insofar as a Sub-Fund's assets are invested in the PRC mainland, it will be subject to the risk of the Chinese Mainland government's imposition of restrictions on the repatriation of funds or other assets out of the country, limiting the ability of the relevant Sub-Fund to satisfy payments to investors.

*Renminbi exchange risk.* Starting from 2005, the exchange rate of the Renminbi is no longer pegged to the US dollar. The Renminbi has now moved to a managed floating exchange rate based on market supply and demand with reference to a basket of foreign currencies. The daily trading price of the Renminbi against other major currencies in the inter-bank foreign exchange market would be allowed to float within a narrow band around the central parity published by the People's Bank of China. As the exchange rates are based primarily on market forces, the exchange rates for Renminbi against other currencies, including US dollars and Hong Kong dollars, are susceptible to movements based on external factors. It should be noted that the Renminbi is currently not a freely convertible currency as it is subject to foreign exchange control policies of the Chinese Mainland government. The possibility that the appreciation of Renminbi will be accelerated cannot be excluded. On the other hand, there can be no assurance that the Renminbi will not be subject to devaluation. In particular, there is no guarantee that the value of Renminbi against the investors' base currencies (for example HKD) will not depreciate. Any devaluation of the Renminbi could adversely affect the value of investors' investments in the relevant Sub-Fund. Investors whose base currency is not the Renminbi may be adversely affected if the Renminbi depreciates against the base currency of holding of the investors in that such investors' investments may be worth less when they exchange Renminbi back to their base currency.

Further, the PRC government's imposition of restrictions on the repatriation of Renminbi out of Chinese Mainland may limit the depth of the Renminbi market in Hong Kong and reduce the liquidity of the relevant Sub-Fund. Any delay in repatriation of Renminbi may result in delay in payment of redemption proceeds to the redeeming Unitholders. The Chinese Mainland government's policies on exchange control and repatriation restrictions are subject to change, and the Sub-Fund's or the investors' position may be adversely affected.

*PRC mainland tax considerations.* By investing in securities issued by tax residents in the PRC mainland (including without limitation China A-Shares, exchange traded funds issued and listed in the PRC mainland ("**A-Share ETFs**") and bonds) ("**PRC Securities**"), a Sub-Fund may be subject to withholding and other taxes imposed in the PRC mainland. Please refer to the subsection "**11.2 The PRC mainland**" of the section "**11. TAXATION**" of this Prospectus for further details.

*Government Intervention and Restriction.* There may be substantial government intervention in the economy, including restrictions on investment in companies or industries deemed sensitive to relevant national interests.

Governments and regulators may also intervene in the financial markets, such as by the imposition of trading restrictions, a ban on "naked" short selling or the suspension of short selling for certain stocks. Further, intervention or restrictions by governments and regulators may affect the trading of China A-Shares, A-Share ETFs, or units of the relevant Sub-Fund. This may affect the operation and market making activities of a Sub-Fund, and may have an unpredictable impact on a Sub-Fund. This may also lead to an increased tracking error for the

relevant Sub-Fund. Furthermore, such market interventions may have a negative impact on the market sentiment which may in turn affect the performance of the Index and as a result the performance of a Sub-Fund. In worst case scenario, the investment objective of the relevant Sub-Fund cannot be achieved.

*Economic, political and social risks.* The economy of Chinese Mainland has been in a state of transition from a planned economy to a more market oriented economy. In many respects it differs from the economies of developed countries, including the level of government intervention, its state of development, its growth rate, control of foreign exchange, and allocation of resources.

Political changes, social instability and adverse diplomatic developments in the PRC mainland could result in the imposition of additional government restrictions, including expropriation or confiscatory taxation, foreign exchange control or nationalisation of property held by issuers of the underlying securities in which the relevant Sub-Fund invests. These factors could adversely affect the performance of the relevant Sub-Fund.

*PRC mainland law and regulations risk.* The PRC mainland's legal system is based on written statutes and, therefore, prior court decisions do not have binding legal effect, although they are often followed by judges as guidance. The Chinese Mainland government has been developing a comprehensive system of commercial laws, and considerable progress has been made in promulgating laws and regulations dealing with economic matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, enforcement of such laws and regulations may be uncertain and sporadic, and implementation and interpretation of such laws and regulations may be inconsistent. The PRC mainland's judiciary is relatively inexperienced in enforcing the existing laws and regulations, leading to a higher than usual degree of uncertainty as to the outcome of any litigation. Even where adequate laws exist in the PRC mainland, it may be difficult to obtain swift and equitable enforcement of such laws, or to obtain enforcement of a judgment by a court of another jurisdiction. The introduction of new Chinese laws and regulations and the interpretation of existing ones may be subject to policy changes reflecting domestic political or social changes. The regulatory and legal framework for capital markets and joint stock companies in the PRC mainland may not be as well developed as those of developed countries. PRC mainland laws and regulations affecting securities markets are relatively new and evolving. As the PRC mainland's legal system develops, there can be no assurance that changes in such legislation or interpretation thereof will not have an adverse effect upon the business and prospects of the relevant Sub-Fund's portfolio investments in Chinese Mainland.

#### 4.2 **Investment risks**

*General risks involved in investing in a Sub-Fund.* An investment in Units of a Sub-Fund involves risks similar to those of investing in a broad-based portfolio of securities traded on exchanges in the relevant overseas securities market, including market fluctuations caused by factors such as economic and political developments, changes in interest rates and perceived trends in security prices. The principal risk factors, which could decrease the value of an Investor's investment, are listed and described below:

- Less liquid and less efficient securities markets;
- Greater price volatility especially for Sub-Funds investing in equity securities;
- Exchange rate fluctuations and exchange controls;
- Less publicly available information about issuers;

- The imposition of restrictions on the expatriation of funds or other assets of a Sub-Fund;
- Higher transaction and custody costs and delays and risks of loss attendant in settlement procedures;
- Difficulties in enforcing contractual obligations;
- Lesser levels of regulation of the securities markets;
- Different accounting, disclosure and reporting requirements;
- More substantial government involvement in the economy;
- Higher rates of inflation; and
- Disruption of normal market trading and valuation of securities due to extreme market conditions, natural catastrophes, greater social, economic, and political uncertainty and the risk of nationalization or expropriation of assets and war or terrorism.

Investment risk. The Sub-Funds are not principal guaranteed and the purchase of its Units is not the same as investing directly in the Index Securities comprised in the Underlying Index.

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

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

Risk of Indemnity. Under the Trust Deed, the Trustee and the Manager (and their respective directors, officers and employees) shall be entitled, except to the extent of any fraud, negligence, or wilful default on its (or their) part, to be indemnified and held harmless out of the assets of the relevant Sub-Fund in respect of any (in addition to any right of indemnity given by law) action, costs, claims, damages, expenses or liabilities to which it (or they) may be put or which it (or they) may incur by virtue of the proper performance of their respective duties. Any reliance by the Trustee or the Manager on the right of indemnity would reduce the assets of a Sub-Fund and the value of the Units.

Market Risk. Market risk includes such factors as changes in economic environment, consumption pattern, lack of publicly available information of investments and their issuers and investors' expectations, etc. which may have significant impact on the value of the investments. Usually, emerging markets tend to be more volatile than developed markets and may experience substantial price volatility. Market movements may therefore result in substantial fluctuations in the Net Asset Value per Unit of the relevant Sub-Fund. The price of Units and the income from them may go down as well as up.

There can be no assurance that an investor will achieve profits or avoid losses, significant or otherwise. The capital return and income of a Sub-Fund is based on the capital appreciation and income on the Securities it holds, less expenses incurred. The Sub-Fund's return may fluctuate in response to changes in such capital appreciation or income.

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

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

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

*Risks relating to sale and repurchase agreements.* In the event of the failure of the counterparty with which collateral has been placed, a Sub-Fund may suffer loss as there may be delays in recovering collateral placed out or the cash originally received may be less than the collateral placed with the counterparty due to inaccurate pricing of the collateral or market movements. The Sub-Fund may also be subject to legal risk, operational risk, liquidity risk of the counterparty and custody risk of the collateral.

*Risks relating to reverse-repurchase agreements.* In the event of the failure of the counterparty with which cash has been placed, a Sub-Fund may suffer loss as there may be delay in recovering cash placed out or difficulty in realising collateral or proceeds from the sale of the collateral may be less than the cash placed with the counterparty due to inaccurate pricing of

the collateral or market movements. The Sub-Fund may also be subject to legal risk, operational risks, liquidity risk of the counterparty and custody risk of the collateral.

*Tracking Error Risk.* A Sub-Fund's returns may deviate from the Underlying Index due to a number of factors. For example, the fees and expenses of a Sub-Fund, liquidity of the market, imperfect correlation of returns between a Sub-Fund's assets and the Securities constituting its Underlying Index the rounding of share prices, foreign exchange costs, changes to the Underlying Indices and regulatory policies may affect the Manager's ability to achieve close correlation with the Underlying Index of each Sub-Fund and to rebalance the Sub-Fund's holdings of Index Securities and/or Non-Index Securities in response to changes in the constituents of the Underlying Index. Further, a Sub-Fund may receive income (such as interests and dividends) from its assets while the Underlying Index does not have such sources of income. There is no guarantee or assurance of exact or identical replication at any time of the performance of the relevant Underlying Index.

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

*Concentration Risk.* If the Underlying Index of a Sub-Fund is concentrated in a particular security or group of securities of a particular industry or group of industries, that Sub-Fund may be adversely affected by or depend heavily on the performance of those securities and be subject to price volatility. In addition, the Manager may invest a significant percentage or all of the assets of a Sub-Fund in a single security, group of securities, industry or group of industries, and the performance of the Sub-Fund could be closely tied to that security, group of securities, industry or group of industries and could be more volatile than the performance of other more diversified funds, and be more susceptible to any single economic, market, political or regulatory occurrence.

*Single country risk.* The investments of a Sub-Fund which invest in a single country, are not as diversified as regional funds or global funds. This means that such Sub-Funds tend to be more volatile than other mutual funds and its portfolio value can be exposed to country specific risks.

*Foreign Security Risk.* A Sub-Fund may invest entirely within or may relate to the equity markets of a single country or region. These markets may be subject to special risks associated with foreign investment including market fluctuations caused by factors affected by political and economic development. Investing in the Securities of non-Hong Kong companies involves special risks and considerations not typically associated with investing in Hong Kong companies. These include differences in accounting, disclosure, auditing and financial reporting standards, the possibility of expropriation or confiscatory taxation, adverse changes in investment or exchange control regulations, the imposition of restrictions on the expatriation of funds or other assets of a Sub-Fund, political instability which could affect local investments in foreign countries, and potential restrictions on the flow of international capital. Non-Hong Kong companies may be subject to less governmental regulation than Hong Kong companies. Moreover, individual foreign economies may differ favourably or unfavourably from the Hong Kong economy in such respects as growth of gross domestic product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payment positions.

*Management Risk.* A Sub-Fund may be subject to management risk. This is the risk that the Manager's strategy, the implementation of which is subject to a number of constraints, may not produce the intended results. Although it is the Manager's intention to use full replication strategy to track the relevant Underlying Index for some of the Sub-Funds, there is no guarantee that this can be achieved, as the implementation of a full replication strategy may be subject to constraints which are beyond the control of the Manager. In addition, in the interest of a Sub-Fund, the Manager has absolute discretion to exercise shareholders' rights with respect to Index Securities and/or Non-Index Securities comprising the relevant Sub-Fund. There can be

no guarantee that the exercise of such discretion will result in the investment objective of the relevant Sub-Fund being achieved. Investors should also note that in certain cases, none of the Manager, the relevant Sub-Fund or the Unitholders has any voting rights with respect to Index Securities and/or Non-Index Securities comprising the relevant Sub-Fund.

*Passive Investments.* The Sub-Funds are not actively managed. Each Sub-Fund invests in the Index Securities and/or Non-Index Securities included in or reflecting its Underlying Index regardless of their investment merit. The Manager does not attempt to select securities individually or to take defensive positions in declining markets. Accordingly, the lack of discretion to adapt to market changes due to the inherent investment nature of each Sub-Fund means that falls in the related Underlying Index are expected to result in a corresponding fall in the value of the relevant Sub-Fund.

*Restricted markets risk.* A Sub-Fund may invest in securities in jurisdictions (including Chinese Mainland) which impose limitations or restrictions on foreign ownership or holdings. In such circumstances, the relevant Sub-Fund may be required to make investments in the relevant markets directly or indirectly. In either case, legal and regulatory restrictions or limitations may have adverse effect on the liquidity and performance of such investments due to factors such as limitations on fund repatriation, dealing restrictions, adverse tax treatments, higher commission costs, regulatory reporting requirements and reliance on services of local custodians and service providers. This may lead to an increased tracking error for the relevant Sub-Fund.

*Possible Business Failure Risk.* In the current economic environment, global markets are experiencing very high level of volatility and an increased risk of corporate failures. The insolvency or other corporate failures of any one or more of the constituents of the Underlying Index may have an adverse effect on the Underlying Index and therefore the relevant Sub-Fund's performance. Investors may lose money by investing in a Sub-Fund.

*Reliance on the Manager.* Unitholders must rely upon the Manager in formulating the investment strategies and the performance of a Sub-Fund 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 of 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 Sub-Fund's performance and investors may lose money in those circumstances.

*Counterparty Risk.* The Manager for the account of a Sub-Fund, may enter into transactions with financial institutions, such as brokerage firms, broker-dealers and banks, may enter into transactions in relation to such Sub-Fund's investments. The Sub-Fund may be exposed to the risk that such financial institutions, being a counterparty may not settle a transaction in accordance with market practice due to a credit or liquidity problem of the counterparty, or due to the insolvency, fraud or regulatory sanction of the counterparty, thus causing the Sub-Fund to suffer a loss.

In addition, a Sub-Fund may be exposed to the counterparty risk of a custodian, bank or financial institution ("custodian or depository") with which it deposits its securities or cash. These custodian or depository may be unable to perform their obligations due to credit-related and other events like insolvency of or default of them. In these circumstances the relevant Sub-Fund may be required to unwind certain transactions and may encounter delays of some years and difficulties with respect to court procedures in seeking recovery of the relevant Sub-Fund's assets.

*Borrowing Risks.* The Trustee, on the instruction of the Manager, may borrow for the account of a Sub-Fund (up to 10% of the Net Asset Value of the relevant Sub-Fund) for various reasons,

such as facilitating redemptions or to acquire investments for the account of the relevant Sub-Fund. Borrowing involves an increased degree of financial risk and may increase the exposure of the relevant 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 the relevant Sub-Fund will be able to borrow on favourable terms, or that the relevant Sub-Fund's indebtedness will be accessible or be able to be refinanced by the relevant Sub-Fund at any time.

Accounting standards and disclosure. The Manager intends to adopt Hong Kong Financial Reporting Standards (“**HKFRS**”) in drawing up the annual financial reports of the Trust and the Sub-Funds. However, investors should note that the calculation of the Net Asset Value for determining fees and for subscription and redemption purposes will not necessarily be in compliance with generally accepted accounting principles, that is, HKFRS. Under HKFRS, investments should be valued at fair value, and bid and ask pricing is considered to be representative of fair value for long and short listed investments respectively. However, under the valuation basis described in the section “**8.1 Determination of the Net Asset Value**” below, listed investments may be valued by reference to the last traded price or the official closing price instead of bid and ask pricing as required under HKFRS. Accordingly, investors should note 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 financial reports as the Manager may make necessary adjustments in the annual financial reports to comply with HKFRS. Any such adjustments will be disclosed in the annual financial reports, including a reconciliation note to reconcile values as shown in the annual financial reports prepared in accordance with HKFRS to those derived by applying the relevant Trust’s valuation rules.

Risk of early termination. Under the terms of the Trust Deed and as summarised under the section headed “**12.5 Termination of the Trust or a Sub-Fund**” of this Prospectus, the Manager or the Trustee may terminate the Trust or a Sub-Fund under certain circumstances.

In the event of the early termination of a Sub-Fund, the relevant Sub-Fund would have to distribute to the Unitholders their pro rata interest in the assets of the Sub-Fund in accordance with the Trust Deed. It is possible that at the time of such sale or distribution, certain investments held by that Sub-Fund may be worth less than the initial cost of such investments, resulting in a substantial loss to the Unitholders. Moreover, any organisational expenses with regard to the relevant Sub-Fund that had not yet become fully amortised would be debited against the relevant Sub-Fund’s net assets at that time. Any amount distributed to the Unitholders of the relevant Sub-Fund may be more or less than the capital invested by such Unitholders.

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

Emerging market regions are also subject to special risks including, but not limited to: generally less liquid and less efficient securities markets; generally greater price volatility; exchange rate fluctuations and exchange control; higher volatility of the value of debt (particularly as impacted by interest rates); imposition of restrictions on the expatriation of funds or other assets; less publicly available information about issuers; the imposition of taxes; higher transaction and custody costs; settlement delays and risk of loss; difficulties in enforcing contracts; less liquidity and smaller market capitalisations; less well regulated markets resulting in more volatile stock prices; different accounting and disclosure standards; governmental interference; higher inflation; social, economic and political uncertainties; custodial and/or settlement systems may

not be fully developed which may expose a Sub-Fund to sub-custodial risk in circumstances whereby the Trustee will have no liability as provided under the provisions of the Trust Deed; the risk of expropriation of assets and the risk of war.

*Risk of War or Terrorist Attacks.* There can be no assurance that there will not be any terrorist attacks which could have direct or indirect effect on the markets in which investments of a Sub-Fund may be located and the corresponding political and/or economic effects arising therefrom if any, may in turn adversely affect the operation and profitability of the Sub-Fund.

*Cross class liability risk.* The Trust Deed allows the Trustee and the Manager to issue Units in separate classes. The Trust Deed provides for the manner in which liabilities are to be attributed across the various classes within a Sub-Fund under the Trust (liabilities are to be attributed to the specific class of a Sub-Fund in respect of which the liability was incurred). A person to whom such a liability is owed has no direct recourse against the assets of the relevant class (in the absence of the Trustee granting that person a security interest). However, the Trustee will have a right of reimbursement and indemnity out of the assets of the Trust which may result in unitholders of one class of Units of a Sub-Fund being compelled to bear the liabilities incurred in respect of another class of the Sub-Fund which Units such unitholders do not themselves own if there are insufficient assets attributable to that other class to satisfy the amount due to the Trustee. Accordingly, there is a risk that liabilities of one class of a Sub-Fund may not be limited to that particular class and may be required to be paid out of one or more other classes of that Sub-Fund.

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

*Dividends may not be paid.* Whether a Sub-Fund will pay distributions on Units is subject to the Manager's distribution policy and also depends on dividends declared and paid in respect of the Index Securities and/or Non-Index Securities. Instead of distributing dividends to Unitholders, the Manager may in its discretion use dividends received from the Index Securities and/or Non-Index Securities to pay a Sub-Fund's expenses. Dividend payment rates in respect of such Index Securities and/or Non-Index Securities will depend on factors beyond the control of the Manager or Trustee including, general economic conditions, and the financial position and dividend policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions.

*No Right to Control a Sub-Fund's Operation.* Investors of a Sub-Fund will have no right to control the daily operations, including investment and redemption decisions, of such Sub-Fund.

*Difficulties in valuation of investments.* 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 apply valuation methods to ascertain the fair value of such securities, pursuant to the Trust Deed.

*Securities volatility risk.* Prices of securities may be volatile. Price movements of securities are difficult to predict and are influenced by, among other things, changing supply and demand relationships, governmental trade, fiscal, monetary and exchange control policies, national and international political and economic events, and the inherent volatility of the market place. A Sub-Fund's value will be affected by such price movements and could be volatile, especially in the short-term.

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

In addition, the Manager may also in certain circumstances suspend the determination of the Net Asset Value of the Sub-Fund for the whole or any part of any period. Please see section "**8.2 Suspension Of Determination Of Net Asset Value**" for further details.

#### 4.3 **Market Trading Risks (applicable to the Listed Class of Units only)**

*Trading Risk.* While the creation/redemption feature of the Trust is designed to make it more likely that Listed Class of Units will trade close to their Net Asset Value, disruptions to creations and redemptions (for example, as a result of imposition of capital controls by a foreign government) may result in the Listed Class of Units trading at a significant premium / discount to its Net Asset Value. Also, there can be no assurance that an active trading market will exist or maintain for the Listed Class of Units of a Sub-Fund on any securities exchange on which such Listed Class of Units may trade.

The Net Asset Value of the Listed Class of Units of a Sub-Fund will also fluctuate with changes in the market value of a Sub-Fund's holdings of Index Securities and/or Non-Index Securities and changes in the exchange rate between the Base Currency and the subject foreign currency. The market prices of the Listed Class of Units will fluctuate in accordance with changes in Net Asset Value and supply and demand on any exchange on which the Listed Class of Units are listed. The Manager cannot predict whether the Listed Class of Units will trade below, at or above their Net Asset Value. Price differences may be due, in large part, to the fact that supply and demand forces in the secondary trading market for the Listed Class of Units will be closely related, but not identical, to the same forces influencing the prices of the Index Securities and/or Non-Index Securities trading individually or in the aggregate at any point in time. Given, however, that the Listed Class of Units must be created and redeemed in Application Unit aggregations (unlike shares of many closed-end funds, which frequently trade at appreciable discounts from, and sometimes at premiums to, their Net Asset Value), the Manager believes that ordinarily large discounts or premiums to the Net Asset Value of the Listed Class of Units should not be sustained. In the event that the Manager suspends creations and/or redemptions of the Listed Class of Units of a Sub-Fund, the Manager expects larger discounts or premiums between the secondary market price of the Listed Class of Units and the Net Asset Value.

There is no certain basis for predicting the sizes in which the Listed Class of Units in the Sub-Fund may trade. There can be no assurance that the Listed Class of Units in the Sub-Fund will experience trading or pricing patterns similar to those of other exchange traded funds which are issued by investment companies in other jurisdictions or are traded on the SEHK.

*No Trading Market in the Units.* There may be no liquid trading market for the Listed Class of Units of a Sub-Fund notwithstanding the listing of such Listed Class of Units on the SEHK and the appointment of one or more market makers. Further, there can be no assurance that the Listed Class of Units will experience trading or pricing patterns similar to those of exchange traded funds which are issued by investment companies in other jurisdictions or those traded on the SEHK which are based upon indices other than the Underlying Index.

*Reliance on Market Maker(s)*. Although it is the Manager's intention that there will always be at least one market maker in respect of the Listed Class of Units, Investors should note that liquidity in the market for the Listed Class of Units may be adversely affected if there is no market maker for a Sub-Fund. It is possible that where there is only one SEHK market maker to the Listed Class of Units of each Sub-Fund and therefore it may not be practical for a Sub-Fund to remove the only market maker to the Sub-Fund even if the market maker fails to discharge its duties as the sole market maker.

*Reliance on Participating Dealer(s)*. The issuance and redemption of Listed Class of Units generally, may only be effected through Participating Dealer(s). A Participating Dealer may charge a fee for providing this service. Participating Dealer(s) will not be able to issue or redeem Listed Class of Units during any period when, amongst other things, dealings on the SEHK are restricted or suspended, settlement or clearing of securities through the CCASS is disrupted or the Underlying Index(ices) is/are not compiled or published. In addition, Participating Dealer(s) will not be able to issue or redeem Listed Class of Units if some other event occurs which impedes the calculation of the Net Asset Value of a Sub-Fund or disposal of a Sub-Fund's portfolio securities cannot be effected. Where a Participating Dealer appoints a PD Agent to perform certain CCASS-related functions, if the appointment is terminated and the Participating Dealer fails to appoint an alternative PD Agent, or if the PD Agent ceases to be a CCASS participant, the creation or redemption of Listed Class of Units by such Participating Dealer may also be affected. Since the number of Participating Dealers at any given time will be limited, and there may even be one Participating Dealer at any given time, there is a risk that investors may not always be able to create or redeem Listed Class of Units freely.

*Absence of active market / liquidity risk*. The Listed Class of Units of a Sub-Fund may not initially be widely held upon their listing on the SEHK. Accordingly, any investor buying Listed Class of Units in small numbers may not necessarily be able to find other buyers should that investor wish to sell. To address this risk, one or more market makers have been appointed.

There can be no assurance that an active trading market for Listed Class of Units of a Sub-Fund will develop or be maintained. In addition, if the Index Securities and/or Non-Index Securities which comprise the Sub-Fund themselves have limited trading markets, or if the spreads are wide, this may adversely affect the price of the Listed Class of Units and the ability of an investor to dispose of its Listed Class of Units at the desired price. If investors need to sell Listed Class of Units at a time when no active market for them exists, the price they receive for such Listed Class of Units — assuming they are able to sell them — would likely be lower than the price received if an active market did exist.

In addition, the price at which Index Securities and/or Non-Index Securities may be purchased or sold by a Sub-Fund upon any rebalancing activities or otherwise and the value of the Listed Class of Units may be adversely affected if trading markets for the Sub-Fund's portfolio securities are limited, inefficient or absent or if bid-offer spreads are wide.

*Restrictions on creation and redemption of Units*. Investors should note that an investment in the Listed Class of Units of 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). The Listed Class of Units of a Sub-Fund generally, may only be created and redeemed in Application Unit sizes directly by a Participating Dealer (either on its own account or on behalf of an investor through a stockbroker which has opened an account with the Participating Dealer). Other investors may only make a request (and if such investor is a retail investor, through a stockbroker which has opened an account with a Participating Dealer) to create or redeem Listed Class of Units in Application Unit sizes through a Participating Dealer which reserves the right to refuse to accept a request from an investor to create or redeem Listed Class of Units under certain circumstances. Alternatively, investors may realize the value of their Listed Class of Units by selling their Listed Class of Units through an intermediary such as a stockbroker on the SEHK, although there is a risk that dealings on the SEHK may be

suspended. Please refer the sections “**Rejection of Creation Applications**” and “**Rejection of Redemption Applications**” in Schedule 2 for details in relation to the circumstances under which creation and redemption applications can be rejected.

Units may trade at prices other than NAV. The Net Asset Value of a Sub-Fund represents the fair price for buying or selling Units. As with any listed fund, the market price of Listed Class of Units may sometimes trade above or below its NAV. There is a risk, therefore, that Unitholders may not be able to buy or sell Listed Class of Units at a price close to this NAV. The deviation from NAV is dependent on a number of factors, but will be accentuated when there is a large imbalance between market supply and demand for Index Securities and/or Non-Index Securities. The “bid/ask” spread (being the difference between the prices being bid by potential purchasers and the prices being asked by potential sellers) is another source of deviation from NAV. The bid/ask spread can widen during periods of market volatility or market uncertainty, thereby increasing the deviation from NAV. Please also note that the fact that an investor purchases the Listed Class of Units from the secondary market with premium does not mean that such investor is guaranteed of the return of the premium an investor pays. In the event that an investor is unable to get back the premium he pays, and he will suffer loss when selling the Listed Class of Units.

Costs of trading Units risk. Trading of Listed Class of Units on the SEHK may involve various types of costs that apply to all securities transactions. When trading Listed Class of 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, being the difference between what investors are willing to pay for the Listed Class of Units (bid price) and the price at which they are willing to sell Listed Class of Units (ask price). Frequent trading may detract significantly from investment results and an investment in Listed Class of Units may not be advisable particularly for investors who anticipate regularly making small investments.

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

#### 4.4 **Differences in dealing, fee and cost arrangements between Listed Class and Unlisted Class of Units**

Each Sub-Fund may offer both Listed Class of Units and Unlisted Class of Units. Dealing arrangements in respect of Listed Class of Units and Unlisted Class of Units are different, and depending on market conditions, investors of the Listed Class of Units may be at an advantage compared to investors of the Unlisted Class of Units, or vice versa.

Unlike investors of Listed Class of Units who may buy and sell Units in the secondary market during SEHK trading hours, investors of Unlisted Class of Units are only able to subscribe and redeem at the relevant Subscription Price and Redemption Price (as the case may be) based on the latest available Net Asset Value as at the end of each Dealing Day. As such, holders of Listed Class of Units would have intra-day trading opportunities which will not be available to holders of Unlisted Class of Units. In a stressed market scenario, holders of Listed Class of Units can sell their units on the secondary market during SEHK trading hours if the market continues to deteriorate, while holders of Unlisted Class of Units will not be able to do.

Conversely, Secondary Market Investors generally do not have access to the redemption facilities which are available to investors of Unlisted Class of Units. During stressed market conditions, Participating Dealers and Approved Applicants may, on their own account or on behalf of Primary Market Investors, redeem Listed Class of Units on the primary market at the Net Asset Value of the relevant Sub-Fund, but the secondary market trading prices may have

diverged from the corresponding Net Asset Value. In such circumstances, holders of the Listed Class of Units in the secondary market will be at an apparent disadvantage to holders of the Unlisted Class of Units as the latter will be able to redeem from the relevant Sub-Fund at Net Asset Value whilst the former will not.

The Net Asset Value per Unit of each of the Listed Class of Units and Unlisted Class of Units may also be different due to the different fees and costs applicable to each class of Units.

Please also refer to “Market Trading Risks (applicable to the Listed Class of Units only)” above for additional risks relating to Listed Class of Units.

#### 4.5 **Regulatory risks**

**Legal and Regulatory Risk.** A Sub-Fund must comply with regulatory constraints or changes in the laws affecting it or its investment restrictions which might require a change in a Sub-Fund’s investment policy and objective. Furthermore, such change in the laws may have an impact on the market sentiment which may in turn affect the underlying securities of a Sub-Fund and as a result the performance of a Sub-Fund. It is impossible to predict whether such an impact caused by any change of law will be positive or negative for a Sub-Fund. In the worst case scenario, a Unitholder may lose a material part of its investment in a Sub-Fund.

**Risk of withdrawal of authorization by the Commission.** Each Sub-Fund seeks to provide investment results that closely correspond with the performance of the relevant Underlying Index. One or more Sub-Funds have been authorized as a collective investment scheme under the Code by the Commission pursuant to section 104 of the Securities and Futures Ordinance. However, the Commission reserves the right to withdraw the authorization of a Sub-Fund, for example, if the Commission considers the relevant Underlying Index is no longer acceptable to the Commission. The Commission’s authorisation is not a recommendation or endorsement of a Sub-Fund nor does it guarantee the commercial merits of a Sub-Fund or its performance. This does not mean the Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

**Risk relating to de-listing (applicable to Listed Class of Units only).** The SEHK imposes certain requirements for the continued listing of Securities, including the Listed Class of Units, on the SEHK. Investors cannot be assured that the Sub-Funds will continue to meet the requirements necessary to maintain the listing of Listed Class of Units on the SEHK or that the SEHK will not change the listing requirements. If the Listed Class of Units are delisted from the SEHK, the Manager may, in consultation with the Trustee, seek the Commission’s prior approval to operate only Unlisted Class of Units in respect of such Sub-Fund (subject to any necessary amendments to the rules of the Sub-Fund) or terminate the Sub-Fund and will notify investors accordingly.

**Risk of suspension of trading on the SEHK.** If trading of the Listed Class of 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 Listed Class of Units. The SEHK may suspend the trading of Listed Class of Units whenever the SEHK determines that it is appropriate in the interests of a fair and orderly market to protect investors. The subscription and redemption of Listed Class of Units may also be suspended if the trading of Listed Class of Units is suspended.

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

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

Sections 1471 – 1474 (referred to as “**FATCA**”) of the US Internal Revenue Code of 1986, as amended (“**IRS Code**”) will impose rules with respect to certain payments to non-United States persons, such as the Trust and the Sub-Funds, including interest and dividends from securities of US issuers. All such payments may be subject to withholding at a 30% rate, unless the recipient of the payment satisfies certain requirements intended to enable the US Internal Revenue Service (“**IRS**”) to identify United States persons (within the meaning of the IRS Code) with interests in such payments. To avoid such withholding on payments made to it, a foreign financial institution (an “**FFI**”), such as the Trust and the Sub-Funds (and, generally, other investment funds organized outside the US), generally will be required to enter into an agreement (an “**FFI Agreement**”) with the US IRS under which it will agree to identify its direct or indirect owners who are United States persons and report certain information concerning such United States person owners to the US IRS.

In general, an FFI which does not sign an FFI Agreement or is not otherwise exempt will face a punitive 30% withholding tax on all “withholdable payments” derived from US sources, including dividends, interest and certain derivative payments made on or after 1 July 2014. In addition, gross proceeds such as sales proceeds and returns of principal derived from stocks and debt obligations generating US source dividends or interest may be treated as “withholdable payments” in the future. It is expected that certain non-U.S. source payments attributable to amounts that would be subject to FATCA withholding (referred to as “**passthru payments**”) will also be subject to FATCA withholding, though the definition of “passthru payment” in U.S. Treasury Regulations is currently pending.

Hong Kong entered into an intergovernmental agreement with the US on 13 November 2014 (“**IGA**”) for the implementation of FATCA, adopting “Model 2” IGA arrangements. Under this “Model 2” IGA arrangements, FFIs in Hong Kong (such as the Trust and the Sub-Funds) would be required to enter into the FFI Agreement with the US IRS, register with the US IRS and comply with the terms of FFI Agreement. Otherwise they will be subject to a 30% withholding tax on relevant US-sourced payments to them.

As an IGA has been signed between Hong Kong and the US, FFIs in Hong Kong (such as the Trust and the Sub-Funds) complying with the FFI Agreement (i) will generally not be subject to the above described 30% withholding tax; and (ii) will not be required to withhold tax on payments to recalcitrant accounts (i.e. accounts of which the holders do not consent to FATCA reporting and disclosure to the US IRS) or close those recalcitrant accounts (provided that information regarding such recalcitrant account holders is reported to the US IRS), but may be required to withhold tax on payments made to non-compliant FFIs.

The Trust and each Sub-Fund will endeavour to satisfy the requirements imposed under FATCA and the FFI Agreement to avoid any withholding tax. In the event that the Trust or any Sub-Fund is not able to comply with the requirements imposed by FATCA or the FFI Agreement and the Trust or such Sub-Fund does suffer US withholding tax on its investments as a result of non-compliance, the Net Asset Value of the Trust or that Sub-Fund may be adversely affected and the Trust or such Sub-Fund may suffer significant loss as a result.

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

good faith and on reasonable grounds and in compliance with all applicable laws and regulations. As at the date of this Prospectus, all Units in the Sub-Funds are registered in the name of HKSCC Nominees Limited. It is the Manager's understanding that Hong Kong Securities Clearing Company Limited has completed registration with the IRS as a "Reporting Financial Institution under a Model 2 IGA".

The Sub-Funds have been registered with the IRS as at the date of this Prospectus. The Manager has taken competent tax advice and confirms that the Trust itself is not required to be registered with the IRS for FATCA-compliance purpose.

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

#### 4.7 **Risks associated with the Underlying Index**

The Underlying Index is subject to fluctuations. The performance of the Units should, before fees and expenses, correspond closely with the performance of the Underlying Index. If the Underlying Index experiences volatility or declines, the price of the Units will vary or decline accordingly.

Licence to use the Underlying Index may be terminated. The Manager has been granted a licence by each of the Index Providers to use the relevant Underlying Index in order to create a Sub-Fund based on the relevant Underlying Index and to use certain trademarks and any copyright in the relevant Underlying Index. A Sub-Fund may not be able to fulfil its objective and may be terminated if the licence agreement between the Manager and the relevant Index Provider is terminated. The initial term of the licence agreement of a Sub-Fund and the manner in which such licence agreement may be renewed are set out in Part 2 of this Prospectus. Generally, a licence agreement may be terminated by the Manager and the relevant Index Provider by mutual agreement, and there is no guarantee that the licence agreement will be perpetually renewed. Further details on the grounds on which the licence agreement of a Sub-Fund may be terminated are set out in Part 2 of this Prospectus. A Sub-Fund may also be terminated if the relevant Underlying Index ceases to be compiled or published and there is no replacement Underlying Index using the same or substantially similar formula for the method of calculation as used in calculating the relevant Underlying Index.

Compilation of Underlying Index. Each Sub-Fund is not sponsored, endorsed, sold or promoted by the relevant Index Provider. Each Index Provider makes no representation or warranty, express or implied, to investors in the relevant Sub-Fund or other persons regarding the advisability of investing in Index Securities or futures generally or in the relevant Sub-Fund particularly. Each Index Provider has no obligation to take the needs of the Manager or investors in the relevant Sub-Fund into consideration in determining, composing or calculating the relevant 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, and consequently there can be no guarantees that its actions will not prejudice the interests of the relevant Sub-Fund, the Manager or investors.

Composition of the Underlying Index may change. The composition of the Index Securities constituting the relevant Underlying Index will change as the Index Securities may be delisted, or as new Securities or futures are included in the relevant Underlying Index. When this happens, the weightings or composition of the Index Securities owned by a Sub-Fund would be changed as considered appropriate by the Manager in order to achieve the investment objective. Thus, an investment in Units will generally reflect the 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 a particular Sub-Fund will, at any given time accurately reflect the composition of the relevant Underlying Index. Please refer to "**Tracking Error Risk**" under section "**4.2 Investment Risks**" above.

*Risk of change in methodology of the Underlying Index.* The construction methodology of the relevant Underlying Index may change when the Index Provider deems it necessary to adapt to significant changes in the market condition. When this happens, the weightings or composition of the Index Securities owned by a Sub-Fund would be changed as considered appropriate by the Manager in order to continue to achieve the investment objective under the revised Underlying Index. Thus, 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.

**Investors should refer to Part 2 of this Prospectus for details of any additional risks specific to a Sub-Fund.**

## 5 **INVESTMENT AND BORROWING RESTRICTIONS**

Investors should refer to Schedule 1 for a list of investment and borrowing restrictions applicable to the Sub-Funds of the Trust.

Investors should refer to Part 2 of this Prospectus for details of any additional investment restrictions specific to a Sub-Fund.

## 6 **INVESTING IN A SUB-FUND**

Investors should refer to Schedule 2 for information relating to the methods of investing in Listed Class of Units of a Sub-Fund, and Schedule 3 for information relating to the methods of investing in Unlisted Class of Units of a Sub-Fund.

## 7 **CERTIFICATES**

All holdings of Units will be in registered form and certificates will not be issued in respect of the Units of the Trust. Evidence of title of Units will be the entry on the register of Unitholders in respect of each Sub-Fund. Unitholders should therefore be aware of the importance of ensuring that the Registrar is informed of any change to the registered details.

All Listed Class of Units of the Trust will be registered in the name of the HKSCC Nominees Limited by the Registrar on the Register of Unitholders of the relevant Sub-Fund, which is the evidence of ownership of such Listed Class of Units. Neither HKSCC Nominees Limited nor HKSCC has any proprietary interest in the Listed Class of Units. Beneficial interest of retail investors in the Listed Class of Units of the Trust will be established through an account with a participant in CCASS.

## 8 **VALUATION AND SUSPENSION**

### 8.1 **Determination of the Net Asset Value**

The Net Asset Value of the relevant Sub-Fund and the Net Asset Value per Unit of each class of the relevant Sub-Fund shall be determined as at the Valuation Point on the relevant Valuation Day in respect of each Dealing Day for Units of the Sub-Fund (or at such other time as the Manager, in consultation with the Trustee, may determine) by valuing the assets of the Sub-Fund or class (as the case may be) and deducting the liabilities attributable to the Sub-Fund or class (as the case may be) in accordance with the terms of the Trust Deed.

A summary of the applicable key provisions of the Trust Deed relating to the determination of the value of investments in the Trust is set out as follows:

- (a) the value of any investment quoted, listed or normally dealt in on a securities market (other than an interest in a collective investment scheme) shall be calculated by reference to the price appearing to the Manager and/or the Trustee (as the case may be) to be the last traded price or last closing price or last bid price or midway between the latest available market dealing offered price or the latest available market dealing bid price or the official closing price on the securities market on which the investment is quoted, listed or normally dealt in for such amount of such investment as the Manager and/or the Trustee (as the case may be) may consider in the circumstances to provide a fair criterion, PROVIDED THAT:
- (i) if an investment is quoted, listed or normally dealt in on more than one securities market, the Manager and/or the Trustee (as the case may be) shall adopt the price or, as the case may be, last traded price or the last closing price on the securities market which, in their opinion, provides the principal market for such investment;
  - (ii) in the case of any investment which is quoted, listed or normally dealt in on a securities market but in respect of which, for any reason, prices on that securities market may not be available at any relevant time, the value thereof shall be certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager, or, if the Trustee so requires, by the Manager after consultation with the Trustee;
  - (iii) there shall be taken into account interest accrued on interest-bearing investments up to (and including) the date as at which the valuation is made, unless such interest is included in the quoted or listed price;

and for the purpose of the foregoing provisions the Manager and the Trustee shall be entitled to use and to rely upon electronic transmitted information from such source or sources as they may from time to time think fit with regard to the pricing of the investments on any securities market and the prices derived therefrom shall be deemed to be the last traded prices or the official closing price;

- (b) the value of any investment which is not quoted, listed or normally dealt in on a securities market (other than an interest in a collective investment scheme) shall be the initial value thereof ascertained as hereinafter provided or the value thereof as assessed on the latest revaluation thereof made in accordance with the provisions hereinafter provided. For this purpose:
- (i) the initial value of an unquoted investment shall be the amount expended out of the relevant Sub-Fund in the acquisition thereof (including in each case the amount of the stamp duties, commissions and other expenses incurred in the acquisition thereof and the vesting thereof in the Trustee for the purposes of the Trust Deed);
  - (ii) the Manager shall at such times or at such intervals as the Trustee may request, cause a revaluation to be made of any unquoted investment by a professional person approved by the Trustee as qualified to value such unquoted investment;

Notwithstanding the above, the Manager, after consultation with the Trustee, may determine to value on a straight line basis investments in debt instruments acquired as a discount to their face value.

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

- (d) the value of each unit, share or other interest in any collective investment scheme shall be the last available net asset value per unit, share or other interest in such collective investment scheme or, shall be determined from time to time in such manner as the Manager, after consultation with the Trustee, shall determine;
- (e) notwithstanding the foregoing, the Manager may, in consultation with the Trustee, adjust the value of any investment or permit some other method of valuation to be used if, having regard to currency, applicable rate of interest, maturity, marketability and other considerations the Manager deems relevant, the Manager considers that such adjustment or use of such other method is required to reflect the fair value thereof. The Manager or the Trustee may also carry out regular independent valuation of the investments as it deems appropriate; and
- (f) the value of any investment (whether of a Security or cash) otherwise than in the Base Currency shall be converted into the Base Currency at the rate (whether official or otherwise) which the Manager, after consultation with the Trustee, shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange.

The Trustee and the Manager may:

- (a) rely without verification on price data and/or other information provided through electronic price feeds, mechanised and/or electronic systems of price/valuation dissemination for the purposes of valuing any assets of the Sub-Fund and the prices provided by any such system shall be deemed to be the last traded prices or the official closing price;
- (b) accept as sufficient and conclusive evidence of the value of any asset of a Sub-Fund or the cost price or sale price thereof, any market quotation or certification by a calculation agent, administrator, broker, any professional person, firm or association qualified (in the opinion of the Manager to provide such a quotation provided that nothing hereunder shall impose an obligation on the Manager to obtain such a quotation or certification. If and to the extent that the Manager is responsible for or otherwise involved in the pricing of any of a Sub-Fund's assets, the Trustee may accept, use and rely on such prices without verification;
- (c) rely upon, and will not be responsible for the accuracy of, financial data furnished to it by third parties including the relevant calculation agent, automatic pricing services, brokers, market makers or intermediaries, (in the case where the Trustee is relying on this provision) the Manager or (in the case where the Manager is relying on this provision) the Trustee, and any administrator or valuations agent of other collective investments into which a Sub-Fund may invest; and
- (d) rely upon the established practice and rulings of any market and any committees and officials thereof on which any dealing in any assets of a Sub-Fund or other property is from time to time effected in determining what shall constitute a good delivery and any similar matters and such practice and rulings shall be conclusive and binding upon all persons;

and the Trustee and the Manager shall not be liable for any loss suffered by a Sub-Fund, any Unitholders or any other person in connection therewith except the Trustee and the Manager shall be respectively liable for losses which are due to fraud, wilful default or negligence on their part.

## 8.2 Suspension Of Determination Of Net Asset Value

The Manager may, having regard to the best interests of Unitholders, after consultation with the Trustee, declare on the Manager's website at [www.csopasset.com/etf](http://www.csopasset.com/etf)<sup>1</sup> or through such other means as the Manager considers appropriate, a suspension of the determination of the Net Asset Value of a Sub-Fund for the whole or any part of any period during which:

- (a) there is a closure of or restriction or disruption or suspension of trading on any securities market on which a substantial part of the investments of the Sub-Fund is normally traded or a breakdown in any of the means normally employed by the Manager or the Trustee (as the case may be) in ascertaining the prices of investments or determining the Net Asset Value of the Sub-Fund or the Net Asset Value per Unit of the relevant class; or
- (b) for any other reason, the prices of a substantial part of the investments held or contracted for by the Manager for the account of the Sub-Fund cannot, in the reasonable opinion of the Manager, reasonably, promptly or fairly be ascertained; or
- (c) circumstances exist as a result of which, in the reasonable opinion of the Manager, it is not reasonably practicable to realize any investments held or contracted for the account of the Sub-Fund or it is not possible to do so without seriously prejudicing the interests of Unitholders of the relevant class; or
- (d) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, any investments of that Sub-Fund or the subscription or redemption of Units of the relevant class is prohibited, restricted, delayed or cannot, in the reasonable opinion of the Manager, be carried out promptly at normal exchange rates; or
- (e) the relevant Underlying Index is not compiled or published; or
- (f) a breakdown occurs in any of the systems and/or means of communication normally employed in ascertaining the Net Asset Value of the relevant Sub-Fund or the Net Asset Value per Unit, Subscription Price or Issue Price (as the case may be) or Redemption Price of the relevant class, or when for any other reason the Net Asset Value of the relevant class cannot be ascertained in a prompt or accurate manner; or
- (g) the existence of any state of affairs as a result of which delivery of Index Securities and/or Non-Index Securities comprised in a Basket or disposal of investments for the time being comprised in the Sub-Fund's assets cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Unitholders; or
- (h) the dealing of Units is suspended pursuant to any order or direction issued by the Commission; or
- (i) in the reasonable opinion of the Manager, such suspension is required by law or applicable legal process; or
- (j) the business operations of the Manager, the Trustee the Registrar and/or their respective delegates in relation to the operation of the Trust are substantially interrupted or closed as a result of arising from pestilence, acts of war, terrorism, insurrection, revolution civil unrest, riots, strikes or acts of God; or
- (k) in the case of a Sub-Fund authorised by the Commission as a feeder fund, the determination of the net asset value of the master fund (as defined in sub-paragraph (l) of the section "**Investment Restrictions**" in Schedule 1) is suspended.

Upon declaration of the suspension by the Manager, the suspension shall take effect. During the suspension,

- (a) there shall be no determination of the Net Asset Value of the relevant Sub-Fund or the Subscription Price or Issue Price (as the case may be) or the Redemption Price of Units in the relevant class;
- (b) (in respect of the Listed Class of Units) no Application shall be made by any of the Participating Dealers or Approved Applicants and in the event any Application is received in respect of any Dealing Day falling within such period of suspension (that has not been otherwise withdrawn), such Application shall be deemed as having been received immediately following the termination of the suspension;
- (c) (in respect of the Unlisted Class of Units) no subscription application shall be made by any investors and in the event any subscription application is received in respect of any Dealing Day falling within such period of suspension (that has not been otherwise withdrawn), such subscription application shall be deemed as having been received immediately following the termination of the suspension;
- (d) the Manager shall be under no obligation to rebalance the Deposited Property of the Sub-Fund; and
- (e) no Units shall be created and issued or redeemed for the account of the Sub-Fund.

The suspension shall terminate (i) when the Manager, after consultation with the Trustee, having regard to the best interests of the Unitholders, declares the suspension at an end, or (ii) in any event on the day following the first Business Day on which the condition giving rise to the suspension ceases to exist; and no other condition under which suspension is authorised under the Trust Deed exists. As soon as reasonably practicable after the termination of suspension, the Manager shall publish a notice of such termination on its website at [www.csopasset.com/etf](http://www.csopasset.com/etf)<sup>1</sup> or through such other means as the Manager considers appropriate.

The Manager shall notify the Commission if dealing in Units is suspended and publish a notice of suspension immediately following such suspension and, at least once a month during the period of suspension, on its website at [www.csopasset.com/etf](http://www.csopasset.com/etf)<sup>1</sup> or in such publications as the Manager decides.

In respect of Listed Class of Units, a Participating Dealer or Approved Applicant may at any time after a suspension has been declared and before termination of such suspension withdraw an Application submitted prior to such suspension by notice in writing to the Manager and the Manager shall promptly notify the Trustee accordingly. If the Manager has not received any such notification of withdrawal of such Application before termination of such suspension, the Trustee shall, subject to and in accordance with the provisions of the Trust Deed, create and issue Listed Class of Units or redeem Listed Class of Units in respect of such Application and such Application shall be deemed to be received immediately following the termination of such suspension.

In respect of Unlisted Class of Units, any subscription, switch or redemption application submitted prior to a suspension may be withdrawn at any time after such suspension has been declared and before termination of such suspension by notice in writing to the Manager and the Manager shall promptly notify the Trustee accordingly. If the Manager has not received any such notification of withdrawal of such subscription, switch or redemption application before termination of the suspension, the Trustee shall, subject to and in accordance with the provisions of the Trust Deed, issue, switch or redeem such Unlisted Class of Units in respect of such application and such application shall be deemed to be received immediately following the termination of such suspension.

8.3 **Suspension of Dealing in Listed Class of Units On The SEHK (Secondary Market)**

Dealing in Listed Class of Units on the SEHK, or trading on the SEHK generally, may at any time be suspended by the SEHK subject to any conditions imposed by the SEHK if the SEHK considers it necessary for the protection of investors or for the maintenance of an orderly market or in such other circumstances as the SEHK may consider appropriate.

9 **DISTRIBUTION POLICY**

Please refer to Part 2 of this Prospectus for further details of the distribution policy in respect of each Sub-Fund.

On a distribution from the Sub-Fund, the Trustee, in accordance with the instructions of the Manager, will allocate the amounts available for distribution between Unitholders and will pay such amounts to Unitholders.

10 **FEES AND CHARGES**

The fees and charges currently applicable to the Trust and each Sub-Fund (are set out below and in Part 2 of this Prospectus.

10.1 **Management Fees and Servicing Fee**

The Manager may, on giving not less than one month's written notice to the relevant Unitholders, increase each of the rate of the management fee or servicing fee payable in respect of a Sub-Fund up to or towards its maximum rate of 2% per annum of the Net Asset Value of the Sub-Fund accrued daily and calculated as at each Dealing Day and payable monthly or such higher percentage in accordance with the requirements of the Code.

A Sub-Fund (or a class of a Sub-Fund) may employ a single management fee structure, and details will be set out in the Appendix of the relevant Sub-Fund in Part 2 of this Prospectus.

Please refer to Part 2 of this Prospectus for further details on the management fee or servicing fee payable in respect of each Sub-Fund.

10.2 **Trustee's, Custodian's and Registrar's Fee**

The Trustee may, on giving not less than one month's written notice to the relevant Unitholders, increase the rate of the Trustee's fee payable in respect of a Sub-Fund up to or towards the maximum rate of 1% per annum of the Net Asset Value of the Sub-Fund accrued daily and calculated as at each Dealing Day and payable monthly or such higher percentage in accordance with the requirements of the Code.

The Trustee is also entitled to a fee in its capacity as the Custodian and the Registrar.

In addition, the Trustee will be reimbursed for all of its out-of-pocket expenses incurred in connection with performing its services as Trustee, Custodian and Registrar.

If so specified in the relevant Appendix, the Trustee's fee, Custodian's fee and the Registrar's fee, as well as the above out-of-pocket expenses, will be included in the Manager's management fee if a Sub-Fund (or class of a Sub-Fund) employs a single management fee structure.

Please refer to Part 2 of this Prospectus for further details on the Trustee's fee, Custodian's fee and the Registrar's fee payable in respect of each Sub-Fund.

10.3 **Service Agent's or Conversion Agent's Fee (applicable in respect of Listed Class of Units only)**

The Service Agent or the Conversion Agent (as applicable) will charge such fees and expenses as set out in Part 2 of this Prospectus.

10.4 **Subscription Fee, Redemption Fee and Switching Fee (applicable in respect of the Unlisted Class of Units only)**

**Subscription Fee**

The Manager is entitled to impose a subscription fee on the issue of Unlisted Class of Units of any Sub-Fund of up to a maximum of 5 per cent. of the subscription monies.

The subscription fee is payable in addition to the Subscription Price per Unit. The Manager may, in its absolute discretion, waive or reduce the payment of all or any portion of the subscription fee (either generally or in any particular case) of a Sub-Fund.

**Redemption Fee**

The Manager is entitled to impose a redemption fee on the redemption of Unlisted Class of Units of any Sub-Fund of up to a maximum of 3 per cent. of the redemption proceeds payable in respect of such Units.

The redemption fee is deducted from the redemption proceeds payable to a Unitholder in respect of each Unlisted Class of Unit redeemed. The Manager may, in its absolute discretion, waive or reduce the payment of all or any portion of the redemption fee (either generally or in any particular case) of a Sub-Fund.

**Switching Fee**

The Manager is entitled to impose a switching fee on the switching of Unlisted Class of Units of up to 1 per cent. of the redemption proceeds payable in respect of the Unlisted Class of Units being switched.

The switching fee is deducted from the amount realised from the redemption of the relevant Unlisted Class of Units and reinvested in the new Unlisted Class of Units of the same or another Sub-Fund. The Manager may, in its absolute discretion, waive or reduce the payment of all or any portion of the switching fee (either generally or in any particular case) of a Sub-Fund.

10.5 **Other Charges and Expenses**

Each Sub-Fund will bear the costs set out in the Trust Deed, which are directly attributable to it. Where such costs are not directly attributable to a Sub-Fund, the Manager, in consultation with the Trustee, shall determine how such costs are to be allocated. Such costs may include but are not limited to the cost of (a) all stamp and other duties, taxes, governmental charges, brokerages, commissions, exchange costs and commissions, bank charges, transfer fees and expenses, registration fees and expenses, transaction fees of the Trustee as may be agreed by the Manager in relation to transactions involving the whole or any part of the relevant Sub-Fund, custodian or sub-custodian and proxy fees and expenses, collection fees and expenses, insurance and security costs, and any other costs, charges or expenses payable in respect of the acquisition, holding and realisation of any investment or other property or any cash, deposit or loan (including the claiming or collection of income or other rights in respect thereof and including any fees or expenses charged or incurred by the Trustee or the Manager or any of their Connected Person in the event of the Trustee or the Manager or such Connected Person

rendering services or effecting transactions giving rise to such fees or expenses), (b) the fees and expenses of the Auditors, the Registrar, Service Agent (or the Conversion Agent, as the case may be and if applicable), any custodian, sub-custodian and administrator, (c) fees charged by the Trustee in connection with valuing the assets of the Trust or any part thereof, calculating the issue and redemption prices of Units, (d) expenses in connection with the management and trusteeship of the Trust, (e) all legal and other professional fees, expenses and charges incurred by the Manager and/or the Trustee in connection with the Trust, (f) out-of-pocket expenses incurred by the Trustee and/or the Manager wholly and exclusively in the performance of its duties (including, where appropriate, obtaining collateral, credit support or implementing other measures or arrangements in mitigating the counterparty risk or other exposure of the relevant Sub-Fund), (g) the costs and expenses incurred by the Manager and/or the Trustee in establishing the Trust and/or the relevant Sub-Fund and costs and expenses in connection with the initial issue of Units of each class (which expenses may be amortised by being written off against the Sub-Funds in proportion to their respective Net Asset Values in equal amounts (or such other proportions or method as the Manager and the Trustee may determine from time to time) over the first five financial years or such other period as the Manager after consultation with the Auditors shall determine, (h) the fees and expense of the Trustee which are agreed by the Manager in connection with time and resources incurred by the Trustee reviewing and producing documentation in connection with the operation of the relevant Sub-Fund (including filing of annual returns and other documents with any regulatory authority having jurisdiction over the Trust), (i) the expenses of or incidental to the preparation of deeds supplemental to the Trust Deed, (j) the expenses of holding meetings of Unitholders and of giving notices to Unitholders, (k) the costs and expenses of obtaining and maintaining a listing for the Listed Class of Units on any stock exchange or exchanges selected by the Manager and/or in obtaining and maintaining any approval or authorisation of the Trust or a Sub-Fund or in complying with any undertaking given, or agreement entered into in connection with, or any rules governing such listing approval or authorisation, (l) costs and expenses charged by the Trustee in terminating the Trust or the relevant Sub-Fund and for providing any additional services as agreed by the Manager, (m) unless the Manager determines, bank charges incurred in making payments to Unitholders pursuant to the Trust Deed, (n) the fees of any guarantor agreed by the Manager (including the fee of the Trustee or any Connected Person of the Trustee acting as guarantor in relation to any Sub-Fund), (o) any licence fees and expenses payable to the owner of an index for the use of such index, (p) the fees and expenses of establishing, maintaining and operating any company wholly owned by the Trustee on behalf of any one or more Sub-Funds, (q) without prejudice to the generality of the foregoing, all costs incurred in publishing the Net Asset Value, the subscription, issue and redemption prices of Units, all costs of preparing, printing and distributing all statements, accounts and reports pursuant to the provisions of the Trust Deed (including the Auditors' fees), the expenses of preparing and printing any Prospectus, and any other expenses, deemed by the Manager after consulting the Trustee, to have been incurred in compliance with or in connection with any change in or introduction of any law or regulation or directive (whether or not having the force of law) of any governmental or other regulatory authority or with the provisions of any code relating to unit trusts, (r) all other reasonable costs, charges and expenses which in the opinion of the Trustee and/or the Manager are properly incurred in the administration of the Trust pursuant to the performance of their respective duties, (s) all fees and expenses incurred in connection with the retirement or removal of the Manager, the Trustee, the Auditors or any entity providing services to the Trust, or the appointment of a new manager, a new trustee, new auditors or other new service providers providing services to the Trust, and (t) all such charges, costs, expenses and disbursements as under the general law the Trustee is entitled to charge to the Trust.

If so specified in the relevant Appendix, some or all of the above charges and expenses will be included in the Manager's management fee if a Sub-Fund (or class of a Sub-Fund) employs a single management fee structure.

## 10.6 **Establishment Costs**

The costs and expenses incurred by the Manager and the Trustee in establishing the Trust and the initial sub-fund of the Trust, CSOP Hang Seng Index ETF, will be paid out of the Manager's management fee in respect of the CSOP Hang Seng Index ETF (unless otherwise determined by the Manager) and will be amortised over such period as the Manager may determine and specified in Part 2 of this Prospectus.

Unless otherwise specified in the relevant Appendix, the costs of establishment of each subsequent Sub-Fund will be borne by the relevant Sub-Fund and the costs of establishment of any additional class of Units will be borne by the relevant class. Such establishment costs will be amortised over such period as the Manager may determine and specified in Part 2 of this Prospectus.

## 11 **TAXATION**

### 11.1 **Hong Kong**

#### 11.1.1 ***A Sub-Fund***

##### Profits tax

A Sub-Fund will be exempted from Hong Kong profits tax in respect of its authorised activities in Hong Kong pursuant to Section 26A(1A)(a) of the Inland Revenue Ordinance ("IRO") upon its authorisation as a collective investment schemes under section 104 of the Securities and Futures Ordinance ("SFO").

##### Stamp duty

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

#### 11.1.2 ***Unitholders***

##### Profits tax

Unitholders who do not carry on a trade or business in Hong Kong or the Units were acquired and held by the Unitholders as "capital assets" for Hong Kong profits tax purposes, gains arising from the sale or disposal or redemption of the Units should not be taxable.

Profits arising on the disposal / redemption of any Units will only be subject to Hong Kong profits tax (which is currently charged at the rate of 16.5% in the case of corporations, and 15% in the case of individuals and unincorporated business, with, subject to certain conditions being met, the first HK\$2 million of assessable profits to be charged at 8.25% for corporations, and 7.5% for unincorporated businesses) for Unitholders carrying on a trade or business in Hong Kong where the profits arise in or are derived from such trade or business in Hong Kong and are of revenue nature. Unitholders should seek advice from their own professional advisers as to their particular tax position.

Distributions received by Unitholders from their investments in the Units should generally not be chargeable to tax in Hong Kong (whether by way of withholding or otherwise) according to

the current law and practice of the Inland Revenue Department of Hong Kong (as at the date of this Prospectus).

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

#### Stamp Duty

Hong Kong stamp duty is payable on the transfer of Hong Kong stock in accordance with Section 19(1) of Stamp Duty Ordinance (“**SDO**”). “Hong Kong stock” is defined as “stock” the transfer of which is required to be registered in Hong Kong under Section 2 of the SDO. The Units fall within the definition of “Hong Kong stock”.

#### *Hong Kong stamp duty in respect of Listed Class of Units*

Hong Kong stamp duty in respect of any transfer in the shares or units of an exchange traded fund (as defined in Part 1 to Schedule 8 of the SDO) on the SEHK is waived pursuant to the Stamp Duty (Amendment) Ordinance 2015. Accordingly, transfers of the Listed Class of Units do not attract stamp duty and no stamp duty is payable by Unitholders on any transfer.

#### *Hong Kong stamp duty in respect of Unlisted Class of Units*

No Hong Kong stamp duty should be payable where the sale or transfer of such Units is effected by selling the relevant Units back to the Manager, who then either extinguish the Units or re-sells the Units to another person within two months thereof. Other types of sales or purchases or transfers of Unlisted Class of Units by the Unitholders in a Sub-Fund should be liable to Hong Kong stamp duty of 0.2 per cent (equally borne by the buyer and the seller) on the higher of the consideration amount or market value.

#### **11.1.3 Hong Kong requirements regarding tax reporting**

The Inland Revenue (Amendment) (No.3) Ordinance (the “Ordinance”) came into force on 30 June 2016. The Ordinance together with the later amendments is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information (“AEOI”). The AEOI requires financial institutions (“FIs”) in Hong Kong to collect certain required information relating to non-Hong Kong tax residents holding financial accounts with the FIs, and report such information to the Hong Kong Inland Revenue Department (“IRD”) for the purpose of AEOI exchange which will then be exchanged to the AEOI partner jurisdiction(s) of which the respective account holders are tax residents and Hong Kong has a Competent Authority Agreement (“CAA”) in force; however, the Trust and/or its agents may further obtain information and/or documentation relating to residents of other jurisdictions.

The Trust is a collective investment scheme within the definition set out in the SFO that is resident in Hong Kong, and is accordingly an investment entity with obligations to report as a financial institution in accordance with the Ordinance. This means that the Trust and/or its agents shall obtain and provide to the IRD the required information relating to Unitholders.

The Ordinance requires the Trust to, amongst other things: (i) register the Trust as a “Reporting Financial Institution” with the IRD to the extent the Trust maintains reportable financial accounts; (ii) conduct due diligence on its account holders (i.e. Unitholders) in order to determine whether their relevant financial accounts are regarded as “Reportable Accounts” under the Ordinance; and (iii) report to the IRD the required information on such Reportable Accounts. The IRD is expected on an annual basis to exchange the required information reported to it to the competent authorities of the respective reportable jurisdictions. Broadly, AEOI requires that Hong Kong FIs should report on: (i) individuals or entities that are tax resident in a reportable jurisdiction; and (ii) certain entities controlled by individuals who are tax resident in such jurisdictions. Under the Ordinance, details of Unitholders, including but not

limited to their name, date and place of birth, address, tax residence, tax identification number(s) (if any), account number, account balance/value regarding their interest in the Trust, and income or sale or redemption proceeds received from the Trust, may be reported to the IRD and subsequently exchanged with competent authorities in the relevant jurisdictions.

By investing in the Sub-Funds and/or continuing to invest in the Sub-Funds, Unitholders acknowledge that they may be required to provide additional information or documents to the Trust and/or the Trust's agents in order for the Trust to comply with the Ordinance. The Unitholder's information (and information on controlling persons including beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such Unitholders that are passive non-financial entities as defined under the Ordinance), may be exchanged by the IRD to the competent authorities in other relevant jurisdictions. The failure of a Unitholder to provide any requested information may result in the Trust and/or other agents of the Trust taking any action and/or pursue remedies at their disposal including, without limitation, mandatory redemption or withdrawal of the Unitholder concerned.

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 Sub-Fund(s).

## 11.2 **The PRC mainland**

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

### *Corporate income tax ("CIT")*

If the Trust or a Sub-Fund is considered as a tax resident enterprise of the PRC mainland, it will be subject to CIT at 25% on its worldwide taxable income. If the Trust or a Sub-Fund is considered as a non-tax resident enterprise with an establishment, a place of business or a permanent establishment (collectively known as "PE") in the PRC mainland, the profits attributable to that PE would be subject to CIT at 25%.

The Manager intends to manage and operate the Trust and each Sub-Fund in such a manner that the Trust and each Sub-Fund should not be treated as tax resident enterprises of the PRC mainland or non-tax resident enterprises with a PE in the PRC mainland for CIT purposes. As such, it is expected that the Trust and each Sub-Fund should only be subject to CIT on withholding basis at 10% (which may be reduced by the application of relevant double tax treaty and domestic regulation) to the extent a Sub-Fund derives PRC mainland sourced income, although this cannot be guaranteed.

### *Dividend income*

Unless a specific exemption or reduction is available under current PRC mainland tax laws and

regulations or relevant tax treaties, non-tax resident enterprises without a PE in the PRC mainland are subject to CIT on a withholding basis at a rate of 10%, to the extent it directly derives the PRC mainland sourced passive income. In that respect, pursuant to Guoshuihan [2009] No. 47, Caishui [2014] No. 81 (“Circular 81”) and Caishui [2016] No.127 (“Circular 127”), income from dividend and profits distribution of A-Shares derived by QFII/RQFII, as well as Hong Kong and overseas investors via the Stock Connect, should be subject to PRC Withholding Income Tax (“WIT”) at a rate of 10%, unless such WIT is subject to reduction or exemption in accordance with an applicable tax treaty signed with the PRC mainland. The WIT is withheld by the A-Share company at source.

Under the “Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the “China-HK Arrangement”), dividends distributed by a PRC mainland tax resident to a Hong Kong tax resident (supported by a Hong Kong tax residency certificate) would be subject to a reduced PRC mainland WIT rate of 5% provided (i) the Hong Kong tax resident is the beneficial owner of the dividend; (ii) the Hong Kong tax resident holds at least 25% of the equity of the PRC mainland tax resident; and (iii) the relevant treaty conditions are satisfied. Due to each Sub-Fund’s investment restriction, a Sub-Fund would not hold more than 10% of the ordinary shares issued by any single PRC mainland issuer. In this connection, a Sub-Fund would not be able to enjoy the reduced WIT rate of 5% provided under the China-HK Arrangement and therefore the general WIT rate applicable to a Sub-Fund is 10%.

#### *Capital gains*

Based on the PRC CIT Law and its Implementation Rules, “income from the transfer of property” sourced from the PRC mainland by a non-tax resident enterprise without a PE in the PRC mainland should be subject to WIT of 10%. However, pursuant to Caishui [2014] No. 79 (“Circular 79”), Circular 81 and Circular 127, CIT is temporarily exempted on capital gains derived by QFII/RQFII and Hong Kong market investors via Stock Connect on the trading of equity investment (including A-Shares) through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect with effect from 17 November 2014 and 5 December 2016 respectively. Based on Circular 79, Circular 81 and Circular 127, no provision for gross realised or unrealised capital gains derived by the Sub-Fund from trading of A-Shares via RQFII, Stock Connect or Swap is made by the Manager on behalf of each Sub-Fund.

#### *Value-added Tax (“VAT”) and other surtaxes*

The PRC mainland has introduced VAT to replace Business Tax (“BT”) across all industry sectors which were historically under the BT regime. Caishui [2016] No. 36 (“Notice No. 36”), jointly promulgated by the PRC Ministry of Finance (“MOF”) and the PRC State Taxation Administration (“SAT”) on 23 March 2016, contains the VAT rates and rules applicable to the extension of VAT to certain financial services with effect from 1 May 2016.

Notice No. 36 provides that VAT at the rate of 6% applies generally to net gains derived from the trading in PRC mainland marketable securities.

In addition, if VAT is applicable, local surcharges (which include Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) up to 12% would be imposed based on VAT liabilities. The amount of local surcharges differs from location to location, but the total of VAT and local surcharges would typically be expected to amount to approximately 6.8%.

There are certain exemptions from VAT applicable under Notice No. 36, Caishui [2016] No. 70 and Circular 127, which include gains derived by QFII/RQFII, as well as Hong Kong market investors via Stock Connect, from the trading of securities (including A-Shares) should be

exempt from VAT.

Dividends and profit distributions from A-Shares and bank deposit interest are generally considered to be outside the scope of VAT, although the VAT rules do not specifically state this.

The Manager does not intend at this stage to make any provision for VAT on any realised or unrealised gains derived by any of the Sub-Fund from trading of A-Shares via RQFII, Stock Connect or Swap, on any dividends or on any profit distributions and bank deposit interest derived by each Sub-Fund in respect of investments or investors which fall within the scope of the exempted categories set out above.

#### *Stamp duty*

Stamp duty under the PRC mainland laws generally applies to the execution and receipt of all taxable documents listed in the PRC mainland's Provisional Rules on Stamp Duty. Stamp duty is levied on the execution or receipt in the PRC mainland of certain documents, including contracts for the sale of A-Shares and B-Shares traded on the PRC mainland stock exchanges. In the case of contracts for sale of A-Shares and B-Shares, such stamp duty is currently imposed on the seller but not on the purchaser, at the rate of 0.1% of the sales consideration. The Sub-Fund will be subject to this tax on each direct disposal of A-Shares.

#### *Swap arrangement*

The Trust or the Sub-Fund may gain an economic exposure to A-Share through Swaps. A Swap Counterparty may implement hedge arrangements by acquiring A-Shares using QFII or RQFII status (that of either itself, a third party or an affiliate), which will be subject to PRC taxation as discussed above. As a result, PRC mainland tax liabilities (if any) accruing to the Swap counterparties under the hedge arrangements may ultimately be charged to the Trust or the Sub-Fund contractually and would likely have an economic effect on the value of the Sub-Fund.

#### *General*

It should be noted that the actual applicable tax amount imposed by PRC mainland 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. As such, any provision for taxation made by the Manager may be excessive or inadequate to meet final PRC mainland tax liabilities. Consequently, Unitholders may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Shares.

If the actual applicable tax amount levied by PRC mainland 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 then existing and new Unitholders will be disadvantaged. On the other hand, if the actual applicable tax amount levied by PRC mainland 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 Shares before the PRC mainland 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 Shares 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 Sub-Fund.

It is possible that the current tax laws, regulations and practice in the PRC mainland will change, including the possibility of taxes being applied retrospectively, and that such changes may result in higher taxation on PRC mainland investments than currently contemplated.

### 11.3 **Other jurisdiction(s)**

Please refer to Part 2 of this Prospectus on taxation requirements in other jurisdiction(s) that may be applicable to a Sub-Fund.

### 11.4 **General**

Investors should consult their professional financial advisers on the consequences to them of acquiring, holding, realizing, transferring or selling Units under the relevant laws of the jurisdictions to which they are subject, including the tax consequences, stamping and denoting requirements and any exchange control requirements. These consequences, including the availability of, and the value of, tax relief to investors will vary with the law and practice of the investors' country of citizenship, residence, domicile or incorporation and their personal circumstances.

## 12 **OTHER IMPORTANT INFORMATION**

### 12.1 **Reports and Accounts**

The Trust's financial year end is 31 December in each year.

Unitholders will be notified of where they can obtain the printed and electronic copies of the latest annual financial reports or the interim financial reports once they are available (both published in English only). Such notices will be sent to Unitholders as soon as practicable and in any event within four months of the end of each financial year (starting the first financial year) in the case of audited financial reports and within two months after 30 June in each year in the case of unaudited interim financial reports. Once issued, such reports will be available in electronic copies from the website [www.csopasset.com/etf](http://www.csopasset.com/etf)<sup>1</sup>.

Hard copies of such reports will be available upon request of Unitholders free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the office of the Manager.

### 12.2 **Removal and Retirement of the Manager**

If any of the following events shall occur:-

- (a) if the Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or if a receiver is appointed over any of its assets;
- (b) if for good and sufficient reason 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 in the interests of the Unitholders;
- (c) if the Unitholders of not less than 50% in value of the Units for the time being outstanding (for which purpose Units held or deemed to be held by the Manager shall not be regarded

as being outstanding) deliver to the Trustee in writing a request that the Manager should retire; or

(d) if the Commission withdraws its approval of the Manager as manager of the Trust,

the Trustee may, in the case of paragraphs (a) and (d), by notice in writing and, in the case of paragraphs (b) and (c), by no less than 1 month's notice in writing to the Manager remove the Manager from office and upon service of such notice or expiry of the notice period, as the case may be, and subject to the requirements of the Code, the Manager shall cease to be the Manager.

The Manager shall have power to retire in favour of some other qualified manager in accordance with the provisions of the Trust Deed. In particular, the Manager shall give all Unitholders in the relevant Sub-Fund written notice of at least 60 days (or 30 days in the event of liquidation of the Trustee, or a material breach by the Trustee of its obligations under the Trust Deed), (or such other period as permitted by the Commission) in accordance with the provisions of the Trust Deed.

### 12.3 **Removal and Retirement of the Trustee**

The Trustee shall be subject to removal by not less than one (1) month's notice in writing given by the Manager (or such shorter period of notice as the parties may agree). Notwithstanding the foregoing, the Manager may by notice remove the Trustee in any of the following events:

- (a) if the Trustee goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Manager) or if a receiver is appointed over any of its assets or if a judicial manager is appointed in respect of the Trustee (or any such analogous process occurs or any analogous person is appointed in respect of the Trustee);
- (b) if the Trustee ceases to carry on business;
- (c) if the Unitholders of not less than 50% in value of the Units for the time being outstanding (for which purpose Units held or deemed to be held by the Trustee shall not be regarded as being outstanding) shall deliver in writing a request that the Trustee should retire;
- (d) if the Commission withdraws its approval of the Trustee as trustee of the Trust; or
- (e) following a material breach of the Trustee's obligations under the Trust Deed which, if the breach is capable of remedy, the Trustee fails to remedy within 60 days of being specifically required in writing so to do by the Manager, and for good and sufficient reason the Manager acting in good faith is of the reasonable opinion and so states in writing to the Trustee that a change of Trustee is desirable and in the best interests of Unitholders as a whole.

Notwithstanding such notice, the Trustee shall not be removed or cease to act as such unless and until the Manager shall, subject to the prior approval of the Commission if the Sub-Fund is authorised pursuant to section 104 of the Securities and Futures Ordinance, have appointed a qualified corporation under any applicable law to be the trustee in place of the removed Trustee.

The Trustee shall be entitled to retire voluntarily. Subject to the prior written approval of the Commission, the Trustee may retire from office by giving not less than 60 days' written notice (or 30 days' written notice in the event of liquidation of the Manager, or a material breach by the Manager of its obligations under the Trust Deed), or such shorter period of notice as the Commission may approve, to the Manager. In the event of the Trustee desiring to retire the Manager shall find within 60 days (or, as the case may be, 30 days) from the date the Trustee

notifies the Manager of such desire a new trustee who is a qualified corporation under any applicable law to act as trustee and the Manager shall appoint such new trustee to be the Trustee in the place of the retiring Trustee in accordance with the provisions of the Trust Deed and subject to the prior approval of the Commission if the Sub-Fund is authorised pursuant to section 104 of the Securities and Futures Ordinance. For the avoidance of doubt, the Trustee shall only retire upon the appointment of a new Trustee and subject to the prior approval of the Commission.

12.4 **Potential Conflicts of Interest, Transactions with Connected Persons, Cash Rebates and Soft Commissions**

The Manager, the Investment Delegate and the Trustee or their Connected Persons may, from time to time, act as manager, investment delegate, investment adviser, trustee or as custodian or in such other capacity in connection with or be otherwise involved in or with any other collective investment schemes separate and distinct from the Trust and the Sub-Funds, including those that have similar investment objectives to those of the Sub-Funds, or contract with or enter into financial, banking or other transaction with one another or with any investor of the Sub-Funds, or any company or body any of whose shares or securities form part of any Sub-Fund or may be interested in any such contract or transaction.

In addition:

- (a) The Manager, the Investment Delegate or any of its Connected Person may purchase and sell investments for the account of a Sub-Fund as agent for such Sub-Fund.
- (b) The Trustee, the Manager or the Investment Delegate or any of their Connected Persons may contract or enter into any financial, banking or other transaction with one another or with any Unitholder.
- (c) The Trustee or the Manager or the Investment Delegate or any of their Connected Person may become the owner of Units and hold, dispose or otherwise deal with them with the same rights which it would have had if it had not been the Trustee or the Manager or the Connected Person.
- (d) The Trustee, the Manager, the Investment Delegate and any of their Connected Persons may buy, hold and deal in Index Securities and/or Non-Index Securities for their own account or for the account of their other customers (including Participating Dealers acting for themselves or for their clients and Approved Applicants) notwithstanding that Index Securities and/or Non-Index Securities may be held as part of the Sub-Fund.
- (e) Any arrangements for the borrowing or deposit of any monies for the account of the Sub-Fund may be made with any of the Trustee, the Manager, any Investment Delegate or any Connected Person of any of them being a banker or other financial institution provided that such person shall charge or pay (as the case may be) interest or fees at a rate or amount no higher (in the case of a borrowing) or lower (in the case of a deposit) than the prevailing rates or amounts for transactions of a similar size and duration, in the same currency and with institutions of similar standing.

Each of the Manager, the Investment Delegate, the Trustee and their respective Connected Persons shall be entitled to retain for its own use and benefit all fees and other monies payable in respect of any of the arrangements described above and shall not be deemed to be affected with notice of or to be under any duty to disclose to the Trust, any Sub-Fund, any Unitholder or any other relevant party any fact or thing which comes to the notice of itself in the course of its rendering services to others or in the course of its business in any other capacity or in any manner whatsoever, otherwise than in the course of carrying out its duties under the Trust Deed. Each of the Manager, the Investment Delegate, the Trustee and their respective

Connected Persons shall not be liable to account to the Trust or any Sub-Fund or any investor of the Trust or the Sub-Fund for any profit or benefit made or derived thereby or in connection therewith (including in situations set out above). It is, therefore, possible that any of the Manager, the Trustee or their Connected Persons may, in the course of business, have potential conflicts of interest with the Sub-Funds.

Each of the Manager, the Investment Delegate and the Trustee or their Connected Persons will, at all times, have regard in such event to its obligations to the Sub-Funds and the investors and will endeavour to ensure that such conflicts are resolved fairly.

The Manager, the Investment Delegate, the Trustee or their Connected Persons shall act in a reasonable and prudent manner when handling any potential conflict of interest situation and take into account the interest of Unitholders and clients.

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

All transactions carried out by or on behalf of the Sub-Funds will be executed at arm's length and in the best interests of Unitholders in compliance with applicable laws and regulations. Any transactions between the Sub-Funds and the Manager or any of its Connected Persons as principal may only be made with the prior written consent of the Trustee. All such transactions shall be disclosed in the Sub-Fund's annual financial reports.

The brokerage and other agency transactions for the account of the Sub-Funds may be executed through brokers or dealers connected to the Manager or Connected Persons of the Manager. However, for so long as a Sub-Fund is authorized by the Commission, the Manager shall ensure that it complies with the following requirements when transacting with brokers or dealers connected to the Manager, the relevant Investment Delegate, the Trustee or any of their Connected Persons, save to the extent permitted under the Code or any waiver obtained from the Commission:

- (a) such transactions are on arm's length terms;
- (b) the Manager has used due care in the selection of brokers or dealers and ensure that they are suitably qualified in the circumstances;
- (c) the transaction execution is consistent with the best execution standards;
- (d) the fee or commission paid to any such broker or dealer in respect of a transaction shall not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature;
- (e) the Manager shall 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 will be disclosed in the relevant Sub-Fund's annual financial reports.

Neither the Manager, the Investment Delegate nor any of their Connected Persons may retain cash or other rebates from a broker or dealer in consideration of directing transactions to them (save for goods and services as permitted under the Trust Deed and summarised under this section).

The Manager, the Investment Delegate and any of their Connected Persons may effect transactions by or through the agency of another person with whom the Manager, the Investment Delegate or any of their Connected Persons have an arrangement under which that party will from time to time provide to or procure for the Manager, the Investment Delegate or any of their Connected Persons, goods, services or other benefits, such as research and advisory services, economic and political analysis, portfolio analysis (including valuation and performance measurement), market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publication.

The Manager shall procure that no such contractual arrangements are entered into unless:

- (a) the nature of which is such that their provision are of demonstrable benefit to the Sub-Funds;
- (b) the transaction execution is consistent with best execution standards;
- (c) brokerage rates are not in excess of customary institutional full-service brokerage rates.
- (d) adequate prior disclosure is made in the Prospectus the terms of which the Unitholders has consented to,
- (e) periodic disclosure is made in the Trust's and/or a Sub-Fund's annual financial reports in the form of a statement describing the soft dollar policies and practices of the Manager or the Investment Delegate, including a description of goods and services received by them; and
- (f) the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer.

No direct payment may be made to the Manager, the Investment Delegate or any of their Connected Persons who undertake to place business with that party.

For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments. Details of soft commission arrangements will be disclosed in the relevant Sub-Funds' annual financial reports.

## 12.5 **Termination of the Trust or a Sub-Fund**

A Sub-Fund shall terminate upon the termination of the Trust. The Trust shall continue until it is terminated in one of the following ways set out below.

A summary of the circumstances under which the Trust may be terminated by the Trustee by notice in writing is set out as follows:

- (a) if the Manager shall go into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee), become bankrupt or if a receiver is appointed over any of their assets and not discharged within ninety (90) days;
- (b) if in the reasonable opinion of the Trustee acting in good faith, the Manager shall be incapable of performing or shall in fact fail to perform its duties satisfactorily or shall do any other thing which in the opinion of the Trustee is calculated to bring the Trust into disrepute or to be harmful to the interests of the Unitholders;
- (c) if the Trust shall cease to be authorized pursuant to the Securities and Futures Ordinance or if any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue the Trust;
- (d) if the Manager shall have ceased to be the Manager pursuant to section "12.2 Removal and Retirement of the Manager" and, within a period of sixty (60) days or thirty (30) days (in the event of liquidation of the Trustee, or a material breach by the Trustee of its obligations under the Trust Deed) thereafter, no other qualified corporation shall have been appointed by the Trustee as a successor Manager;
- (e) if the Trustee shall have notified the Manager of its desire to retire as Trustee and the Manager shall fail to find a qualified corporation to act as a trustee in place of the Trustee within sixty (60) days, or thirty (30) days (in the event of liquidation of the Manager, or a material breach by the Manager of its obligations under the Trust Deed), or such shorter period of notice as the Commission may approve (as the case may be) therefrom.

The circumstances under which the Trust and/or a Sub-Fund and/or any classes of Units relating to a Sub-Fund (as the case may be) may be terminated by the Manager in its absolute discretion by notice in writing include:

- (a) if on any date, in relation to the Trust, the aggregate Net Asset Value of all Units shall be less than USD 10 million (or its equivalent amount in HKD) or in relation to a Sub-Fund or any class of Units of such Sub-Fund, the aggregate Net Asset Value of the Units outstanding hereunder in respect of such Sub-Fund or any class of Units of such Sub-Fund shall be less than USD 10 million (or its equivalent amount in HKD) or such other amount as may be specified in the Appendix of the relevant Sub-Fund;
- (b) if any law shall be passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable to continue the Trust and/or the relevant Sub-Fund and/or the relevant class of Units;
- (c) if the Trust and/or the relevant Sub-Fund shall cease to be authorized or otherwise officially approved pursuant to the Securities and Futures Ordinance or (in respect of a Sub-Fund with only Listed Class of Units in issue) listed on the SEHK or other recognized securities markets;
- (d) if the Underlying Index of the relevant Sub-Fund is no longer available for benchmarking, unless the Manager determines (in consultation with the Trustee) that it is possible, feasible, practicable and in the best interests of the Unitholders to substitute another index for the Underlying Index; or
- (e) (in respect of a Sub-Fund with only Listed Class of Units in issue) if the relevant Sub-Fund ceases to have any Participating Dealer.

In cases of termination under the above circumstances, no less than one month's notice will be given to Unitholders.

Upon the Trustee or the Manager giving notice to terminate the Trust or a Sub-Fund pursuant to the Trust Deed, or upon the passing of an Extraordinary Resolution to terminate a Sub-Fund pursuant to the Trust Deed, where the assets of the relevant Sub-Fund include Securities that cannot be traded on exchange or otherwise be disposed of, the Manager may, upon consultation with the Trustee, compulsorily redeem at Net Asset Value of all the Units then in issue of the relevant Sub-Fund, following which the relevant Sub-Fund may be terminated in accordance with the provisions of the Trust Deed. Upon such redemption and payment of redemption proceeds, former Unitholders shall have no interest in the relevant Sub-Fund and all rights of such former Unitholders shall be extinguished. The Manager shall notify the Commission in advance the circumstance where it proposes to compulsorily redeem Unitholders of a Sub-Fund in such circumstances and shall agree with the Commission appropriate methods of notification of Unitholders in the relevant Sub-Fund prior to such compulsory redemption and termination.

Investors should note that, due to the nature of the listing of the Listed Class of Units on the SEHK, the termination procedures applicable to Listed Class of Units and Unlisted Class of Units of the same Sub-Fund may differ. In the event of termination of the Trust, a Sub-Fund or a particular Class of Units, Unitholders will be notified of the relevant termination procedures applicable to its holding of the relevant Class of Units.

Any unclaimed proceeds or other cash held by the Trustee under the provisions of the Trust Deed may at the expiration of twelve months from the date upon which the same were payable be paid into court subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

#### 12.6 **Trust Deed**

The Trust was established under Hong Kong law by a trust deed dated 16 March 2021, as may be amended, modified or supplemented from time to time. All holders of Units are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Trust Deed.

#### 12.7 **Indemnification and Limitation of Liability**

The Trust Deed contains provisions for the indemnification of the Trustee and the Manager and their relief from liability in certain circumstances.

The Trustee and the Manager benefit from various indemnities in the Trust Deed. Except as provided under the Trust Deed, the Trustee and the Manager shall be entitled to be indemnified out of, and have recourse to, the relevant Sub-Fund or the Trust generally, in respect of any liabilities, costs, claims or demands arising directly or indirectly from the proper performance of their duties with respect to the Trust. Nothing in any of the provisions of the Trust Deed shall in any case exempt the Trustee and the Manager from or indemnify them against any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence for which they may be liable in relation to their duties and neither the Trustee nor the Manager may be indemnified against such liability by Unitholders or at Unitholders' expense.

Unitholders and intending applicants are advised to consult the terms of the Trust Deed for further details.

#### 12.8 **Modification of Trust Deed**

The Trustee and the Manager may agree to modify the Trust Deed by supplemental deed provided that in the opinion of the Trustee and the Manager such modification (i) does not materially prejudice the interests of Unitholders, does not operate to release to any material extent the Trustee, or the Manager or any other person from any liability to the Unitholders and will not result in any increase in the amount of costs and charges payable from the Trust or (ii)

is necessary in order to make possible compliance with any fiscal, statutory, regulatory or official requirement (whether or not having the force of law) or (iii) is made to correct a manifest error.

In all other cases modifications involving material changes require the sanction of an extraordinary resolution of the Unitholders affected or prior approval of the Commission.

#### 12.9 **Meetings of Unitholders**

The Trust Deed contains detailed provisions for meetings of Unitholders. Meetings may be convened by the Trustee, the Manager or the holders of at least 10% in value of the Units in the relevant Class or the relevant Sub-Fund then in issue, on not less than 21 days' notice. Notice of meetings will be issued to Unitholders and (in respect of notices relating to Listed Class of Units) published on HKEX's website at [www.hkex.com.hk](http://www.hkex.com.hk). Unitholders may appoint proxies, who need not themselves be Unitholders. The quorum for a meeting to pass an ordinary resolution will be Unitholders present in person or by proxy registered as holding not less than 10% of the Units in the relevant Class or the relevant Sub-Fund for the time being in issue. The quorum for a meeting to pass an extraordinary resolution will be Unitholders present in person or by proxy registered as holding not less than 25% of the Units in the relevant Class or the relevant Sub-Fund for the time being in issue or, for an adjourned meeting, Unitholders present in person or by proxy whatever their number or the number of Units held by them. A meeting to pass an extraordinary resolution may be called for the purposes as set out in the Trust Deed, including to modify the terms of the Trust Deed or terminate the Sub-Fund or amalgamate the Sub-Fund with another collective investment scheme at any time. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting should be adjourned for not less than 15 days. In the case of an adjourned meeting of which separate notice will be given, such Unitholders as are present in person or by proxy will form a quorum.

An ordinary resolution is a resolution proposed as such and passed by a majority of 50% of the total number of votes cast. An extraordinary resolution is a resolution proposed as such and passed by a majority of 75% of the total number of votes cast.

The Trust Deed contains provisions for the holding of separate meetings of holders of Units in different Sub-Funds and different classes where only the interests of holders in a particular Sub-Fund or class are affected.

#### 12.10 **Voting Rights**

The Trust Deed provides that at any meeting of Unitholders, every Unitholder who is present as aforesaid or by proxy shall have one vote for every Unit of which he is the holder.

Where a Unitholder is a recognised clearing house (within the meaning of the Securities and Futures Ordinance) (or is 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 meetings of Unitholders or any meetings of any class of Unitholders provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of Units in respect of which each such person is so authorised. The person so authorised will be deemed to have been duly authorised without the need of producing any documents of title, notarized authorisation and/or further evidence for substantiating the facts that it is duly authorised (save that the Trustee shall be entitled to request for evidence from such person to prove his/her identity) and will be entitled to exercise the same power on behalf of the recognized clearing house as that clearing house or its nominee(s) could exercise if it were an individual Unitholder of the Trust. For the avoidance of doubt, a Unitholder who is a recognised clearing house (or its nominee(s)) shall exercise its voting rights in compliance with the applicable CCASS rules and/or operational procedures.

12.11 **Documents Available for Inspection**

Copies of the constitutive documents are available for inspection free of charge at the offices of the Manager and copies thereof may be obtained from the Manager upon the payment of a reasonable fee.

12.12 **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. Consequently, Unitholders are not obliged to disclose their interest in a Sub-Fund.

12.13 **Anti-Money Laundering Regulations**

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

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

These exceptions will only apply if the financial institution or intermediary referred to above is within a country recognized as having sufficient anti-money laundering regulations.

Each of the Trustee, the Manager, the relevant Participating Dealer and their respective delegates or agents reserves the right to request such information as is necessary to verify the identity of an applicant and the source of the payment. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Trustee and/or the Manager and/or the relevant Participating Dealer and/or their respective delegates or agents may refuse to accept the application and the application moneys relating thereto. Neither the Manager, the Trustee, the relevant Participating Dealer nor their respective delegates or agents will be liable to any investor or applicant for any loss caused as a result of any delay or refusal to process applications and claims for payment of interest due to such delay or refusal will not be accepted.

Each of the Trustee, the Manager, the relevant Participating Dealer also reserves to refuse to make any redemption payment to a Unitholder or investor if the Trustee or the Manager or the relevant Participating Dealer or any of their respective delegates or agents suspect or are advised that the payment of redemption proceeds to such Unitholder or investor might result in a breach of applicable anti-money laundering or other laws or regulations by any person in any relevant jurisdiction, or if such refusal is considered necessary or appropriate to ensure the compliance by the Trust or the relevant Sub-Fund(s) or the Trustee or the Manager or the relevant Participating Dealer with any such laws or regulations in any applicable jurisdiction.

None of the Trustee, the Manager, the relevant Participating Dealer or their respective delegates or agents shall be liable to the relevant Unitholder or investor for any loss suffered by such party as a result of the rejection or delay of any subscription application or payment of redemption proceeds.

#### 12.14 **Liquidity Risk Management**

The Manager has established a liquidity 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 relevant Sub-Fund will facilitate compliance with such Sub-Fund's obligation to meet redemption requests. Such policy, combined with the liquidity management tools of the Manager, also seeks to achieve fair treatment of Unitholders and safeguard the interests of remaining Unitholders in case of sizeable redemptions.

The Manager's liquidity 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 the Sub-Funds. These measures seek to ensure fair treatment and transparency for all investors.

The liquidity management policy involves monitoring the profile of investments held by each Sub-Fund on an on-going basis to ensure that such investments are appropriate to the redemption policy, and will facilitate compliance with each Sub-Fund's obligation to meet redemption requests. Further, the liquidity management policy includes details on periodic stress testing carried out by the Manager to manage the liquidity risk of the Sub-Funds under normal and exceptional market conditions.

As a liquidity risk management tool, the Manager may limit the number of Units of a Sub-Fund redeemed on any Dealing Day to Units representing 10% of the total number of Units of the such Sub-Fund in issue (or such higher percentage as the Manager may determine in respect of the Sub-Fund) subject to the conditions under the section headed "***Deferral of Redemption Applications***" in Schedule 2 and "***Restrictions on Redemption***" in Schedule 3.

#### 12.15 **Publication of Information Relating to the Sub-Funds**

The Manager will publish important news and information in respect of the Sub-Funds (including in respect of the Underlying Index), both in English and in Chinese languages, on its website [www.csopasset.com/etf](http://www.csopasset.com/etf)<sup>1</sup> and (where applicable in respect of the Listed Class of Units) on HKEX's website at [www.hkex.com.hk](http://www.hkex.com.hk) including:

- this Prospectus (as amended and supplemented from time to time);
- the latest Product Key Facts Statements of the Sub-Funds. Investors should note that where a Sub-Fund offers both Listed Class of Units and Unlisted Class of Units, a separate set of product key facts statement will be available for each of the Listed Class of Units and Unlisted Class of Units of the same Sub-Fund;
- the latest annual and interim financial reports of the Sub-Funds in English;
- any public announcements made by a Sub-Fund, including information in relation to the relevant Sub-Fund and the Underlying Index, notices of the suspension of the calculation of Net Asset Value, changes in fees and charges and the suspension and resumption of the issue, creations and redemptions of Units and notices relating to material changes to a Sub-Fund that may have an impact on its investors, including notices for material alterations or additions to this Prospectus or the Sub-Fund's Product Key Facts Statement or constitutive documents;
- (in respect of the Listed Class of Units) the near real-time indicative Net Asset Value per Unit of a Sub-Fund updated every 15 seconds during normal trading hours on the SEHK;

- the last Net Asset Value of each Sub-Fund and last Net Asset Value per Unit of each class of each Sub-Fund;
- the past performance information of each Sub-Fund;
- the tracking difference and tracking error of each class of each Sub-Fund;
- the full portfolio information of each Sub-Fund updated on a daily basis;
- (in respect of the Listed Class of Units) the latest list of Participating Dealers and market makers; and
- (where applicable) the compositions of the dividends (i.e. the relative amounts paid out of net distributable income and capital) for the last 12 months (also available by the Manager on request).

Please refer to Part 2 of this Prospectus for further details on the publication of the near real time indicative Net Asset Value per Unit and the last Net Asset Value and Net Asset Value per Unit of a Sub-Fund.

Although every effort is made to ensure information provided are accurate at the time of publication the Manager shall not accept any responsibility for any error or delay in calculation or in the publication or non-publication of prices which are beyond its control.

The Manager's website provides a hyperlink to HKEX's website [www.hkex.com.hk](http://www.hkex.com.hk), where information on the bid/ask price, queuing display, the previous day's closing Net Asset Value will be available.

Real-time updates about the relevant Underlying Index can be obtained through other financial data vendors. It is the investors' own responsibility to obtain additional and latest updated information about the Underlying Index (including without limitation, a description of the way in which the Underlying Index is calculated, any change in the composition of the Underlying Index, any change in the method for compiling and calculating the Underlying Index) via the website disclosed in the relevant Appendix for each Sub-Fund under Part 2 of the Prospectus.

Please refer to the section "**12.16 Website Information**" below for the warning and the disclaimer regarding information contained in such website.

#### 12.16 **Website Information**

The offer of the Units is made solely on the basis of information contained in this Prospectus. All references in this Prospectus to other websites and sources where further information may be obtained are merely intended to assist investors to access further information relating to the subject matter indicated and such information does not form part of this Prospectus. None of the Manager or the Trustee accepts any responsibility for ensuring that the information contained in such other websites and sources, if available, is accurate, complete and/or up-to-date, and no liability is accepted by the Manager and the Trustee in relation to any person's use of or reliance on the information contained in these other websites and sources save, in respect of the Manager, the website, [www.csopasset.com/etf](http://www.csopasset.com/etf)<sup>1</sup>. Investors should exercise an appropriate degree of caution when assessing the value of such information.

#### 12.17 **Notices**

All notices and communications to the Manager and Trustee should be made in writing and sent to their respective addresses set out in the section headed "**Parties**" above.

12.18 **Complaints and Enquiries**

Investors may contact the complaint officer of the Manager if they have any complaints or enquiries in respect of the Trust or a Sub-Fund:

Address: 2801-2803, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

Manager's Customer Service Hotline: +852 3406 5688

Depending on the subject matter of the complaints or enquiries, these will be dealt with either by the Manager directly, or referred to the relevant parties for further handling. The Manager will revert and address the investor's complaints and enquiries as soon as possible. The contact details of the Manager are set out in the paragraph above.

12.19 **Certification for Compliance with FATCA or Other Applicable Laws**

Each Unitholder (i) will be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Trust or a Sub-Fund (A) to avoid withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Trust or the relevant Sub-Fund receives payments and/or (B) to satisfy due diligence, reporting or other obligations under IRS Code and the United States Treasury Regulations promulgated under the IRS Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority in any jurisdiction (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments, or when such form, certificate or other information is no longer accurate, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction (including but not limited to any law, rule and requirement relating to AEOI), including reporting obligations that may be imposed by future legislation.

12.20 **Power to Disclose Information to Tax Authorities**

Subject to applicable laws and regulations in Hong Kong, the Trust, the relevant Sub-Fund, the Trustee or the Manager or any of their authorised person(s) (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the US IRS), certain information in relation to a Unitholder, including but not limited to the Unitholder's name, address, tax identification number (if any), social security number (if any) and certain information relating to the Unitholder's holdings, to enable the Trust or the relevant Sub-Fund to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law, regulation or agreement under FATCA).

12.21 **Material Changes to an Underlying Index**

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

12.22 **Replacement of an Underlying Index**

Following the authorisation of a Sub-Fund, a replacement of its Underlying Index may only be made in accordance with this Prospectus and the Trust Deed and with the prior approval of the Commission.

## **SCHEDULE 1 – INVESTMENT AND BORROWING RESTRICTIONS**

### **Investment Restrictions**

The Trust Deed sets out restrictions and prohibitions on the acquisition of certain investments by the Manager. Each of the Sub-Fund(s) is subject to the following principal investment restrictions:-

- (a) the aggregate value of a Sub-Fund's investments in, or exposure to, any single entity through the following may not exceed 10% of the total Net Asset Value of such Sub-Fund, save as permitted by Chapter 8.6(h) and as varied by Chapter 8.6(h)(a) of the Code:
    - (1) investments in Securities issued by such entity;
    - (2) exposure to such entity through underlying assets of FDIs; and
    - (3) net counterparty exposure to such entity arising from transactions of over-the-counter FDIs;
  - (b) subject to (a) above and Chapter 7.28(c) of the Code and unless otherwise approved by the Commission, the aggregate value of a Sub-Fund's investments in, or exposure to, entities within the same group through the following may not exceed 20% of the total Net Asset Value of the Sub-Fund:
    - (1) investments in Securities issued by such entities;
    - (2) exposure to such entities through underlying assets of FDIs; and
    - (3) net counterparty exposure to such entities arising from transactions of over-the-counter FDIs;
  - (c) unless otherwise approved by the Commission, the value of a Sub-Fund's cash deposits made with the same entity or entities within the same group may not exceed 20% of the total Net Asset Value of the Sub-Fund, unless:
    - (1) the cash is held before the launch of the Sub-Fund and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested; or
    - (2) the cash is proceeds from liquidation of investments prior to the merger or termination of a Sub-Fund, whereby the placing of cash deposits with various financial institutions may not be in the best interest of investors; or
    - (3) the cash is proceeds received from subscriptions pending investments and held for the settlement of redemption and other payment obligations, whereby the placing of cash deposits with various financial institutions is unduly burdensome and the cash deposits arrangement would not compromise investors' interests;
- For the purpose of this sub-paragraph (c), cash deposits generally refer to those that are repayable on demand or have the right to be withdrawn by a Sub-Fund and not referable to provision of property or services.
- (d) ordinary shares issued by any single entity held for the account of a Sub-Fund, when aggregated with other ordinary shares of the same entity held for the account of all

other Sub-Funds under the Trust collectively may not exceed 10% of any ordinary shares issued by a single entity;

- (e) not more than 15% of the total Net Asset Value of a Sub-Fund may be invested in Securities and other financial products or instruments that are neither listed, quoted nor dealt in on a stock exchange, over-the-counter market or other organised securities market which is open to the international public and on which such Securities are regularly traded;
- (f) notwithstanding (a), (b), (d) and (e), where direct investment by a Sub-Fund in a market is not in the best interests of investors, a Sub-Fund may invest through a wholly-owned subsidiary company established solely for the purpose of making direct investments in such market. In this case:
  - (1) the underlying investments of the subsidiary, together with the direct investments made by the Sub-Fund, must in aggregate comply with the requirements of Chapter 7 of the Code;
  - (2) any increase in the overall fees and charges directly or indirectly borne by the Unitholders or the Sub-Fund as a result must be clearly disclosed in the Prospectus; and
  - (3) the Sub-Fund must produce the reports required by the Code in a consolidated form to include the assets (including investment portfolio) and liabilities of the subsidiary company as part of those of the Sub-Fund;
- (g) notwithstanding (a), (b) and (d), not more than 30% of the total Net Asset Value of a Sub-Fund may be invested in Government and other Public Securities of the same issue;
- (h) subject to (g), a Sub-Fund may fully invest in Government and other Public Securities in at least six different issues. Subject to the approval of the Commission, a Sub-Fund which has been authorised by the Commission as an index fund may exceed the 30% limit in (g) and may invest all of its assets in Government and other Public Securities in any number of different issues;
- (i) unless otherwise approved by the Commission, a Sub-Fund may not invest in physical commodities;
- (j) for the avoidance of doubt, exchange traded funds that are:
  - (1) authorised by the Commission under Chapter 8.6 or 8.10 of the Code; or
  - (2) listed and regularly traded on internationally recognised stock exchanges open to the public (nominal listing not accepted) and (i) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under Chapter 8.6 of the Code; or (ii) the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under Chapter 8.10 of the Code,

may either be considered and treated as (x) listed Securities for the purposes of and subject to the requirements in paragraphs (a), (b) and (d) above; or (y) collective investment schemes for the purposes of and subject to the requirements in paragraph (k) below. However, the investments in exchange traded funds shall be subject to

paragraph (e) above and the relevant investment limits in exchange traded funds by a Sub-Fund should be consistently applied and clearly disclosed in this Prospectus;

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

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

- (i) the objective of each underlying scheme may not be to invest primarily in any investment prohibited by Chapter 7 of the Code, and where that underlying scheme's objective is to invest primarily in investments restricted by Chapter 7 of the Code, such investments may not be in contravention of the relevant limitation prescribed by Chapter 7 of the Code. For the avoidance of doubt, a Sub-Fund may invest in scheme(s) authorised by the Commission under Chapter 8 of the Code (except for hedge funds under Chapter 8.7 of the Code), eligible scheme(s) (as determined by the Commission) of which the net derivative exposure (as defined in the Code) does not exceed 100% of its total Net Asset Value, and exchange traded funds satisfying the requirements in paragraph (i) above in compliance with paragraph (k)(1) and (k)(2);
  - (ii) where the underlying schemes are managed by the Manager, or by other companies within the same group that the Manager belongs to, then paragraphs (a), (b), (d) and (e) above are also applicable to the investments of the underlying scheme;
  - (iii) the objective of the underlying schemes may not be to invest primarily in other collective investment scheme(s);
- (3) where an investment is made in any underlying scheme(s) managed by the Manager or any of its Connected Persons, all initial charges and redemption charges on the underlying scheme(s) must be waived; and
  - (4) the Manager or any person acting on behalf of the Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by a underlying scheme or the manager of an underlying scheme, or quantifiable monetary benefits in connection with investments in any underlying scheme;
- (l) a Sub-Fund may invest 90% or more of its total Net Asset Value in a single collective investment scheme and may be authorised as a feeder fund by the Commission. In this case:
- (1) the underlying scheme ("master fund") must be authorised by the Commission;

- (2) the relevant Appendix must state that:
  - (i) the Sub-Fund is a feeder fund into the master fund;
  - (ii) for the purpose of complying with the investment restrictions, the Sub-Fund (i.e. feeder fund) and its master fund will be deemed a single entity;
  - (iii) the Sub-Fund (i.e. feeder fund)'s annual financial report must include the investment portfolio of the master fund as at the financial year end date; and
  - (iv) the aggregate amount of all the fees and charges of the Sub-Fund (i.e. feeder fund) and its master fund must be clearly disclosed;
- (3) unless otherwise approved by the Commission, no increase in the overall total of initial charges, redemption charges, Manager's annual fee, or any other costs and charges payable to the Manager or any of its Connected Persons borne by the Holders or by the Sub-Fund (i.e. feeder fund) may result, if the master fund in which the Sub-Fund (i.e. feeder fund) invests is managed by the Manager or by its Connected Person; and
- (4) notwithstanding paragraph (k)(iii) above, the master fund may invest in other collective investment scheme(s) subject to the investment restrictions as set out in paragraph (k); and
- (m) if the name of a Sub-Fund indicates a particular objective, investment strategy, geographic region or market, the Sub-Fund should, under normal market circumstances, invest at least 70% of its total Net Asset Value in securities and other investments to reflect the particular objective, investment strategy or geographic region or market which the Sub-Fund represents.

The Manager shall not on behalf of any Sub-Fund(s):-

- (i) invest in a security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5% of the total nominal amount of all the issued securities of that class or the directors and officers of the Manager collectively own more than 5% of those securities;
- (ii) invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in real estate investment trusts (REITs));
- (iii) make short sales if as a result such Sub-Fund would be required to deliver Securities exceeding 10% of the total Net Asset Value of such Sub-Fund (and for this purpose Securities sold short must be actively traded on a market where short selling is permitted). For the avoidance of doubt, a Sub-Fund is prohibited to carry out any naked or uncovered short sale of securities and short selling should be carried out in accordance with all applicable laws and regulations;
- (iv) lend or make a loan out of the assets of such Sub-Fund, except to the extent that the acquisition of bonds or the making of a deposit (within the applicable investment restrictions) might constitute a loan;
- (v) subject to Chapter 7.3 of the Code, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness

of any person, save and except for reverse repurchase transactions in compliance with the Code;

- (vi) enter into any obligation in respect of such Sub-Fund or acquire any asset or engage in any transaction for the account of such Sub-Fund which involves the assumption of any liability which is unlimited. For the avoidance of doubt, the liability of Unitholders is limited to their investment in the relevant Sub-Fund; or
- (vii) apply any part of such Sub-Fund in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call is due to be made for any sum unpaid on such investments unless such call could be met in full out of cash or near cash forming part of such Sub-Fund whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transactions in FDIs).

Note: The investment restrictions set out above apply to each Sub-Fund, subject to the following: A collective investment scheme authorised by the Commission under the Code is usually restricted under Chapter 7.1 of the Code from making investments which would result in the value of that collective investment scheme's holdings of the Securities of any single entity exceeding 10% of the collective investment scheme's net asset value. For a Sub-Fund authorised under Chapter 8.6 of the Code as an index tracking ETF, given the investment objective of the Sub-Fund and nature of the Index, the relevant Sub-Fund is allowed under Chapter 8.6(h) of the Code to, notwithstanding Chapter 7.1 of the Code, hold investments in constituent Securities of any single entity exceeding 10% of the relevant Sub-Fund's Net Asset Value if such constituent Securities account for more than 10% of the weighting of the Index and the relevant Sub-Fund's holding of any such constituent Securities does not exceed their respective weightings in the Index, except where the weightings are exceeded as a result of changes in the composition of the Index and the excess is only transitional and temporary in nature.

However, the restrictions in 8.6(h)(i) and (ii) (as described above) do not apply if:

- a Sub-Fund adopts a representative sampling strategy which does not involve full replication of the constituent Securities of the underlying index in the exact weightings of such index;
- the strategy is clearly disclosed in the Prospectus;
- the excess of the weightings of the constituent Securities held by the Sub-Fund over the weightings in the index is caused by the implementation of the representative sampling strategy;
- any excess weightings of the Sub-Fund's holdings over the weightings in the index must be subject to a maximum limit reasonably determined by the Sub-Fund after consultation with the Commission. In determining this limit, the Sub-Fund must consider the characteristics of the underlying constituent Securities, their weightings and the investment objectives of the index and any other suitable factors;
- limits laid down by the Sub-Fund pursuant to the point above must be disclosed in the Prospectus;
- disclosure must be made in the Sub-Fund's interim and annual reports as to whether the limits imposed by the Sub-Fund itself pursuant to the above point have been complied with in full. If there is non-compliance with the said limits during the relevant reporting period, this must be reported to the Commission on a timely basis and an account for such non-compliance should be stated in the report relating to the period in which the non-compliance

occurs or otherwise notified to investors.

**Other Investment Restrictions**

For each Sub-Fund which is authorised by the Commission as a money market fund under Chapter 8.2 of the Code, the relevant Sub-Fund shall comply with the following investment restrictions:

- (1) subject to the provisions below, the Sub-Fund may only invest in short-term deposits and high quality money market instruments, and up to 10% in money market funds authorised by the Commission under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the Commission and acceptable to the Commission;
- (2) the Sub-Fund must maintain a portfolio with weighted average maturity of not exceeding 60 days and a weighted average life not exceeding 120 days and must not purchase an instrument with a remaining maturity of more than 397 days, or two years in the case of Government and other Public Securities;

For the purposes herein:

- a. “weighted average maturity” is a measure of the average length of time to maturity of all the Securities in the Sub-Fund weighted to reflect the relative holdings in each instrument; and is used to measure the sensitivity of the Sub-Fund to changing money market interest rates; and
- b. “weighted average life” is the weighted average of the remaining life of each Security held in Sub-Fund; and is used to measure the credit risk, as well as the liquidity risk,

provided that the use of interest rate resets in variable-notes or variable-rate notes generally should not be permitted to shorten the maturity of a Security for the purpose of calculating weighted average life, but may be permitted for the purpose of calculating weighted average maturity;

- (3) notwithstanding the above, the aggregate value of the Sub-Fund’s holding of instruments and deposits issued by a single entity may not exceed 10% of the Net Asset Value of the Sub-Fund except:
  - a. where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity’s share capital and non-distributable capital reserves, the limit may be increased to 25%; or
  - b. in the case of Government and other Public Securities, up to 30% may be invested in the same issue; or
  - c. in respect of any deposit of less than USD1,000,000 or its equivalent in the base currency of the Sub-Fund, where the Sub-Fund cannot otherwise diversify as a result of its size.
- (4) notwithstanding paragraphs (b) and (c) under the section “Investment Restrictions” above, the aggregate value of the Sub-Fund’s investments in entities within the same group through instruments and deposits may not exceed 20% of its total Net Asset Value except:

- a. in respect of any cash deposit of less than USD1,000,000 or its equivalent in the base currency of the Sub-Fund, where the Sub-Fund cannot otherwise diversify as a result of its size; and
  - b. where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%;
- (5) notwithstanding the borrowing limit as set out below, the Sub-Fund may borrow up to 10% of its total Net Asset Value but only on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses;
  - (6) the value of the Sub-Fund's holding of investments in the form of asset-backed securities may not exceed 15% of its total Net Asset Value;
  - (7) subject to Chapter 7.32 to 7.38 of the Code, the Sub-Fund may engage in sale and repurchase and reverse repurchase transactions in compliance with the following requirements:
    - (1) the amount of cash received by the Investment Fund under sale and repurchase transactions may not in aggregate exceed 10% of its total Net Asset Value;
    - (2) the aggregate amount of cash provided to the same counterparty in reverse repurchase agreements may not exceed 15% of the Net Asset Value of the Sub-Fund;
    - (3) collateral received may only be cash, high quality money market instruments, and may also include, in the case of reverse repurchase transactions, government securities receiving a favourable assessment on credit quality; and
    - (4) the holding of collateral, together with other investments of the Sub-Fund, must not contravene the investment limitations and requirements set out under this section "Money Market Funds";
  - (8) the Sub-Fund may use FDIs for hedging purposes only;
  - (9) the currency risk of the Sub-Fund shall be appropriately managed and any material currency risk that arises from investments that are not denominated in the Base Currency shall be appropriately hedged;
  - (10) the Sub-Fund must hold at least 7.5% of its total Net Asset Value in daily liquid assets and at least 15% of its total Net Asset Value in weekly liquid assets.

For the purposes herein:

- a. daily liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within one Business Day; and (iii) amount receivable and due unconditionally within one Business Day on pending sales of portfolio securities; and
- b. weekly liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within five Business Days; and (iii) amount receivable and due unconditionally within five Business Days on pending sales of portfolio securities; and

- (11) a Sub-Fund that offers a stable or constant net asset value or which adopts an amortized cost accounting for valuation of its assets may only be considered by the Commission on a case-by-case basis.

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

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

### **Borrowing Restrictions**

Subject to the limits set out in Part 2 of this Prospectus, the Manager may engage in borrowing in order to acquire investments, to redeem Units or to pay expenses relating to a Sub-Fund. The maximum borrowing of a Sub-Fund may not exceed 10% of its total Net Asset Value. For this purpose, back-to-back loans do not count as borrowing. Securities lending transactions and sale and repurchase transactions in compliance with the requirements as set under the section entitled "Securities Financing Transactions" below are also not borrowings for the purpose of, and are not subject to the borrowing restrictions under this section. The assets of the Sub-Fund may be charged, pledged or otherwise encumbered in any manner as security for any such borrowings.

If the investment and borrowing restrictions set out above are breached, the Manager shall as a priority objective take all steps necessary within a reasonable period of time to remedy the situation, having due regard to the interests of Unitholders. The Manager is not immediately required to sell applicable investments if any of the investment restrictions are exceeded as a result of changes in the value of the relevant Sub-Fund's investments, reconstructions or amalgamations, payments out of the assets of the relevant Sub-Fund or redemption of Units but for so long as such limits are exceeded, the Manager shall not acquire any further investments which would result in such limit being further breached.

### **Securities Financing Transactions**

Where indicated in the relevant Appendix, a Sub-Fund may enter into securities lending transactions, sale and repurchase transactions and reverse repurchase transactions ("securities financing transactions"), provided that they are in the best interests of the Unitholders, the associated risks have been properly mitigated and addressed, and the counterparties to the securities financing transactions are financial institutions which are subject to ongoing prudential regulation and supervision.

A Sub-Fund which engages in securities financing transactions is subject to the following requirements:

- it shall have at least 100% collateralisation in respect of the securities financing transactions into which it enters to ensure there is no uncollateralised counterparty risk exposure arising from these transactions;
- all the revenues arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities financing transactions to the extent permitted by applicable legal and regulatory requirements, shall be returned to the Sub-Fund;

- it shall ensure that it is able to at any time to recall the securities or the full amount of cash / collateral (as the case may be) subject to the securities financing transactions or terminate the securities financing transactions into which it has entered.

Further, details of the arrangements are as follows:

- each counterparty for such transactions will be independent counterparties approved by the Manager with credit rating of BBB- or above (by Moody's or S&P, or any other equivalent ratings by recognised credit rating agencies) or which are corporations licensed by the Commission or are registered institutions with the Hong Kong Monetary Authority;
- the Trustee or the Custodian, upon the instruction of the Manager, will take collateral, which can be cash or non-cash assets fulfilling the requirements under "Collateral" below;
- for sale and repurchase transactions, it is the intention of the Manager to sell the securities for cash equal to the market value of the securities provided to the counterparty, subject to appropriate haircut. Cash obtained in sale and repurchase transactions will be used for meeting redemption requests or defraying operating expenses, but will not be re-invested;
- the maximum and expected level of a Sub-Fund's assets available for these transactions will be as set out in the relevant Appendix; and
- where any securities lending transaction has been arranged through the Trustee or a Connected Person of the Trustee or the Manager, such transaction shall be conducted at arm's length and executed on the best available terms, and the relevant entity shall be entitled to retain for its own use and benefit any fee or commission it receives on a commercial basis in connection with such arrangement.

### **Financial Derivative Instruments**

Subject always to the provisions of the Trust Deed and the Code, the Manager may on behalf of a Sub-Fund enter into any transactions in relation to swaps or other FDI.

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

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

Unless otherwise stated in the relevant Appendix, each Sub-Fund may acquire FDIs for non-hedging purposes ("investment purposes"), subject to the limit that the Sub-Fund's net exposure relating to these FDIs ("net derivative exposure") does not exceed 50% of its total Net

Asset Value (unless otherwise approved by the Commission for a Sub-Fund pursuant to Chapter 8 of the Code). For the avoidance of doubt:

- (a) for the purpose of calculating net derivative exposure, the positions of FDIs acquired by a Sub-Fund for investment purposes are converted into the equivalent position in the underlying assets of the FDIs, taking into account the prevailing market value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the position;
- (b) the net derivative exposure should be calculated in accordance with the requirements and guidance issued by the Commission which may be updated from time to time; and
- (c) FDIs acquired for hedging purposes will not be counted towards the 50% limit referred to in this paragraph so long as there is no residual derivative exposure arising from such hedging arrangement.

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

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

- (a) the underlying assets consist solely of shares in companies, debt Securities, money market instruments, units/shares of collective investment schemes, deposits with substantial financial institutions, Government and other Public Securities, highly-liquid physical commodities (including gold, silver, platinum and crude oil), financial indices, interest rates, foreign exchange rates or currencies or other asset classes acceptable to the Commission, in which the Sub-Fund may invest according to its investment objectives and policies;
- (b) the counterparties to over-the-counter FDI transactions or their guarantors are substantial financial institutions or such other entity acceptable to the Commission on a case-by-case basis;
- (c) subject to paragraphs (a) and (b) under the section entitled "Investment Restrictions" above, the net counterparty exposure to a single entity arising from transactions of the over-the-counter FDIs may not exceed 10% of the Net Asset Value of the Sub-Fund. The exposure of the Sub-Fund to a counterparty of over-the-counter FDIs may be lowered by the collateral received (if applicable) by the Sub-Fund and shall be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter financial derivative instruments with that counterparty, if applicable; and
- (d) the valuation of the FDIs is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager or the Trustee or their nominee(s), agent(s) or delegate(s) independent of the issuer of the FDIs through measures such as the establishment of a valuation committee or engagement of third party services. The FDIs can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the initiative of the Sub-Fund. Further, the calculation agent/fund administrator should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the FDIs on a regular basis.

A Sub-Fund shall at all times be capable of meeting all its payment and delivery obligations incurred under transactions in FDIs (whether for hedging or for investment purposes). The Manager shall, as part of its risk management process, monitor to ensure that the transactions in FDIs are adequately covered on an ongoing basis. For the purposes herein, assets that are used to cover the Sub-Fund's payment and delivery obligations incurred under transactions in FDIs should be free from any liens and encumbrances, exclude any cash or near cash for the purpose of meeting a call on any sum unpaid on a security, and cannot be applied for any other purposes. A transaction in FDIs which gives rise to a future commitment or contingent commitment of a Sub-Fund should also be covered as follows:

- in the case of FDI transactions which will, or may at the Sub-Fund's discretion, be cash settled, the Sub-Fund should at all times hold sufficient assets that can be liquidated within a short timeframe to meet the payment obligation; and
- in the case of FDI transactions which will, or may at the counterparty's discretion, require physical delivery of the underlying assets, the Sub-Fund should hold the underlying assets in sufficient quantity at all times to meet the delivery obligation. If the Manager considers the underlying assets to be liquid and tradable, the Sub-Fund may hold other alternative assets in sufficient quantity as cover, provided that such assets may be readily converted into the underlying assets at any time to meet the delivery obligation. In case of holding alternative assets as cover, the Sub-Fund should apply safeguard measures such as to apply haircut where appropriate to ensure that such alternative assets held are sufficient to meet its future obligations.

The above policies relating to FDIs apply to financial instruments which embeds a financial derivative as well.

### **Collateral**

Collateral received from counterparties shall comply with the following requirements:

- Liquidity – collateral must be sufficiently liquid and tradable in order that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing;
- Valuation – collateral should be marked-to-market daily by using independent pricing source;
- Credit quality – asset used as collateral must be of high credit quality and should be replaced immediately as soon as the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral;
- Haircut - collateral should be subject to prudent haircut policy which should be based on the market risks of the assets used as collateral in order to cover potential maximum expected decline in collateral values during liquidation before a transaction can be closed out with due consideration on stress period and volatile markets. For the avoidance of doubt the price volatility of the asset used as collateral should be taken into account when devising the haircut policy;
- Diversification – collateral must be appropriately diversified to avoid concentrated exposure to any single entity and/or entities within the same group and a Sub-Fund's exposure to issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in Chapter 7 of the Code;
- Correlation – the value of the collateral should not have any significant correlation with the

creditworthiness of the counterparty or the issuer of the FDIs in such a way that it would undermine the effectiveness of the collateral. As such, securities issued by the counterparty or the issuer of the FDIs or any of their related entities should not be used as collateral;

- Management of operational and legal risks – the Manager must have appropriate systems, operational capabilities and legal expertise for proper collateral management;
- Independent custody – collateral must be held by the Trustee;
- Enforceability – collateral must be readily accessible/enforceable by the Trustee without further recourse to the issuer of the FDIs or the counterparty of the securities financing transactions;
- Cash collateral – any re-investment of collateral received for the account of the Sub-Fund shall be subject to the following requirements:
  - cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorised under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the Commission and acceptable to the Commission, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the Code. For this purpose, money market instruments refer to securities normally dealt in on the money markets, including government bills, certificates of deposit, commercial papers, short-term notes and bankers' acceptances, etc. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments must be taken into account. Non-cash collateral received may not be sold, re-invested or pledged;
  - the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in sub-paragraphs (2) and (10) of the section entitled "Other Investment Restrictions" above;
  - cash collateral received is not allowed to be further engaged in any securities financing transactions; and
  - when the cash collateral received is reinvested into other investment(s), such investment(s) is/are not allowed to be engaged in any securities financing transactions;
- Encumbrances - collateral should be free of prior encumbrances; and
- Collateral generally should not include (i) structured products whose payouts rely on embedded FDIs or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitised products; or (iv) unlisted collective investment schemes.

Subject to the requirements above, below is a summary of the collateral policy and criteria adopted by the Manager:

- eligible collateral include cash, cash equivalents, government bonds, supranational bonds, corporate bonds, stocks, funds and money market instruments;
- the issuer of collateral must be of high quality including governments, supranationals, government agencies, policy banks or government guaranteed entities with an investment

grade credit rating. The rating by a recognised credit rating agency shall be taken into account in the credit assessment process. Securities rated with a non-investment grade credit rating is not eligible for collateral purpose. There is no criteria for country of origin of the counterparty;

- no maturity constraints will apply to the collateral received;
- regular stress tests are carried out under normal and exceptional liquidity conditions to enable an adequate assessment of the liquidity risks attached to the collateral;
- the haircut policy takes account of market volatility, the foreign exchange volatility between collateral asset and underlying agreement, liquidity and credit risk of the collateral assets, and the counterparty's credit risk (for each eligible security type). Haircuts shall be set to cover the maximum expected decline in the market price of the collateral asset (over a conservative liquidation horizon) before a transaction can be closed out. Cash collateral will not be subject to haircut;
- the collateral would be sufficiently diversified in terms of country, markets and issuers with a maximum exposure to a given issuer;
- the collateral received would be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty;
- collateral must be readily enforceable by the Trustee and may be subject to netting or set-off;
- cash collateral will generally not be used for reinvestment purposes unless otherwise determined by the Manager and notified to investors.

## **SCHEDULE 2 – PROVISIONS RELATING TO THE OFFER, CREATION, REDEMPTION, LISTING AND TRADING OF THE LISTED CLASS OF UNITS**

*This Schedule 2 contains disclosure relating to the Listed Class of Units only. Unless the context otherwise requires, references to “Units” and “Unitholders” in this Schedule shall be construed to refer to a Listed Class of Units of a Sub-Fund or a Unitholder of such Units. Save for terms defined below, all other terms used in this Schedule shall have the same meanings as assigned to them under the main part of the Prospectus.*

### **1 INVESTING IN THE LISTED CLASS OF UNITS OF A SUB-FUND**

There are currently two methods to invest in Listed Class of Units of the Sub-Funds:

#### **1.1 In the Primary Market**

- Primary Market Investors may make a request to a Participating Dealer or a stockbroker (who has opened an account with a Participating Dealer) to effect a Creation Application or a Redemption Application on their behalf.
- Because of the size of the capital investment (i.e. Application Unit size) required either to create or redeem Listed Class of Units through the Participating Dealer in the primary market, this method of investment is more suitable for institutional investors and market professionals.
- Participating Dealers may submit a Creation Application or a Redemption Application to create or redeem Listed Class of Units directly in the relevant Sub-Fund.
- Approved Applicants may also submit a Creation Application or a Redemption Application to create or redeem Listed Class of Units directly in the relevant Sub-Fund as detailed in the sub-section “**2.5 Special Creation Applications and Redemption Applications by Approved Applicants**” below.

Please refer to section “**2. Creation and Redemption of Application Units (Primary Market)**” below for the operational procedures in respect of Creation Applications. Creation and redemption of Listed Class of Units by Participating Dealers and Approved Applicants will be conducted in accordance with the Trust Deed, this Prospectus, the Operating Guidelines and/or the relevant Participation Agreement (where applicable).

#### **1.2 In the Secondary Market (SEHK)**

- Secondary Market Investors may purchase and sell Listed Class of Units in the secondary market on the SEHK. This method of investment is more suitable for retail investors due to the smaller size of capital investment.
- The Listed Class of Units of a Sub-Fund may trade on the SEHK at a premium or discount to the Net Asset Value of the Units of such Sub-Fund.

Please refer to section “**3. Trading of Listed Class of Units on the SEHK (Secondary Market)**” below for further information in respect of buying and selling Units on the SEHK.

## 2 **CREATION AND REDEMPTION OF APPLICATION UNITS (PRIMARY MARKET)**

### 2.1 **General**

This section provides general information regarding the creation and redemption of Listed Class of Units of the Sub-Funds of the Trust. Specific details relating to a Sub-Fund are set out in Part 2 of this Prospectus.

Where a Sub-Fund has a Dual Counter or Multi-Counter, all cash creation and redemption for all Listed Class of Units must be in the Base Currency of such Sub-Fund or any other currency as set out in the relevant Appendix only.

### 2.2 **Applications by Primary Market Investors**

Primary Market Investors are investors who make a request to a Participating Dealer or a stockbroker (who has opened an account with a Participating Dealer) to effect an Application on their behalf.

Each initial Participating Dealer has indicated to the Manager that it will, subject to (i) normal market conditions, (ii) mutual agreement between the relevant Participating Dealer and the Primary Market Investor as to its fees for handling such request(s), and (iii) completion of anti-money laundering and/or client acceptance procedures and requirements, generally accept and submit creation requests or redemption requests received from a Primary Market Investor who is its client, subject to exceptional circumstances set out below. Investors should note that, although the Manager has a duty to monitor the operations of the Trust closely, neither the Trustee nor the Manager is empowered to compel the Participating Dealer to accept a creation request or redemption request from a Primary Market Investor. Primary Market Investors who are retail investors may only submit a creation request or redemption request through a stockbroker who has opened an account with a Participating Dealer.

In addition, a Participating Dealer reserves the right to reject, acting in good faith, any creation request or redemption request received from Primary Market Investor who is its client under exceptional circumstances, including without limitation the following circumstances:

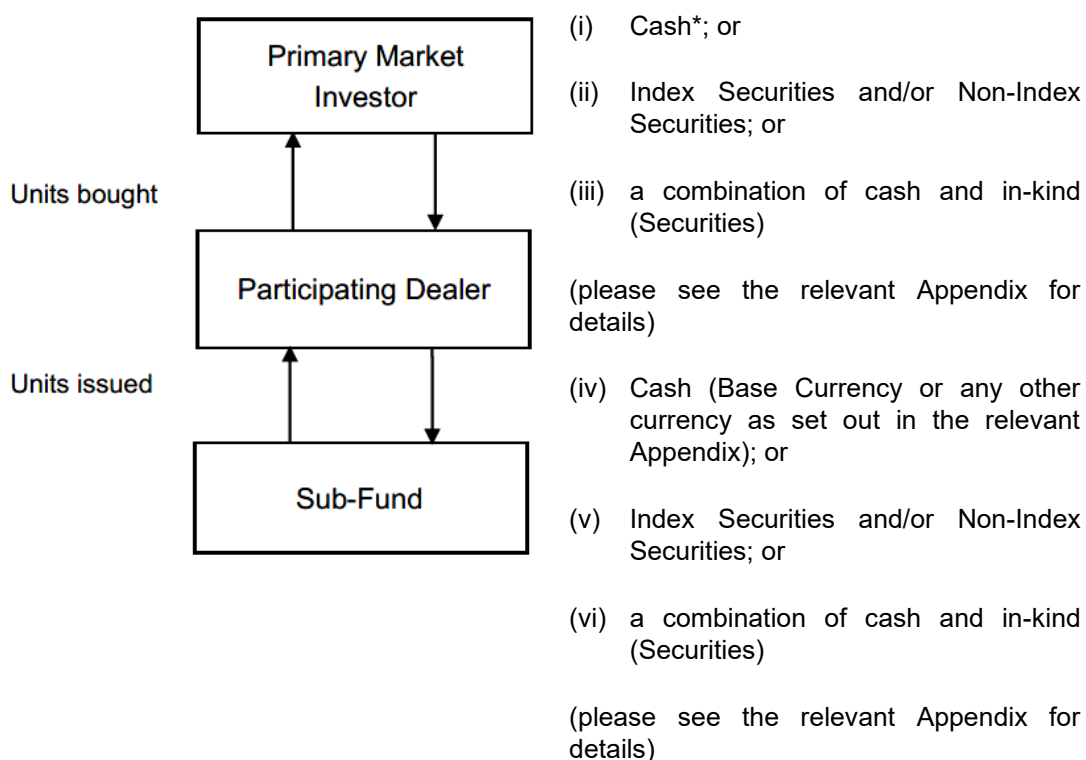
- (a) any period during which (i) the creation or issue of Listed Class of Units of a Sub-Fund, (ii) the redemption of Listed Class of Units of a Sub-Fund, and/or (iii) the determination of Net Asset Value of a Sub-Fund is suspended pursuant to the provisions in the Trust Deed;
- (b) where there is in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

Investors should note that the Participating Dealers and the stockbrokers through whom an Application is made for creation or redemption of Listed Class of Units may impose an earlier dealing deadline, require other supporting documents for the Application and adopt other dealing procedures different from those set out for the Sub-Funds in this Prospectus. For example, the dealing deadline set by the Participating Dealers or the stockbrokers may be

earlier than that set out for a Sub-Fund in this Prospectus. Investors should therefore check the applicable dealing procedures with the relevant Participating Dealer or stockbroker (as the case may be).

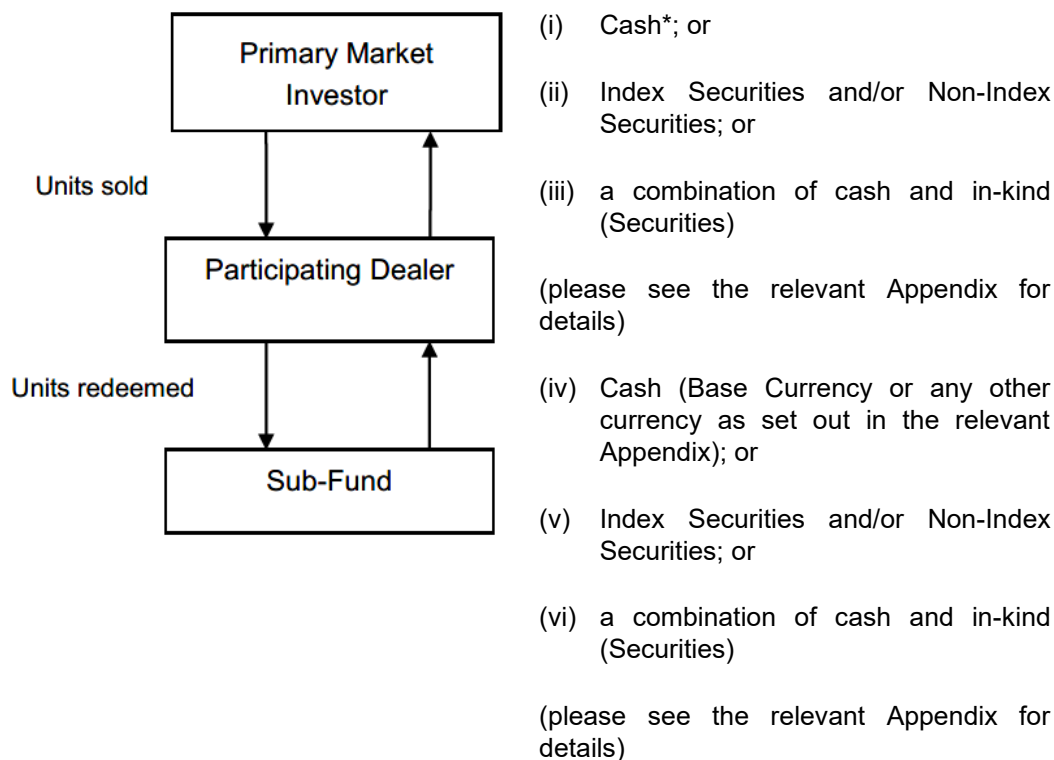
Participating Dealers and stockbrokers may also impose fees and charges in handling any creation or redemption requests of Primary Market Investors which would increase the cost of investment and/or reduce the redemption proceeds. Such fees and charges will normally be payable in the Base Currency of the relevant Sub-Fund or such other currency as may be determined by the Participating Dealers and stockbrokers. Participating Dealers and stockbrokers may also impose additional terms and restrictions on the holdings of Primary Market Investors and/or may accept or reject the creation or redemption requests of Primary Market Investors based on their internal policies. Please note that although the Manager has a duty to monitor the operations of the Trust closely, neither the Trustee nor the Manager is empowered to compel any Participating Dealer or stockbroker to disclose its fees agreed with specific clients or other proprietary or confidential information to the Manager or the Trustee, or to accept any application requests received from third parties. Primary Market Investors are advised to check with the Participating Dealers or stockbrokers as to the relevant fees, costs and other applicable terms.

The following illustrates the process of the creation and issue of Listed Class of Units in the case of Primary Market Investors.



*\*Primary Market Investor may agree with the Participating Dealers the currency for settlement.*

The following illustrates the process of redemption of Listed Class of Units in the case of Primary Market Investors.

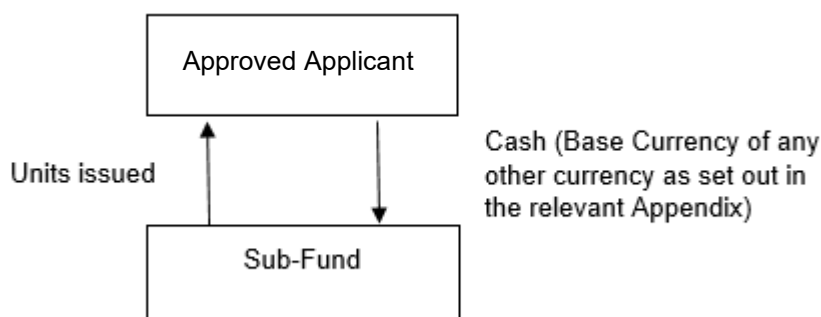


*\*Primary Market Investor may agree with the Participating Dealers the currency for settlement.*

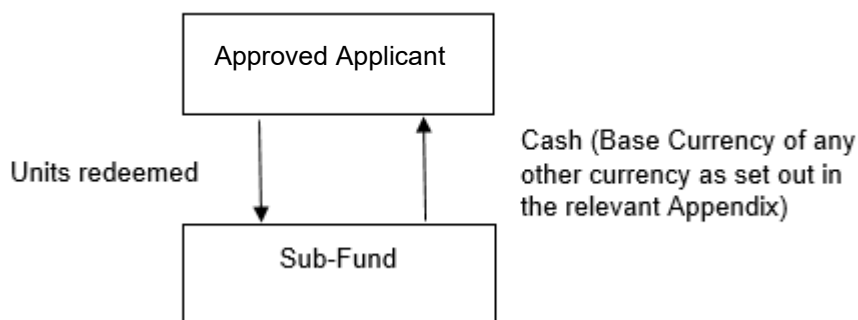
Primary Market Investors should consult with the relevant Participating Dealer on the method(s) for creation or redemption of Listed Class of Units adopted by the relevant Participating Dealer.

As set out in section “**2.5 Special Cash Creation Applications and Redemption Applications by Approved Applicants**” below, if specified in the relevant Appendix, the Manager may at its discretion in consultation with the Trustee, accept special Cash Creation Applications and Redemption Applications by an Approved Applicant.

The following illustrates the process of the creation and issue of Listed Class of Units in the case of Approved Applicants.



The following illustrates the process of redemption of Listed Class of Units in the case of Approved Applicants.



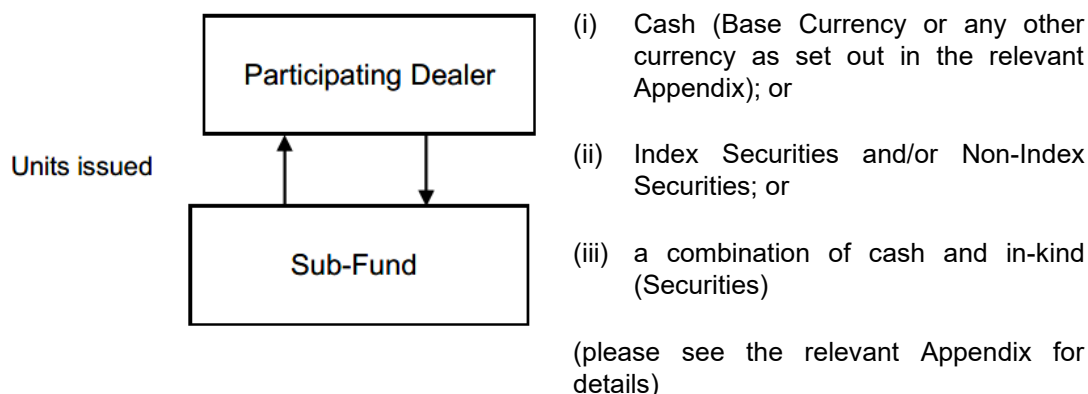
2.3 **Creation Applications by Participating Dealers only**

Unless otherwise determined by the Manager, in consultation with the Trustee, a Creation Application shall only be made by a Participating Dealer or PD Agent (as the case may be) in respect of a Dealing Day in accordance with the terms of the Trust Deed and the relevant Participation Agreement either during the Initial Offer Period or on a Dealing Day in respect of Listed Class of Units constituting an Application Unit size or whole multiples thereof (save and except for Application during the relevant Initial Offer Period). The Application Unit size for a Sub-Fund is set out in Part 2 of this Prospectus.

Additional details on the Initial Offer Period, the Dealing Deadline and other relevant information in respect of Creation Applications for Listed Class of Units in a Sub-Fund are set out in Part 2 of this Prospectus. Any Creation Application received after the Dealing Deadline will be considered as received on the next Dealing Day.

There are currently three methods for creation of Listed Class of Units in respect of a Creation Application made by a Participating Dealer: (i) cash Creation Application (“**Cash Creation**”) only; or (ii) in-kind Creation Application by delivering Index Securities and/or Non-Index Securities (“**In-Kind Creation**”) only; or (iii) a combination of Cash Creation and In-Kind Creation (“**Hybrid Creation**”). The method(s) for creation of Listed Class of Units adopted by the current Sub-Funds are set out in the Appendix of the relevant Sub-Fund.

The following illustrates the process of the creation and issue of Listed Class of Units in the case of Participating Dealers.



### 2.3.1 ***Procedures for Creation of Listed Class of Units***

#### General

A Creation Application once given cannot be revoked or withdrawn without the consent of the Manager except in circumstances where there is a suspension pursuant to section “**8.2 Suspension Of Determination Of Net Asset Value**”.

To be effective, a Creation Application must comply with the requirements in respect of creation of Listed Class of Units set out in the Trust Deed, the Operating Guidelines and the relevant Participation Agreement and be accompanied by such certifications and legal opinions as the Trustee and/or the Manager may in their absolute discretion require.

#### Methods of creation of Listed Class of Units

Pursuant to a valid Creation Application being accepted by the Manager, the Manager and/or any person duly appointed by the Manager for such purpose shall have the exclusive right to instruct the Trustee to create for the account of the Trust, Listed Class of Units in a class in Application Unit size or whole multiples thereof in exchange for the delivery by the relevant Participating Dealer, to or for the account of the Trustee, of:

- (a) where Cash Creation only is adopted, a cash payment equivalent to the relevant Application Basket Value (which shall be accounted for as Deposited Property), which the Manager shall use to purchase the Index Securities and/or Non-Index Securities constituting the Basket(s), and the Manager shall be entitled in its absolute discretion to charge (for the account of the relevant Sub- Fund) to each Participating Dealer an additional sum which represents the appropriate provision for Duties and Charges (which may include, but is not limited to, a provision for stamp duties and other transaction charges or taxes applicable to the purchase (or estimated to be applicable to the future purchase) of the relevant Index Securities and/or Non-Index Securities; or
- (b) where In-Kind Creation only is adopted, Index Securities and/or Non-Index Securities constituting the Basket(s) for the Listed Class of Units of the relevant Sub-Fund to be issued and a cash amount equivalent to any Duties and Charges payable; or
- (c) where Hybrid Creation is adopted, a cash payment equivalent to the value of relevant Index Securities and/or Non-Index Securities constituting the Basket(s), together with the remaining Index Securities and/or Non-Index Securities constituting the Basket(s) for the Listed Class of Units of the relevant Sub-Fund to be issued, and a cash amount equivalent to any Duties and Charges payable.

plus,

- (d) if the Cash Component is a positive value, a cash payment equivalent to the amount of the relevant Cash Component; if the Cash Component is a negative value, the Trustee shall be required to make a cash payment equivalent to the amount of the Cash Component (expressed as a positive figure) to the relevant Participating Dealer. If the relevant Sub-Fund has insufficient cash required to pay any Cash Component payable by the relevant Sub-Fund, the Manager may instruct the Trustee to sell the Deposited Property of the relevant Sub-Fund, or to borrow moneys to provide the cash required.

#### Payment Terms in respect of Cash Creation only

Where Cash Creation is adopted, the Manager currently only accepts cash payments in the Base Currency of the relevant Sub-Fund (even for a Sub-Fund which adopts Dual Counter or

Multi-Counter) or any other currency as set out in the relevant Appendix. Notwithstanding the Dual Counter or Multi-Counter, any cash payable by Participating Dealers in a Cash Creation must be in the Base Currency of the relevant Sub-Fund or any other currency as set out in the relevant Appendix. The process of creation of Units is the same for all counters.

In relation to a Cash Creation, the Manager reserves the right to require the Participating Dealer to pay an additional sum representing the Duties and Charges for the purpose of compensating or reimbursing the Trust for the difference between:

- (a) the prices used when valuing the relevant Index Securities and/or Non-Index Securities and/or FDIs (as the case may be) of the Trust in respect of the relevant Sub-Fund for the purpose of such issue of Listed Class of Units; and
- (b) the prices which would be used when acquiring the same Index Securities and/or Non-Index Securities and/or FDIs (as the case may be) if they were acquired by the Trust in respect of the relevant Sub-Fund with the amount of cash received by the Trust in respect of the relevant Sub-Fund upon such issue of Listed Class of Units.

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

#### *Base Currency and Issuance of Listed Class of Units*

Units are denominated in the Base Currency of the relevant Sub-Fund or class currency of the relevant class (unless otherwise determined by the Manager) and no fractions of a Unit in respect of the Listed Class of Units shall be created or issued by the Trustee. Once Listed Class of Units are created, the Manager shall instruct the Trustee to issue, for the account of the relevant Sub-Fund, the Listed Class of Units to the relevant Participating Dealer. The Base Currency of each Sub-Fund is specified in Part 2 of this Prospectus.

#### **2.3.2 Issue Price**

The Issue Price of Listed Class of Units of a Sub-Fund is set out in Part 2 of this Prospectus. For the avoidance of doubt, the Issue Price does not take into account Duties and Charges or fees payable by the Participating Dealers.

Any commission, remuneration or other sums payable by the Manager to any agent or other person in respect of the issue or sale of any Listed Class of Units shall not be added to the Issue Price of such Listed Class of Units and shall not be paid by the Trust.

#### **2.3.3 Creation and Issue of Listed Class of Units**

Where a Creation Application is received or deemed to be received and accepted before the Dealing Deadline on a Dealing Day, the creation and issue of Listed Class of Units pursuant to that Creation Application shall be effected on that Dealing Day, but:

- (a) for valuation purposes only, Listed Class of Units shall be deemed to be created and issued after the Valuation Point on the relevant Valuation Day relating to that Dealing Day; and
- (b) the Register shall be updated after the Valuation Point for the Valuation Day relating to the Dealing Day on which the Creation Application is deemed to be accepted provided that the Trustee shall be entitled to refuse to enter (or allow to be entered) Listed Class of Units in the Register if at any time the Trustee is of the opinion that the issue of Listed Class of Units does not comply with the provisions of the Trust Deed.

#### 2.3.4 ***Fees relating to Creation Applications***

In respect of each Creation Application, the Manager shall be entitled to charge certain fees and charges and the Trustee and/or the Service Agent or the Conversion Agent (as the case may be) shall be entitled to charge a Transaction Fee, details of which are set out in Part 2 of this Prospectus, which shall be paid by or on behalf of the relevant Participating Dealer and may be set off and deducted against any Cash Component due to the relevant Participating Dealer in respect of such Creation Application.

Where In-Kind Creation or Hybrid Creation is adopted, a corporate action fee is also payable to HKSCC in respect of a Creation Application where a Conversion Agent is appointed for such Sub-Fund.

#### 2.3.5 ***Rejection of Creation Applications***

The Manager, acting reasonably and in good faith, has the absolute right to reject a Creation Application, including but not limited to when:

- (a) any period during which (i) the creation or issue of Listed Class of Units of the relevant Sub-Fund, (ii) the redemption of Listed Class of Units of the relevant Sub-Fund, and/or (iii) determination of the Net Asset Value of the relevant Sub-Fund has been suspended pursuant to the provisions in the Trust Deed;
- (b) in the reasonable opinion of the Manager, acceptance of the Creation Application will have an adverse effect or adverse tax consequences on the Trust or the relevant Sub-Fund or is unlawful or will have an adverse effect on the interests of the Unitholders;
- (c) 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;
- (d) acceptance of the Creation Application would render the Manager in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Manager and/or any of its Connected Persons;
- (e) processing of the Creation Application is not possible due to exceptional circumstances outside the control of the Manager (such as market disruptions or circumstances under which acceptance of the Creation Application will have a material adverse impact on the relevant Sub-Fund);
- (f) the Creation Application is not submitted in the form and manner set out in the provisions of the Trust Deed;
- (g) an Insolvency Event occurs in respect of the relevant Participating Dealer; or
- (h) there are insufficient Index Securities and/or Non-Index Securities available to the Manager and/or the Trust to constitute the Basket(s) in respect of a Creation Application,

provided that the Manager will take into account the interest of the Unitholders of the Trust and/or the relevant Sub-Fund to ensure that the interests of the Unitholders will not be materially adversely affected. In addition to the foregoing, the Manager may also reject Creation Applications in such other circumstances as set out in Part 2 of this Prospectus.

In the event of such rejection, the Manager shall notify the relevant Participating Dealer, the Conversion Agent (where applicable) and the Trustee of its decision to reject such Creation Application in accordance with the Operating Guidelines.

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

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

The Trustee may, on the instruction of the Manager, cancel any Creation Application and any Listed Class of Units deemed created and issued in respect of such Creation Application under the following circumstances:

- (a) where a Cash Creation is adopted, any cash payment for exchange of Listed Class of Units, the Cash Component (if applicable) and/or any Duties and Charges and other fees and charges payable in respect of a Creation Application must be received in cleared funds by such times and in such manner as prescribed in the relevant Participation Agreements and if the cleared funds have not been received by or on behalf of the Trustee as aforementioned the Trustee may, on the instruction of the Manager, cancel the Creation Application, and any Listed Class of Units deemed created and issued in respect of such Creation Application. In addition to the preceding circumstances, the Trustee may also, on the instruction of the Manager, cancel any Creation Application and any Listed Class of Units deemed created and issued in respect of such Creation Application if it determines by such time specified in the Operating Guidelines that it is unable to invest the cash proceeds of any Creation Application.
- (b) where an In-Kind Creation is adopted -
  - (i) if the title to any of the Index Securities and/or Non-Index Securities constituting the Basket deposited for exchange of Listed Class of Units has not been fully vested upon trust in the Trustee or to the Trustee's satisfaction, or evidence of title and instruments of transfer satisfactory to the Trustee have not been produced to or to the order of the Trustee by such times and in such manner as prescribed in the relevant Participation Agreements (or such later time and/or date determined by the Manager); or
  - (ii) the full amount of any Duties and Charges payable in respect of the Creation Application have not been received in cleared funds by or on behalf of the Trustee by such times and in such manner as prescribed in the relevant Participation Agreements (or such later time and/or date determined by the Manager).
- (c) where a Hybrid Creation is adopted, the Creation Application will be cancelled under the circumstances stated in (a) and/or (b).

Upon the cancellation of any Creation Application and any Listed Class of Units deemed created pursuant to a Creation Application as provided for above or if a Participating Dealer, with the approval of the Manager, withdraws a Creation Application other than in the circumstances contemplated in the Trust Deed, such Listed Class of Units shall be deemed for all purposes never to have been created and the relevant Participating Dealer shall have no right or claim against the Manager, the Trustee and/or the Service Agent or the Conversion Agent (as the case may be) in respect of such cancellation provided that:

- (a) any Index Securities and/or Non-Index Securities constituting the Basket(s) deposited for exchange fully vested in the Trustee and/or any cash received by or on behalf of the Trustee in respect of such cancelled Listed Class of Units shall be redelivered to the Participating Dealer without interest;
- (b) the Manager shall be entitled to charge the Participating Dealer for the account and benefit of the Trustee an Application Cancellation Fee and any other fees and charges as set out in the Operating Guidelines;
- (c) the Manager may at its absolute discretion require the Participating Dealer to pay to the Trustee for the account of the relevant Sub-Fund in respect of each cancelled Unit Cancellation Compensation, being the amount (if any) by which the Issue Price of each such Listed Class of Units exceeds the Redemption Price which would have applied in relation to each such Unit if a Participating Dealer had, on the date on which such Listed Class of Units are cancelled, made a Redemption Application;
- (d) the Trustee shall be entitled to charge the Participating Dealer the Transaction Fee payable in respect of the Creation Application for the account and benefit of the Trustee;
- (e) the Manager shall be entitled to require the Participating Dealer to pay to the Trustee for the account of the relevant Sub-Fund the Duties and Charges (if any) incurred by the Trust in consequence of such cancelled Creation Application which shall be retained for the benefit of the relevant Sub-Fund; and
- (f) no previous valuations of the assets in respect of a Sub-Fund shall be reopened or invalidated as a result of the cancellation of such Listed Class of Units.

#### 2.4 **Redemption Applications by Participating Dealers only**

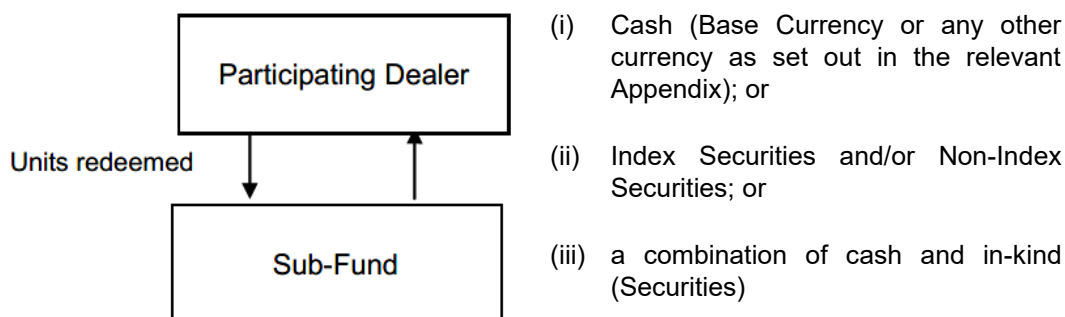
Unless otherwise determined by the Manager, in consultation with the Trustee, a Redemption Application shall only be made by a Participating Dealer or PD Agent (as the case may be) in respect of a Dealing Day in accordance with the terms of the Trust Deed and the relevant Participation Agreement on a Dealing Day in respect of Listed Class of Units constituting an Application Unit size or whole multiples thereof.

Additional details on the Dealing Deadline and other relevant information in respect of Redemption Applications for Listed Class of Units in a Sub-Fund are set out in Part 2 of this Prospectus.

Any Redemption Application received after the Dealing Deadline will be considered as received on the next Dealing Day.

Where the Manager accepts a Redemption Application in respect of a Sub-Fund from a Participating Dealer, the Manager may effect the redemption of the relevant Listed Class of Units by instructing the Trustee to transfer to the Participating Dealer, (i) cash (“**Cash Redemption**”) only; or (ii) Index Securities and/or Non-Index Securities (“**In-Kind Redemption**”) only; or a combination of cash and in-kind (Securities) (“**Hybrid Redemption**”) each in accordance with the Trust Deed and the relevant Participation Agreements and Operating Guidelines. The redemption method(s) adopted by the current Sub-Funds are as set out in the Appendix of the relevant Sub-Fund.

The following illustrates the process of redemption of Listed Class of Units in the case of Participating Dealers.



#### 2.4.1 ***Procedures for Redemption of Listed Class of Units***

##### General

A Redemption Application once given cannot be revoked or withdrawn without the consent of the Manager except in circumstances where there is a suspension pursuant to section “**8.2 Suspension Of Determination Of Net Asset Value**”.

To be effective, a Redemption Application must comply with the requirements in respect of redemption of Listed Class of Units set out in the Trust Deed, the Operating Guidelines and the relevant Participation Agreement and be accompanied by such certifications and legal opinions as the Trustee and/or the Manager may require.

##### Methods of payment of redemption proceeds

Pursuant to a valid Redemption Application accepted by the Manager, the Manager shall instruct the Trustee to cancel the relevant Listed Class of Units on the Settlement Day in accordance with the Trust Deed and the relevant Participation Agreements and Operating Guidelines and to transfer to the Participating Dealer:

- (a) where Cash Redemption only is adopted, the redemption proceeds in cash provided that the Manager shall be entitled in its absolute discretion to charge (for the account of the Sub-Fund) to each Participating Dealer an additional sum which represents the appropriate provision for Duties and Charges (which may include, but is not limited to, a provision for stamp duties and other transaction charges or taxes applicable to the sale (or estimated to be applicable to the future sale) of the relevant Index Securities and/or Non-Index Securities),
- (b) where In-Kind Redemption only is adopted, the relevant Index Securities and/or Non-Index Securities constituting the Basket(s) (as the Manager considers appropriate) in respect of such Listed Class of Units;
- (c) where Hybrid Redemption is adopted, the redemption proceeds in cash provided that the Manager shall be entitled in its absolute discretion to charge (for the account of the Sub-Fund) to each Participating Dealer an additional sum which represents the appropriate provision for Duties and Charges (which may include, but is not limited to, a provision for stamp duties and other transaction charges or taxes applicable to the sale (or estimated to be applicable to the future sale) of the relevant Index Securities and/or Non-Index Securities) and the relevant Index Securities and/or Non-Index

Securities constituting the Basket(s) (as the Manager considers appropriate) in respect of such Listed Class of Units,

plus,

- (d) where the Cash Component is a positive value, a cash payment equivalent to the amount of the Cash Component. If the relevant Sub-Fund has insufficient cash to pay any Cash Component payable by the Sub-Fund, the Manager may instruct the Trustee to sell the Deposited Property of the relevant Sub-Fund, or to borrow moneys, to provide the cash required. If the Cash Component is a negative value, the Participating Dealer shall be required to make a cash payment equivalent to the amount of the Cash Component (expressed as a positive figure) to or to the order of the Trustee.

Payment Terms in respect of Cash Redemption only

Where Cash Redemption only is adopted, the Manager currently only allows redemption proceeds to be paid out in cash in the Base Currency of the relevant Sub-Fund (even for a Sub-Fund which adopts Dual Counter or Multi-Counter) or any other currency as set out in the relevant Appendix. Notwithstanding the Dual Counter or Multi-Counter, any cash proceeds received by Participating Dealers in a Cash Redemption shall be paid only in the Base Currency of the relevant Sub-Fund or any other currency as set out in the relevant Appendix. All Listed Class of Units regardless of their trading currency may be redeemed by way of a Redemption Application (through a Participating Dealer). The redemption process is the same for all Listed Class of Units regardless of their trading currency.

In relation to a Cash Redemption, the Manager reserves the right to require the Participating Dealer to pay an additional sum representing Duties and Charges for the purpose of compensating or reimbursing the Trust for the difference between:

- (a) the prices used when valuing the relevant Index Securities and/or Non-Index Securities and/or FDIs (as the case may be) of the Trust in respect of the relevant Sub-Fund for the purpose of such redemption of Listed Class of Units; and
- (b) the prices which would be used when selling the same Index Securities and/or Non-Index Securities and/or FDIs (as the case may be) if they were sold by the Trust in respect of the relevant Sub-Fund in order to realise the amount of cash required to be paid out of the Trust in respect of the relevant Sub-Fund upon such redemption of Listed Class of Units.

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

Payment Terms in respect of In-Kind Redemption or Hybrid Redemption

Where a Sub-Fund adopts In-Kind Redemption or Hybrid Redemption, the Manager has the right to instruct the Trustee to deliver cash equivalent of any Index Security or non-Index Security (as the case may be) in connection with the Redemption Application to the Participating Dealer if (a) such Index Security or non-Index Security (as the case may be) is likely to be unavailable for delivery or available in insufficient quantity for delivery in connection with the Redemption Application; or (b) the Participating Dealer is restricted by regulation or otherwise from investing or engaging in a transaction in that Index Security or non-Index Security (as the case may be). Notwithstanding the Dual Counter or Multi-Counter, any cash proceeds received by Participating Dealers in the in-cash component in a Hybrid Redemption shall be paid only in the Base Currency of the relevant Sub-Fund. All Listed Class of Units regardless of their trading currency may be redeemed by way of a Redemption Application (through a Participating Dealer). The process of redemption of Listed Class of Units is the same for all counters.

#### 2.4.2 **Redemption Price**

The Redemption Price of Listed Class of Units of a Sub-Fund is set out in Part 2 of this Prospectus. For the avoidance of doubt, the Redemption Price does not take into account Duties and Charges or fees payable by the Participating Dealers.

#### 2.4.3 **Payment of Redemption Proceeds**

The maximum interval between (i) the receipt of a properly documented Redemption Application and (ii) payment of redemption proceeds (in cash in the Base Currency of the relevant Sub-Fund or any other currency as set out in the relevant Appendix and/or in-kind, as applicable) to the relevant Participating Dealer may not exceed one (1) calendar month unless the market(s) in which a substantial portion of investments of the relevant Sub-Fund is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of the redemption proceeds within the aforesaid time period not practicable. In such case, and subject to the Commission's prior approval, payments may be delayed but the extended time frame for the payment of redemption proceeds shall reflect the additional time needed in light of the specific circumstances in the relevant market(s).

Subject to the above, payment of redemption proceeds in cash will normally be made within 3 Business Days of the relevant Dealing Day.

#### 2.4.4 **Rejection of Redemption Applications**

The Manager, acting reasonably and in good faith, has the absolute right to reject a Redemption Application in exceptional circumstances or to impose different minimum redemption size requirements, including but not limited to when:

- (a) any period during which (i) the creation or issue of Listed Class of Units of the relevant Sub-Fund, (ii) the redemption of Listed Class of Units of the relevant Sub-Fund, and/or (iii) the determination of Net Asset Value of the relevant Sub-Fund has been suspended pursuant to the provisions of the Trust Deed;
- (b) in the reasonable opinion of the Manager, acceptance of the Redemption Application will have an adverse effect on the Trust or the relevant Sub-Fund;
- (c) there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to any of the Securities in the relevant Underlying Index;
- (d) acceptance of the Redemption Application would render the Manager in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Manager and/or any of its Connected Persons;
- (e) processing of the Redemption Application is not possible due to circumstances outside the control of the Manager (such as market disruptions or circumstances under which acceptance of the Redemption Application will have a material adverse impact on the relevant Sub-Fund); or
- (f) the Redemption Application is not submitted in the form and manner set out in the provisions of the Trust Deed,

provided that the Manager will take into account the interest of the Unitholders of the Trust and/or the relevant Sub-Fund to ensure that the interests of the Unitholders will not be materially

adversely affected. In addition to the foregoing, the Manager may also reject Redemption Applications in such other circumstances as set out in Part 2 of this Prospectus.

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

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

#### **2.4.5 *Deferral of Redemption Applications***

In addition, the Manager is entitled to limit the number of Units of any Sub-Fund redeemed on any Dealing Day to 10% of the total number of Units of the relevant Sub-Fund then in issue (rounded down to the extent required to ensure that Units may only be redeemed in multiples of Application Units). In this event, the limitation will apply pro rata (and not on a first in-first out basis) so that Unitholders of the relevant Sub-Fund who have validly requested to redeem such Units of the same Sub-Fund on that Dealing Day will redeem the same proportion of such Units of that Sub-Fund. Any such Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, and will have priority on the next succeeding Dealing Day and all following Dealing Days (in relation to which the Manager has the same power) until the original request has been satisfied in full.

#### **2.4.6 *Fees relating to Redemption of Listed Class of Units***

In respect of each Redemption Application, the Manager shall be entitled to charge certain fees and charges and the Trustee and/or the Service Agent or the Conversion Agent (as the case may be) shall be entitled to charge a Transaction Fee, details of which are set out in Part 2 of this Prospectus, which shall be paid by or on behalf of the relevant Participating Dealer and may be set off and deducted against any Cash Component or cash redemption proceeds due to the relevant Participating Dealer in respect of such Redemption Application.

Where In-Kind Redemption or Hybrid Redemption is adopted, a corporate action fee is also payable to HKSCC in respect of a Redemption Application where a Conversion Agent is appointed for such Sub-Fund.

The Manager shall also be entitled to deduct from and set off against any cash redemption proceeds or Cash Component payable to a Participating Dealer on the redemption of Listed Class of Units a sum (if any) which represents the appropriate provision for Duties and Charges, the Transaction Fee (for the account and benefit of the Trustee) and any other fees, charges and payments payable by the Participating Dealer.

The Conversion Agent may charge a Unit Cancellation Fee in connection with each Redemption Application.

#### **2.4.7 *Cancellation of Listed Class of Units pursuant to Redemption Application***

Upon redemption of Listed Class of Units pursuant to a valid Redemption Application,

- (a) the funds of the relevant Sub-Fund shall be deemed to be reduced by the cancellation of such Listed Class of Units and, for valuation purposes, such Listed Class of Units shall be deemed to have been redeemed and cancelled after the Valuation Point for the Valuation Day relating to the Dealing Day on which the Redemption Application is or is deemed to be received; and
- (b) the name of the Unitholder of such Listed Class of Units shall be removed from the Register after the Valuation Point for the Valuation Day relating to the Dealing Day on which the Redemption Application is deemed to be accepted.

#### 2.4.8 ***Cancellation of Redemption Applications***

In respect of a Redemption Application, unless the requisite documents in respect of the relevant Listed Class of Units have been delivered to the Manager by such times and in such manner as prescribed in the relevant Participation Agreements and/or Operating Guidelines, the Redemption Application shall be deemed never to have been made except that the Transaction Fee (for the account and benefit of the Trustee) in respect of such Redemption Application shall remain due and payable, and in such circumstances:

- (a) the Manager shall also be entitled to charge the relevant Participating Dealer an Application Cancellation Fee which is payable to the Trustee for its own account and such fees and charges as set out in the Operating Guidelines;
- (b) the Manager may at its absolute discretion require the relevant Participating Dealer to pay to the Trustee, for the account of the relevant Sub-Fund, Cancellation Compensation in respect of each Unit in respect of a Listed Class of Units, being the amount (if any) by which the Redemption Price of each such Unit is less than the Issue Price which would have applied in relation to each such Unit if a Participating Dealer had, on the final day permitted for delivery of the requisite documents in respect of the relevant Units which are the subject of the Redemption Application, made a Creation Application; and
- (c) no previous valuations of the relevant Sub-Fund shall be re-opened or invalidated as a result of an unsuccessful Redemption Application,

provided that the Manager, in consultation with the Trustee, may at its discretion extend the settlement period on such terms and conditions as the Manager may determine (including as to, but not limited to, the payment of an Extension Fee).

#### 2.5 **Special Cash Creation Applications and Redemption Applications by Approved Applicants**

If specified in the relevant Appendix, the Manager may at its discretion in consultation with the Trustee, accept special Cash Creation Applications and Redemption Applications by an Approved Applicant based on terms that may be agreed by the Manager and the Trustee. Please refer to the relevant Appendix in Part 2 of this Prospectus for specific terms and procedures applicable only to Approved Applicant(s) investing in the relevant Sub-Fund. Sections “**2.4.3. Payment of Redemption Proceeds**” and “**2.4.5. Deferral of Redemption Applications**” above and, for the avoidance of doubt the requirements under the Code, shall also apply to Special Cash Creation Applications and Redemption Applications by an Approved Applicant.

#### 2.6 **Switching**

Investors should note that switching between Unlisted Class of Units and Listed Class of Units on the secondary market is not available. Participating Dealers or Approved Applicants who

wish to switch between Listed Class of Units and Unlisted Class of Units should do so in accordance with the procedures as agreed with the Manager and the Trustee.

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

The Manager may at its discretion, having regard to the best interest of Unitholders, after consultation with the Trustee, declare on the Manager's website at [www.csopasset.com/etf](http://www.csopasset.com/etf)<sup>1</sup> or through such other means as the Manager considers appropriate, a suspension of the creation or issue of Listed Class of Units of a Sub-Fund, suspension of the redemption of Listed Class of Units of a Sub-Fund and/or the Manager may delay the payment of any monies in respect of any Redemption Application in the following circumstances:

- (a) during any period when trading on the SEHK is restricted or suspended;
- (b) during any period when a market on which an Index Security (that is a component of the relevant Underlying Index) has its primary listing, or the official clearing and settlement depository (if any) of such market, is closed;
- (c) during any period when dealing on a market on which an Index Security (that is a component of the relevant Underlying Index) has its primary listing is restricted or suspended;
- (d) during any period when, in the opinion of the Manager, settlement or clearing of Index Securities in the official clearing and settlement depository (if any) of such market is disrupted;
- (e) during any period when the determination of the Net Asset Value of the relevant Sub-Fund is suspended or if any circumstance specified in section "8.2 Suspension of Determination of Net Asset Value" arises; or
- (f) in the case of a Sub-Fund authorised by the Commission as a feeder fund and investing into a master fund –
  - (i) during any period when a market on which the master fund has its primary listing, or the official clearing and settlement depository (if any) of such market, is closed;
  - (ii) during any period when dealing on a market on which the master fund has its primary listing is restricted or suspended;
  - (iii) during any period when trading of the master fund on the relevant market is restricted or suspended; or
  - (iv) during any period when the determination of the net asset value of the master fund is suspended.

Upon declaration of the suspension by the Manager, the suspension shall take effect. During the suspension,

- (a) no Application shall be made by any of the Participating Dealers or Approved Applicants and in the event any Application is received in respect of any Dealing Day falling within such period of suspension (that has not been otherwise withdrawn), such Application shall be deemed as having been received immediately following the termination of the suspension;

- (b) no Listed Class of Units shall be created and issued or redeemed for the account of the relevant Sub-Fund.

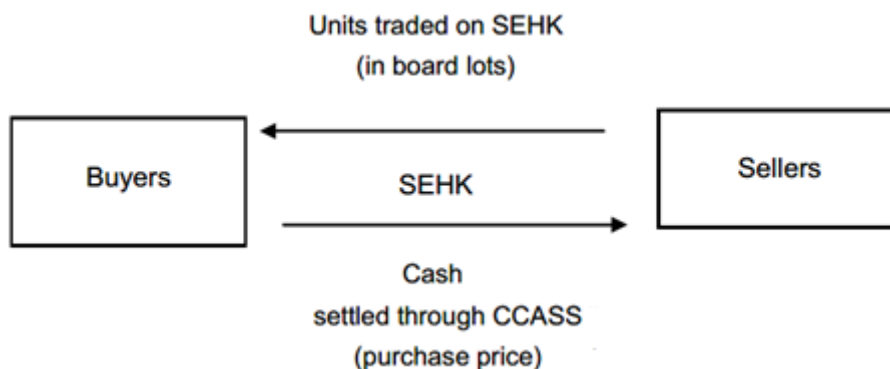
The Manager shall notify the Commission if dealing in Listed Class of Units is suspended and publish a notice of suspension immediately following such suspension and, at least once a month during the period of suspension, on its website at [www.csopasset.com/etf](http://www.csopasset.com/etf)<sup>1</sup> or in such publications as the Manager decides.

A Participating Dealer or Approved Applicant may at any time after a suspension has been declared and before termination of such suspension withdraw an Application submitted prior to such suspension by notice in writing to the Manager and the Manager shall promptly notify the Trustee accordingly. If the Manager has not received any such notification of withdrawal of such Application before termination of such suspension, the Trustee shall, subject to and in accordance with the provisions of the Trust Deed, create and issue Listed Class of Units or redeem Listed Class of Units in respect of such Application and such Application shall be deemed to be received immediately following the termination of such suspension.

The suspension shall terminate (i) when the Manager, after consultation with the Trustee, having regard to the best interests of the Unitholders, declares the suspension at an end, or (ii) in any event on the day following the first Business Day on which the condition giving rise to the suspension ceases to exist; and no other condition under which suspension is authorised under the Trust Deed exists. As soon as reasonably practicable after the termination of suspension, the Manager shall publish a notice of such termination on its website at [www.csopasset.com/etf](http://www.csopasset.com/etf)<sup>1</sup> or through such other means as the Manager considers appropriate.

### 3 **TRADING OF LISTED CLASS OF UNITS ON THE SEHK (SECONDARY MARKET)**

A Secondary Market Investor can buy or sell the Listed Class of Units of a Sub-Fund through his stockbroker on the SEHK on or after the Listing Date of that Sub-Fund. The diagram below illustrates the trading of Listed Class of Units on the SEHK:



**No money should be paid to any intermediary in Hong Kong which is not licensed for Type 1 regulated activity under Part V of the Securities and Futures Ordinance.**

Secondary Market Investors may place an order with a broker to sell their Listed Class of Units on the SEHK at any time during the trading day. To sell Listed Class of Units – or to buy new ones – such 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.

The trading price of Listed Class of Units of a Sub-Fund on the SEHK may differ from the Net Asset Value per Listed Class of Units of that Sub-Fund and there can be no assurance that a liquid secondary market will exist for the Units.

Brokerage, stamp duty and other fees may be payable when selling (and purchasing) Listed Class of Units. Please refer to Part 2 of this Prospectus for details of the applicable brokerage, stamp duty and other fees.

There can be no guarantee that once the Listed Class of Units of a Sub-Fund are listed on the SEHK they will remain listed.

## **SCHEDULE 3 – PROVISIONS RELATING TO THE OFFER, SUBSCRIPTION, CONVERSION AND REDEMPTION OF THE UNLISTED CLASS OF UNITS**

*This Schedule 3 contains disclosure relating to the Unlisted Class of Units only. Unless the context otherwise requires, references to “Units” and “Unitholders” in this Schedule shall be construed to refer to an Unlisted Class of Units of a Sub-Fund or a Unitholder of such Units. Save for terms defined below, all other terms used in this Schedule shall have the same meanings as assigned to them under the main part of the Prospectus.*

### **1 SUBSCRIPTION OF UNLISTED CLASS OF UNITS**

#### **1.1 Initial Issue of Unlisted Class of Units**

During an Initial Offer Period, Unlisted Class of Units in a Sub-Fund will be offered to investors at an initial Subscription Price of a fixed price per Unit as specified in Part 2 of this Prospectus.

Where specified in the relevant Appendix in Part 2 of this Prospectus, in the event that the total amount received by the Trustee from the subscription of the Unlisted Class of Units reaches a maximum amount for aggregate subscriptions (as specified in the relevant Appendix) at any time during an Initial Offer Period, the Manager is entitled (but not obliged) to close the relevant Unlisted Class of Units to further subscriptions before the end of the relevant Initial Offer Period.

Where specified in the relevant Appendix in Part 2 of this Prospectus, the Manager may decide not to issue the relevant Unlisted Class of Units in the event that less than a minimum amount for aggregate subscriptions (as specified in the relevant Appendix) is raised during the relevant Initial Offer Period or if the Manager is of the opinion that it is not commercially viable to proceed. In such event subscription monies paid by an applicant will be returned by cheque by post or by telegraphic transfer or such other means as the Manager and the Trustee consider appropriate at the applicant’s risk (without interest and net of expenses) promptly after the expiry of the Initial Offer Period.

Unlisted Class of Units will be issued immediately following the close of the Initial Offer Period or such other Business Day as the Manager may determine. Dealing in Units of the Unlisted Class of Units will commence on the Dealing Day immediately following the closure of the relevant Initial Offer Period.

#### **1.2 Subsequent Issue of Unlisted Class of Units**

Following the close of the relevant Initial Offer Period, Unlisted Class of Units will be available for issue on each Dealing Day at the relevant Subscription Price.

The Subscription Price on any Dealing Day will be the price per Unlisted Class of Units ascertained by dividing the Net Asset Value of the relevant class of the Sub-Fund as at the Valuation Point in respect of the relevant Dealing Day by the number of Units of such class of that Sub-Fund then in issue and rounded to 4 decimal places (with 0.00005 being rounded up) or in such manner and to such other number of decimal places as may from time to time be determined by the Manager. Any rounding adjustment will be retained by the relevant Sub-Fund. The Subscription Price will be calculated and quoted in the relevant class currency of the relevant Unlisted Class of Units.

The Manager is entitled to impose a Subscription Fee on the subscription monies for the application for the issue of Unlisted Class of Units. Different levels of Subscription Fee may be imposed, in relation to the issue of such Unlisted Class of Units of different Sub-Funds and also in relation to different classes of Unlisted Class of Units of a Sub-Fund. The Manager may retain the benefit of such Subscription Fee or may pay all or part of the Subscription Fee (and any other fees received) to recognised intermediaries or such other persons as the Manager may

at its absolute discretion determine. Details of the Subscription Fee are set out in the section “**10. Fees and Charges**”.

In determining the Subscription Price, the Manager is entitled to add an amount it considers represents an appropriate allowance for (a) estimated bid/offer spread of the investments of the relevant Sub-Fund, (b) fiscal and purchase charges, including stamp duty, other taxes, brokerage, bank charges, transfer fees and registration fees, or (c) charges which are customarily incurred in investing a sum equal to the application monies and issuing the relevant Unlisted Class of Units or the remittance of money to the Trustee.

### 1.3 **Application Procedure**

To subscribe for Unlisted Class of Units, an applicant should complete a subscription application form (a “Subscription Form”) and return the original Subscription Form, together with the required supporting documents, to the Registrar by post to its business address or, if the applicant has provided to the Registrar with an original fax indemnity in the Subscription Form, by fax to the Registrar. The Manager may, in its absolute discretion, accept any applications for subscription made by other written or electronic forms in addition to post and fax.

Applications for Unlisted Class of Units during the relevant Initial Offer Period must be received by the Registrar no later than 5:00 pm (Hong Kong time) on the last day of the relevant Initial Offer Period. After the Initial Offer Period, applications must be received by the Registrar by the relevant Dealing Deadline. Application requests submitted after the applicable Dealing Deadline in respect of any Dealing Day will be dealt with on the next Dealing Day.

Each applicant whose application is accepted will be sent a contract note confirming details of the purchase of Unlisted Class of Units but no certificates will be issued.

Applicants may apply for Unlisted Class of Units through a distributor appointed by the Manager. Distributors may have different dealing procedures, including earlier cut-off times for receipt of applications and/or cleared funds. Applicants who intend to apply for Unlisted Class of Units through a distributor should therefore consult the distributor for details of the relevant dealing procedures.

Where an applicant applies for Unlisted Class of Units through a distributor, the Manager and the Trustee will treat the distributor (or its nominee) as the applicant. The distributor (or its nominee) will be registered as Unitholder of the relevant Unlisted Class of Units. The Manager and the Trustee will treat the distributor (or its nominee) as the Unitholder and shall not be responsible for any arrangements between the relevant applicant and the distributor regarding the subscription, holding and redemption of Unlisted Class of Units and any related matters, as well as any costs or losses that may arise therefrom. The Manager will, however, take all reasonable care in the selection and appointment of distributors.

**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.**

The Manager may, at its discretion, reject in whole or in part any application for Unlisted Class of Units. In the event that an application is rejected, application monies will be returned without interest and net of expenses by cheque through the post or by telegraphic transfer or by such other means as the Trustee considers appropriate at the risk of the applicant.

No applications for Unlisted Class of Units will be dealt with during any periods in which the determination of the Net Asset Value of the relevant Sub-Fund is suspended (Please see section “**8.2 Suspension of Determination of Net Asset Value**” for further details).

#### 1.4 **Payment Procedure**

Subscription monies should be paid in the class currency of the relevant class of Unlisted Class of Units. Subscription monies in cleared funds should be received within 3 Business Days following (i) the relevant Dealing Day on which an application was received by the Dealing Deadline or (ii) in the case of applications for Unlisted Class of Units during the Initial Offer Period, the last day of the relevant Initial Offer Period, or such other period as determined by the Manager. Payment details are set out in the Subscription Form.

Subscription monies paid by any person other than the applicant will not be accepted.

The Manager may exercise its discretion to accept late payment of subscription monies, provisionally allot Unlisted Class of Units by reference to the Net Asset Value of the relevant class of Units in the relevant Sub-Fund and charge interest on such overdue monies until payment is received in full, at such rate as the Manager thinks appropriate. However, if payment of subscription monies in cleared funds are not made within such period as determined by the Manager, the application may, at the discretion of the Manager, be considered void and cancelled. Upon such cancellation, the relevant Unlisted Class of Units shall be deemed never to have been issued and the applicant shall have no right to claim against the Manager, the Trustee or the Registrar and any loss will be borne by the applicant, provided that: (i) no previous valuations of the relevant Sub-Fund shall be re-opened or invalidated as a result of the cancellation of such Units; (ii) the Manager may require the applicant to pay, for the account of the relevant Sub-Fund, in respect of each such Unit cancelled, the amount (if any) by which the Subscription Price on the relevant Dealing Day exceeds the applicable Redemption Price on the date of cancellation; and (iii) the Trustee shall be entitled to charge the applicant a cancellation fee for the administrative costs involved in processing the application and subsequent cancellation.

Payment in other freely convertible currencies may be accepted. Where amounts are received in a currency other than the relevant class currency, they will be converted into the relevant class currency and the proceeds of conversion (after deducting the costs of such conversions) will be applied in the subscription of Unlisted Class of Units in the relevant class of the relevant Sub-Fund. Conversion of currencies may involve delay. Bank charges (if any) incurred in converting the subscription monies shall be borne by the relevant applicant and accordingly will be deducted from the subscription proceeds.

#### 1.5 **General**

All holdings of Unlisted Class of Units will be in registered form and certificates will not be issued. Evidence of title of Unlisted Class of Units will be the entry on the register of Unitholders in respect of each Sub-Fund. Unitholders should therefore be aware of the importance of ensuring that the Registrar is informed of any change to the registered details. Fractions of a Unit may be issued rounded to the nearest 4 decimal places (with 0.00005 being rounded down). The benefit of any rounding adjustments and subscription monies representing smaller fractions of a Unit will be retained by the relevant Sub-Fund. A maximum of 4 persons may be registered as joint Unitholders.

## 2 **REDEMPTION OF UNLISTED CLASS OF UNITS**

### 2.1 **Redemption Procedure**

Unitholders of Unlisted Class of Units who wish to redeem their Units in a Sub-Fund may do so on any Dealing Day by submitting a redemption request to the Registrar.

Any redemption request must be received by the Registrar before the Dealing Deadline. Investors redeeming Unlisted Class of Units through a distributor (or its nominee) should submit

their redemption requests to the distributor (or its nominee) in such manner as directed by the distributor (or its nominee). Distributors (or their nominees) may have different dealing procedures, including earlier cut-off times for receipt of redemption requests. Where an investor holds its investment in Unlisted Class of Units through a distributor (or its nominee), the investor wishing to redeem such Units must ensure that the distributor (or its nominee), as the registered Unitholder, submits the relevant redemption request by the Dealing Deadline. Redemption requests submitted after the applicable Dealing Deadline in respect of any Dealing Day will be dealt with on the next Dealing Day.

A redemption request should be given to the Registrar in writing and sent by post to the Registrar's business address or, if the relevant Unitholder has provided to the Registrar with an original fax indemnity, by fax to the Registrar (with its original following promptly). The Registrar may, in its absolute discretion, accept any redemption requests made by other written or electronic forms in addition to post and fax. The redemption request must specify: (i) the name of the Sub-Fund, (ii) the relevant class and the value or number of Unlisted Class of Units to be redeemed, (iii) the name(s) of the registered Unitholder(s) and (iv) payment instructions for the redemption proceeds.

Partial redemption of a holding of Unlisted Class of Units in a Sub-Fund by a Unitholder may be effected, provided that such redemption will not result in the Unitholder holding Unlisted Class of Units in a class less than the Minimum Holding for that class specified in the relevant Appendix. In the event that, for whatever reason, a Unitholder's holding of Unlisted Class of Units in a class is less than such Minimum Holding for that class, the Manager may give notice requiring such Unitholder to submit a redemption request in respect of all the Unlisted Class of Units of that class held by that Unitholder. A request for a partial redemption of Unlisted Class of Units with an aggregate value of less than the minimum amount for each class of Units specified in the relevant Appendix (if any) will not be accepted.

All redemption requests must be signed by the Unitholder or, in the case of joint Unitholders, such one or more joint Unitholders who have been authorised to sign such requests on behalf of the other joint Unitholders (where such authorisation has been notified in writing to the Registrar) or, in the absence of such notification, by all joint Unitholders.

## 2.2 **Payment of Redemption Proceeds**

The Redemption Price on any Dealing Day will be the price per Unlisted Class of Units ascertained by dividing the Net Asset Value of the relevant class of the relevant Sub-Fund as at the Valuation Point in respect of the relevant Dealing Day by the number of Units of such class then in issue and rounded to 4 decimal places (with 0.00005 being rounded up) or in such manner and to such other number of decimal places as may from time to time be determined by the Manager. Any rounding adjustment will be retained by the relevant Sub-Fund. The Redemption Price will be calculated and quoted in the relevant class currency of the relevant Sub-Fund.

In determining the Redemption Price, the Manager is entitled to deduct an amount which it considers represents an appropriate allowance for (a) estimated bid/offer spread of the investments of the relevant Sub-Fund, (b) fiscal and sale charges, including stamp duty, other taxes, brokerage, bank charges, transfer fees and registration fees, or (c) charges which are customarily incurred by the relevant Sub-Fund in realising assets to provide funds to meet any redemption request.

The Manager may at its option impose a redemption fee in respect of the Unlisted Class of Units to be redeemed as described in the section "**10. Fees and Charges**". The Manager may on any day in its sole and absolute discretion differentiate between Unitholders as to the amount of the redemption fee to be imposed (within the permitted limit provided in the Trust Deed) on each Unitholder.

The amount due to a Unitholder on the redemption of a Unit of an Unlisted Class will be the Redemption Price, less any Redemption Fee. The Redemption Fee will be retained by the Manager.

Unitholders should note that redemption proceeds will not be paid to any Unitholder until (a) the duly signed original written redemption request (if such original is required by the Registrar) and all other supporting documents, if any are required, have been received by the Registrar; (b) the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Registrar; and (c) any such other procedures as the Registrar may reasonably require have been completed.

Subject as mentioned above, and save as otherwise agreed by the Manager, and so long as relevant account details have been provided, redemption proceeds will normally be paid at the risk and expense of the redeeming Unitholder in the Class Currency of the relevant Sub-Fund by telegraphic transfer to the Unitholder's pre-designated bank account as specified in the redemption request, within 7 Business Days after the relevant Dealing Day and in any event within one calendar month of the relevant Dealing Day or (if later) receipt of a properly documented redemption request, unless the markets in which a substantial portion of the relevant Sub-Fund's investments is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of redemption proceeds within the aforesaid time period not practicable, but in such a case the details of such legal or regulatory requirements will be set out in the relevant Appendix and the extended time frame for payment should reflect the additional time needed in light of the specific circumstances in the relevant markets. Any bank and other administrative charges associated with the payment of such redemption proceeds as well as the costs incurred in currency conversion, if any, will be borne by the redeeming Unitholder and deducted from the redemption proceeds.

With the prior consent of the Manager, arrangements can be made for redemption proceeds to be paid in any major currency other than the class currency of the relevant class of Unlisted Class of Units of the relevant Sub-Fund being redeemed. Payment will only be made to a bank account in the name of the Unitholder. No third party payments will be made.

The Trust Deed provides that redemptions may be, in whole or in part, made in specie at the discretion of the Manager. However, the Manager does not intend to exercise this discretion in respect of any Sub-Fund unless otherwise specified in the relevant Appendix. In any event, redemptions may only be made in specie, in whole or in part, with the consent of the Unitholder requesting the redemption.

### 2.3 **Restrictions on Redemption**

The Manager is entitled to limit the number of Units of any Sub-Fund redeemed on any Dealing Day to 10% of the total number of Units of the relevant Sub-Fund then in issue. In this event, the limitation will apply pro rata (and not on a first in-first out basis) so that Unitholders of the relevant Sub-Fund who have validly requested to redeem such Units of the same Sub-Fund on that Dealing Day will redeem the same proportion of such Units of that Sub-Fund. Any such Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, and will have priority on the next succeeding Dealing Day and all following Dealing Days (in relation to which the Manager has the same power) until the original request has been satisfied in full.

The Manager may suspend the redemption of Unlisted Class of Units of any Sub-Fund, or delay the payment of redemption proceeds in respect of any redemption request received, during any period in which the determination of the Net Asset Value of the relevant Sub-Fund is suspended (for details please see section "**8.2 Suspension of Determination of Net Asset Value**").

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

- (a) any period during which (i) the subscription or issue of Unlisted Class of Units of the relevant Sub-Fund, (ii) the redemption of Unlisted Class of Units of the relevant Sub-Fund, and/or (iii) the determination of Net Asset Value of the relevant Sub-Fund is suspended;
- (b) where in the opinion of the Manager, acceptance of the redemption application would have an adverse effect on the relevant Sub-Fund;
- (c) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to any of the Securities in the relevant Underlying Index;
- (d) where acceptance of the redemption application would render the Manager in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Manager and/or any of its Connected Persons;
- (e) processing of the redemption application is not possible due to circumstances outside the control of the Manager; or
- (f) the redemption application is not submitted in the form and manner set out in the provisions of the Trust Deed.

In the event of such rejection, the Manager shall notify the Trustee of its decision to reject such redemption application.

#### 2.4 **Restrictions on Unitholders**

The Manager has power to impose such restrictions as it may think necessary for the purpose of ensuring that no Units are acquired or held by an Unqualified Person.

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

#### 2.5 **Transfer of Unlisted Class of Units**

The Trust Deed provides that a Unitholder may transfer Units with the consent of the Manager subject to the provisions of the Trust Deed. An investor is entitled to transfer such Units held by him by an instrument in writing in such form as the Trustee may from time to time approve. A transferor will be deemed to remain the Unitholder of the Units transferred until the name of the transferee is entered in the register of Unitholders in respect of the Units being transferred. Each instrument of transfer must relate to a single Sub-Fund only and must be properly executed with duly paid stamp duty and left with the Registrar for registration accompanied by the necessary declarations or other documents that may be required by the applicable laws and regulations.

### **SWITCHING OF UNLISTED CLASS OF UNITS**

Subject to the prior consent of the Manager either generally or in any particular case, Unitholders may switch some or all of their Unlisted Class of Units of any Sub-Fund (the "Existing Sub-Fund") into unlisted shares, units or interests in other collective investment schemes administered by the Trustee and managed by the Manager or its Connected Persons and which has been authorised by the Commission (the "New Fund"). Switching to such other collective investment schemes will be by way of redeeming the Unlisted Class of Units held by the relevant Unitholders in accordance with the redemption procedures set out in the section "**2. Redemption of Unlisted Class of Units**" above and by re-investing the redemption proceeds thereof in such other collective investment schemes in accordance with the provisions of the relevant offering documents for such other collective investment schemes. A request for the switching of part of a holding of Unlisted Class of Units will not be effected if, as a result, the Unitholder would hold less than the Minimum Holding specified for the New Fund (if any) and/or the Existing Sub-Fund.

Under the Trust Deed, the Manager is entitled to impose a switching fee on the switching of Units. Such switching fee may be up to 1 per cent. of the redemption proceeds payable in respect of the Unlisted Class of Units of the Existing Sub-Fund being switched. The switching fee will be deducted from the amount reinvested in the New Fund and will be paid to the Manager.

Where a request for switching is received by the Manager and/or the Registrar prior to the Dealing Deadline in respect of a Dealing Day, switching will be effected as follows:

- (a) redemption of the Unlisted Class of Units of the Existing Sub-Fund will be dealt with by reference to the Redemption Price on that Dealing Day (the "Switching Redemption Day");
- (b) where the Existing Sub-Fund and the New Fund have different currencies of denomination, the redemption proceeds of Unlisted Class of Units of the Existing Sub-Fund, after deduction of any switching fee, shall be converted into the currency of denomination of the New Fund; and
- (c) the resulting amount will be used to subscribe for units of the New Fund at the relevant subscription price on the relevant dealing day in respect of the New Fund (the "Switching Subscription Day"). The Switching Subscription Day shall be the same day as the Switching Redemption Day or (in the event that the Switching Redemption Day is not a dealing day in respect of the New Fund) the dealing day of the New Fund which immediately follows the relevant Switching Redemption Day, provided that cleared funds in the relevant currency of the New Fund is received by the Trustee within such period as determined by the Manager. In the event that cleared funds are not received within the applicable period, the Switching Subscription Day shall be the day on which cleared funds in the relevant currency is received by the Trustee by the dealing deadline of the New Fund, unless otherwise determined by the Manager.

The Manager may suspend the switching of Unlisted Class of Units during any period in which the determination of the Net Asset Value of any relevant Sub-Fund is suspended (for details please see section "**8.2 Suspension of Determination of Net Asset Value**").

Investors should note that switching between Unlisted Class of Units and Listed Class of Units on the secondary market is not available. Distributors who wish to switch between Unlisted Class of Units and Listed Class of Units should do so in accordance with the procedures as agreed with the Manager and the Trustee.

#### 4 **FAX OR ELECTRONIC INSTRUCTIONS**

If applicants or Unitholders wish to give instructions for subscription, redemption or switching by facsimile or any other electronic means designated by the Registrar, applicants or Unitholders must first provide to the Registrar an original indemnity relating to fax or transmission via such other electronic means in the application or request.

The Registrar will generally act on faxed or any other electronic instructions for subscription, redemption or switching but may require signed original instructions. However, the Registrar may refuse to act on faxed or any other electronic instructions until the original written instructions are received. The Registrar may, in its absolute discretion, determine whether or not original instructions are also required in respect of subsequent applications or requests for subscription, redemption or switching sent by facsimile or any other electronic means by applicants or Unitholders.

Applicants or Unitholders should be reminded that if they choose to send the applications or requests for subscription, redemption or switching by facsimile or any other electronic means, they bear the risk of non-receipt or delay of such applications or requests. Applicants or Unitholders should note that the Trust, the Manager, the Trustee and the Registrar accept no responsibility for any loss caused as a result of non-receipt or illegibility of any application or request sent by facsimile or any other electronic means or any amendment of such application or request or for any loss caused in respect of any action taken as a consequence of such faxed or any other electronic instruction believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a facsimile or any other electronic transmission report produced by the originator of such transmission discloses that such transmission was sent.

#### 5 **SUSPENSION OF THE ISSUE, SUBSCRIPTION AND REDEMPTION OF UNLISTED CLASS OF UNITS**

The Manager may at its discretion, having regard to the best interests of Unitholders, after consultation with the Trustee, declare on the Manager's website at [www.csopasset.com/etf](http://www.csopasset.com/etf)<sup>1</sup> or through such other means as the Manager considers appropriate, a suspension of the issue and/or switching and/or redemption of Units of any Sub-Fund and/or (subject to all applicable legal or regulatory requirements where payment of redemption proceeds exceeds one calendar month) the Manager may delay the payment of any monies and transfer of any Securities to persons who have redeemed Units of any Sub-Fund in the following circumstances:

- (a) during any period when trading on the SEHK is restricted or suspended;
- (b) during any period when a market on which an Index Security (that is a component of the relevant Underlying Index) has its primary listing, or the official clearing and settlement depositary (if any) of such market, is closed;
- (c) during any period when dealing on a market on which an Index Security (that is a component of the relevant Underlying Index) has its primary listing is restricted or suspended;
- (d) during any period when, in the opinion of the Manager, settlement or clearing of Index Securities in the official clearing and settlement depositary (if any) of such market is disrupted;
- (e) during any period when the determination of the Net Asset Value of the relevant Sub-Fund is suspended or if any circumstance specified in section "**8.2 Suspension of Determination of Net Asset Value**" arises.

The Manager will, after giving notice to the Trustee, suspend the right to subscribe for Units of the relevant Sub-Fund if, or if as a result of the investment of the proceeds of issue of such Units in accordance with its investment objective, the Trust collectively holds or would hold in aggregate more than 10 per cent. of the ordinary shares issued by any single issuer. In addition, where the Sub-Funds under the Trust hold in aggregate more than the limit of 10 per cent. of the ordinary shares issued by any single issuer, the Manager will make it a priority objective to take all other necessary steps within a reasonable period to remedy such breach, taking into account the interests of the Unitholders.

The Manager shall notify the Commission and publish a notice of suspension following the suspension, and at least once a month during the suspension, on its website at [www.csopasset.com/etf](http://www.csopasset.com/etf)<sup>1</sup> or in such other publications as it decides.

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

A suspension shall remain in force until the earlier of (a) the Manager declaring the suspension is at an end; and (b) the first Dealing Day on which (i) the condition giving rise to the suspension shall have ceased to exist; and (ii) no other condition under which suspension is authorised exists. As soon as reasonably practicable after the termination of suspension, the Manager shall publish a notice of such termination on its website at [www.csopasset.com/etf](http://www.csopasset.com/etf)<sup>1</sup> or through such other means as the Manager considers appropriate.

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

Part 2 of this Prospectus sets out details specific to a Sub-Fund (such as additional terms, conditions and restrictions applicable to the relevant Sub-Fund). Information relating to each Sub-Fund is set out in a separate Appendix. Investors should read both Parts of the Prospectus before investing in any of the Sub-Fund(s). In respect of a specific Sub-Fund, in case of any inconsistency between Part 1 and Part 2, the information in Part 2 shall prevail for such Sub-Fund.

Defined terms used in each of the Appendices and which are not defined in this Part 2, bear the same meanings as in Part 1 of this Prospectus.

# **APPENDIX 1**

## **CSOP HANG SENG INDEX ETF**

*(a sub-fund of the CSOP ETF Series III, a Hong Kong umbrella unit trust authorized under Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong)*

STOCK CODE (in respect of the Listed Class of Units): 3037

***MANAGER***

**CSOP Asset Management Limited**

29 April 2026

**CSOP Hang Seng Index ETF**  
**Stock Code (in respect of the Listed Class of Units): 3037**

**1. KEY INFORMATION**

**1.1 General**

This Appendix sets out information specific to CSOP Hang Seng Index ETF (the “**Sub-Fund**”). For general information about the Trust and its Sub-Funds, please refer to Part 1 of this Prospectus. Investors should read both Parts of the Prospectus before investing in the Sub-Fund. In particular, investors should consider the general risk factors set out in section “**4. General Risk Factors**” of Part 1 of this Prospectus and any specific risk factors set out in section “**8. Risk Factors relating to the Sub-Fund**” of this Appendix, before investing in the Sub-Fund.

Investors should note that the Sub-fund offers both Listed Class of Units and Unlisted Class of Units. Please refer to the sections relevant to your intended holding of Units.

**1.2 Summary of Information**

The following table sets out certain key information in respect of the Sub-Fund, and should be read in conjunction with the full text of this Prospectus.

**Key information applicable to both Listed Class of Units and Unlisted Class of Units**

Investment Type	Exchange Traded Fund (“ <b>ETF</b> ”) authorized as a collective investment scheme by the Commission under Chapter 8.6 of the Code on Unit Trusts and Mutual Funds (the “ <b>Code</b> ”) <sup>1</sup>	
Underlying Index	Hang Seng Index Inception Date: 25 February 2009 Number of constituents: 88 (27 February 2026) The Underlying Index is denominated and quoted in HKD.	
Type of Underlying Index	A net total return index which means that the performance of the constituents is calculated on the basis that any dividends or distributions are reinvested after withholding tax deduction (if any).	
Index Provider	Hang Seng Indexes Company Limited (“ <b>HSIL</b> ” or “ <b>Index Provider</b> ”)	
Investment Strategy	The Sub-Fund will use a full replication strategy. Please refer to section “ <b>4. Investment Objective and Strategy</b> ” of this Appendix for further details.	
Base Currency	Hong Kong dollars (HKD)	
Parties	Manager	CSOP Asset Management Limited
	Trustee, Custodian and Registrar	BOCI-Prudential Trustee Limited

<sup>1</sup> The Commission’s authorisation is not a recommendation or endorsement of the Sub-Fund nor does it guarantee the commercial merits of the Sub-Fund or its performance. This does not mean the Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

Financial Year	Ending 31 December each year. (The first financial year-end of the Sub-Fund will be 31 December 2021. The first audited accounts and the first semi-annual unaudited interim reports of the Sub-Fund will be for the period ending 31 December 2021 and 30 June 2022 respectively.)
Dividend Policy	<p>The Manager may at its discretion make distribution to Unitholders, having regard to the Sub-Fund's net income after fees and costs. However, there is no guarantee of regular distribution nor the amount distributed (if any). Currently, the Manager intends to make distributions semi-annually (in May and November each year).</p> <p>The Manager may also, at its discretion, pay dividend out of capital, or pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital.</p> <p>Payments of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from capital gains attributable to that original investment. Any distributions involving payment of dividends out of the Sub-Fund's capital or effectively out of capital may result in an immediate reduction in the Net Asset Value per Unit of the Sub-Fund.</p> <p>Please refer to section "<b>7. Distribution Policy</b>" in this Appendix for further information on the distribution policy of the Sub-Fund and the risk factor "<b>Risk relating to distributions paid out of capital</b>" under sub-section "<b>8.4 Other risks</b>" in this Appendix for the risk associated with distributions paid out of capital.</p>
Website	<a href="http://www.csopasset.com/en/products/hk-hsi">http://www.csopasset.com/en/products/hk-hsi</a> (The contents of this website and any other websites referred to in this Appendix have not been reviewed by the Commission.)

**Key information applicable to the Listed Class of Units only**

Initial Issue Date	5 May 2021
Listing Date	6 May 2021
Dealing on SEHK Commencement Date	6 May 2021

Exchange Listing	SEHK – Main Board	
Stock Code	3037	
Stock Short Name	CSOP HSI ETF	
Trading Board Lot Size	500 Units	
Trading Currency	Hong Kong dollars (HKD)	
Application Unit size for Creation/Redemption	By or through Participating Dealers: Minimum 1,000,000 Units (or multiples thereof)  Special Cash Creations and Redemptions by Approved Applicant(s): 1 Unit. Please refer to the sub-section “ <b>2.4.4 Special Creation Applications and Redemption Applications by Approved Applicant(s)</b> ” in this Appendix for details.	
Method of Creation/Redemption	Cash or in-kind creation and redemption	
Parties	Participating Dealer	BNP Paribas Securities Services Citigroup Global Markets Asia Limited China International Capital Corporation Hong Kong Securities Limited Haitong International Securities Company Limited The Hongkong and Shanghai Banking Corporation Limited Huatai Financial Holdings (Hong Kong) Limited Mirae Asset Securities (HK) Limited SG Securities (HK) Limited Head & Shoulders Securities Ltd Korea Investment & Securities Asia Limited UBS Securities Hong Kong Limited ABN AMRO Clearing Hong Kong Limited Barclays Bank PLC  <i>* please refer to the Manager’s website set out below for the latest list</i>
	Market Makers	BNP Paribas Securities (Asia) Limited Flow Traders Hong Kong Limited HSBC Securities Brokers (Asia) Limited IMC Asia Pacific Limited Korea Investment & Securities Asia Limited Optiver Trading Hong Kong Limited Vivienne Court Trading Pty. Ltd.  <i>* please refer to the Manager’s website set out below and the SEHK’s website at <a href="http://www.hkex.com.hk">www.hkex.com.hk</a> for the latest list</i>
	Conversion Agent	HK Conversion Agency Services Limited
	Listing Agent	Altus Capital Limited
Management Fee	Currently single management fee of 0.1% per annum and up to 2% per annum of the Net Asset	

	<p>Value of the relevant Class of Units of the Sub-Fund accrued daily.</p> <p>One month's prior notice will be provided to unitholders if the management fee is increased up to the maximum rate.</p>
Trustee, Custodian and Registrar Fee	The management fee of the Sub-Fund is inclusive of the Trustee's, Custodian's and Registrar's fee and the Manager will pay the fees of the Trustee/Custodian/Registrar out of the management fee.

***Key information applicable to the Unlisted Class of Units only***

Initial Offer Period	For Class A Units: 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) on 30 June 2022
Initial Subscription Price per unit during Initial Offer Period	For Class A Units: the Net Asset Value per Unit of the Listed Class of Units as of 30 June 2022
Dealing Deadline	3:00 p.m. (Hong Kong time) on each Dealing Day
Management Fee	<p>Up to 2% per annum of the Net Asset Value of the relevant Class of Units of the Sub-Fund accrued daily.</p> <p>For Class A Units, the current rate is a single management fee of 0.09% per annum of the Net Asset Value of Class A Units accrued daily and calculated as of each Dealing Day.</p> <p>One month's prior notice will be provided to unitholders if the management fee is increased up to the maximum rate.</p>
Trustee, Custodian and Registrar Fee	The management fee of the Sub-Fund is inclusive of the Trustee's, Custodian's and Registrar's fee and the Manager will pay the fees of the Trustee/Custodian/Registrar out of the management fee.

***1.3 Key similarities and differences between Listed Class of Units and Unlisted Class of Units***

Investment objective	Same for both Listed Class of Units and Unlisted Class of Units. Please refer to the section "4. Investment Objective and Strategy".
Investment strategy	
Investment policy	

Valuation policy	Same for both Listed Class of Units and Unlisted Class of Units. Please refer to the section “Determination of the Net Asset Value” of the Prospectus.									
Dealing arrangements	<p>Different in respect of each of the Listed Class of Units and Unlisted Class of Units. Investors should note that the dealing deadlines in respect of Listed and Unlisted Class of Units are different.</p> <p>In respect of the Listed Class of Units:</p> <ul style="list-style-type: none"> <li>- The dealing period in respect of each Dealing Day for a Creation Application or Redemption Application commences at 9:00 a.m. (Hong Kong time) on the each Dealing Day and ends at the Dealing Deadline at 3:30 p.m. (Hong Kong time) (for In-Cash Application) or 15 minutes after the SEHK officially closes for trading (Hong Kong time) (for In-Kind Applications) on each Dealing Day, as may be revised by the Manager from time to time; and</li> <li>- a Secondary Market Investor can buy and sell the Listed Class of Units on the SEHK through his stockbroker at any time the SEHK is open. Investors can buy or sell the Listed Class of Units at market price.</li> </ul> <p>In respect of the Unlisted Class of Units, the Dealing Deadline is 3:00 p.m. (Hong Kong time) on each Dealing Day. Investors can buy or sell the Unlisted Class of Units at Net Asset Value.</p> <table border="1" data-bbox="660 1162 1350 1697"> <thead> <tr> <th data-bbox="660 1162 855 1256"></th> <th data-bbox="855 1162 1126 1256">Listed Class of Units</th> <th data-bbox="1126 1162 1350 1256">Unlisted Class of Units</th> </tr> </thead> <tbody> <tr> <td data-bbox="660 1256 855 1601">Dealing Deadline in respect of a Dealing Day</td> <td data-bbox="855 1256 1126 1601">3:30 p.m. (Hong Kong time) (for In-Cash Application) or 15 minutes after the SEHK officially closes for trading (Hong Kong time) (for In-Kind Applications) on each Dealing Day *</td> <td data-bbox="1126 1256 1350 1601">3:00 p.m. (Hong Kong time) on each Dealing Day</td> </tr> <tr> <td data-bbox="660 1601 855 1697">Valuation Point</td> <td colspan="2" data-bbox="855 1601 1350 1697">Approximately 4:10 p.m. (Hong Kong time) on the applicable Valuation Day</td> </tr> </tbody> </table> <p>* Investors should note that Creation and Redemption Applications for Listed Class of Units received during the Dealing Period in respect of a Dealing Day (“Day T”) (i.e. between 9:00 a.m. to 3:30 p.m. (Hong Kong time) (for In-Cash Application) or 15 minutes after the SEHK officially closes for trading (Hong Kong time) (for In-Kind Applications) on the Day T) will be processed at the Net Asset Value per Unit of the Listed Class of Units of Day T, which is determined at the Valuation Point on Day T. For example:</p> <p>In respect of Listed Class of Units</p>		Listed Class of Units	Unlisted Class of Units	Dealing Deadline in respect of a Dealing Day	3:30 p.m. (Hong Kong time) (for In-Cash Application) or 15 minutes after the SEHK officially closes for trading (Hong Kong time) (for In-Kind Applications) on each Dealing Day *	3:00 p.m. (Hong Kong time) on each Dealing Day	Valuation Point	Approximately 4:10 p.m. (Hong Kong time) on the applicable Valuation Day	
	Listed Class of Units	Unlisted Class of Units								
Dealing Deadline in respect of a Dealing Day	3:30 p.m. (Hong Kong time) (for In-Cash Application) or 15 minutes after the SEHK officially closes for trading (Hong Kong time) (for In-Kind Applications) on each Dealing Day *	3:00 p.m. (Hong Kong time) on each Dealing Day								
Valuation Point	Approximately 4:10 p.m. (Hong Kong time) on the applicable Valuation Day									

	<ul style="list-style-type: none"> <li>- a Creation or Redemption Application for Listed Class of Units received at or before 3:30 p.m. (Hong Kong time) (for In-Cash Application) or 15 minutes after the SEHK officially closes for trading (Hong Kong time) (for In-Kind Applications) on Day T will be processed at the NAV per Unit of the Listed Class of Units of Day T; and</li> <li>- a Creation or Redemption Application for Listed Class of Units received at 6:00 p.m. (Hong Kong time) on Day T, i.e. after the Dealing Deadline of Day T for such class (i.e. 3:30 p.m. (Hong Kong time) (for In-Cash Application) or 15 minutes after the SEHK officially closes for trading (Hong Kong time) (for In-Kind Applications), will be processed on the next Dealing Day (i.e. Day T+1) at the Net Asset Value per Unit of Listed Class of Units of Day T+1.</li> </ul> <p><i>In respect of Unlisted Class of Units</i></p> <ul style="list-style-type: none"> <li>- a subscription or redemption application for Unlisted Class of Units received at 10:00 a.m. (Hong Kong time) on Day T, i.e. before the Dealing Deadline of Day T for such class, will be processed on Day T at the Net Asset Value per Unit of Unlisted Class of Units of Day T; and</li> <li>- a subscription or redemption application for Unlisted Class of Units received at 6:00 p.m. (Hong Kong time) on Day T, i.e. after the Dealing Deadline of Day T for such class, will be processed on the next Dealing Day (i.e. Day T+1) at the Net Asset Value per Unit of Unlisted Class of Units of Day T+1.</li> </ul> <p>Please refer to sections “Dealing of Listed Class of Units” and “Dealing of Unlisted Class of Units” for information relating to the Listed Class of Units and Unlisted Class of Units respectively.</p>
Fee structure	<p>Different in respect of each of the Listed Class of Units and Unlisted Class of Units.</p> <p>The Servicing Fee, Trustee’s and Registrar’s Fees and Investment Adviser’s Fee are the same in respect of both classes of Units.</p> <p>For Listed Class of Units, the current management fee is 0.1% per annum of the net asset value of the Listed Class of Units accrued daily and calculated as of each Dealing Day.</p> <p>For Class A Units, the current management fee is 0.09% per annum of the net asset value of Class A Units accrued daily and calculated as of each Dealing Day.</p> <p>An investment in the Listed Class of Units is subject to fees involved in relation to the trading of such Units on the</p>

	<p>SEHK (such as the Service Agent's Fee, transaction costs etc.).</p> <p>An investment in the Unlisted Class of Units is subject to the payment of subscription fees.</p> <p>Please refer to the "Fees and Charges" section.</p>
Investment return / Net Asset Value	<p>Different in respect of each of the Listed Class of Units and Unlisted Class of Units due to various factors, including but not limited to the different fee structures applicable to each class of Units, different dealing arrangements (i.e. Listed Class of Units can be bought and sold at market price whereas Unlisted Class of Units are bought and sold at Net Asset Value) and charges, stamp duty.</p> <p>Please refer to the "Differences in dealing, fee and cost arrangements between Listed Class and Unlisted Class of Units" risk factor of the Prospectus.</p>
Termination procedures	<p>Different in respect of each of the Listed Class of Units and Unlisted Class of Units. Please refer to the "Termination of the Trust or a Sub-Fund" section of the Prospectus.</p>

#### **1.4 Market Maker (in respect of the Listed Class of Units)**

The Manager will use its best endeavours to put in place arrangements so that there is at all times at least one market maker for Units of the Listed Class of the Sub-Fund. If the SEHK withdraws its permit to the existing market maker(s), the Manager will use its best endeavours to put in place arrangements so that there is at least one other market maker to facilitate the efficient trading of the Listed Class of Units of the Sub-Fund. The Manager will use its best endeavours to put in place arrangements so that at least one market maker is required to give not less than three months' prior notice to terminate market making under the relevant market making arrangement.

The list of market makers in respect of the Sub-Fund is available on <http://www.csopasset.com/en/products/hk-hsi> and from time to time will be displayed on [www.hkex.com.hk](http://www.hkex.com.hk).

## **2. DEALING OF LISTED CLASS OF UNITS**

### **2.1 Exchange Listing and Trading**

The Listed Class of Units of the Sub-fund are listed and traded on the SEHK. Currently, Listed Class of Units of the Sub-Fund are expected to be listed and dealt only on the SEHK and no application for listing or permission to deal on any other stock exchanges is being sought as of the date of this Prospectus.

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

### **2.2 Buying and Selling of Listed Class of Units of Sub-Fund on SEHK**

A Secondary Market Investor can buy and sell the Listed Class of Units of the Sub-Fund on the SEHK through his stockbroker at any time the SEHK is open. Listed Class of Units of the Sub-Fund may be bought and sold in the Trading Board Lot Size (or the multiples thereof). The

Trading Board Lot Size is currently 500 Units.

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

Please refer to section “**3. Trading of Listed Class of Units on the SEHK (Secondary Market)**” in Schedule 2 of Part 1 of this Prospectus for further information on buying and selling of Listed Class of Units on the SEHK.

### **2.3 Switching**

Investors should note that switching between Unlisted Class of Units and Listed Class of Units on the secondary market is not available. Participating Dealers who wish to switch between Listed Class of Units and Unlisted Class of Units should do so in accordance with the procedures as agreed with the Manager and the Trustee.

### **2.4 Creation Applications and Redemption Applications**

The general terms and procedures relating to Creation Applications and Redemption Applications are set out in section “**2. Creation and Redemption of Application Units (Primary Market)**” of Schedule 2 of Part 1 of this Prospectus, which should be read in conjunction with the following specific terms and procedures which relate to the Sub-Fund only.

The Manager may at its discretion allow Cash Creations (in HKD) or In-Kind Creations and Cash Redemptions (in HKD) or In-Kind Redemptions for Listed Class of Units of the Sub-Fund by or through a Participating Dealer only.

Subject to the special Cash Creations (in HKD) and Cash Redemptions (in HKD) for Listed Class of Units of the Sub-Fund by Approved Applicant(s) as described in section 2.5.4 below, the Application Unit size for the Listed Class of Units of the Sub-Fund by or through a Participating Dealer is 1,000,000 Units. Creation Applications submitted in respect of Listed Class of Units other than in Application Unit size will not be accepted, save and except for Applications during the Initial Offer Period. The minimum subscription for the Listed Class of Units of Sub-Fund is one Application Unit.

#### **2.4.1 Dealing Period**

For Cash Creations and Cash Redemptions by or through Participating Dealers only, the dealing period on each Dealing Day commences at 9:00 a.m. (Hong Kong time) and ends at the Dealing Deadline at 3:30 p.m. (Hong Kong time), as may be revised by the Manager in consultation with the Trustee, from time to time.

For In-Kind Creations and In-Kind Redemptions by or through Participating Dealers, the dealing period on each Dealing Day commences at 9:00 a.m. (Hong Kong time) and ends at the Dealing Deadline, which is 15 minutes after the SEHK officially closes for trading on the relevant Dealing Day, as may be revised by the Manager in consultation with the Trustee, from time to time.

Any Creation Application or Redemption Application received after the Dealing Deadline will be considered as received on the next Dealing Day.

Investors should note that the Dealing Deadline in respect of Listed Class of Units and Unlisted Class of Units might be different.

#### **2.4.2 Issue Price and Redemption Price**

The Issue Price of a Unit in respect of the Listed Class of Units in the Sub-Fund shall be the Net Asset Value per Unit of the relevant class calculated as of the Valuation Point in respect of the relevant Valuation Day rounded to the nearest fourth (4th) decimal place (with 0.00005 being rounded up).

The Redemption Price of Units redeemed in respect of the Listed Class of Units shall be the Net Asset Value per Unit of the relevant class calculated as of the Valuation Point of the relevant Valuation Day rounded to the nearest fourth (4th) decimal place (with 0.00005 being rounded up).

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

The “**Valuation Day**” of the Sub-Fund, coincides with, and shall mean, the Dealing Day of the Sub-Fund or such other days as the Manager may from time to time determine in its absolute discretion (in consultation with the Trustee).

The latest Net Asset Value of the Units of the Sub-Fund will be available on the Manager’s website at <http://www.csopasset.com/en/products/hk-hsi> or published in such other publications as the Manager decides.

#### **2.4.3 Dealing Day and Business Day**

In respect of the Sub-Fund, “**Dealing Day**” means each Business Day.

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

#### **2.4.4 Special Creation Applications and Redemption Applications by Approved Applicant(s)**

In addition to the Cash and In-Kind Creations and Redemptions arrangement by or through Participating Dealer(s), set out above, the Manager may at its discretion in consultation with the Trustee, accept special Cash Creations (in HKD) and Cash Redemptions (in HKD) for the Listed Class of Units of the Sub-Fund by an Approved Applicant based on terms that may be agreed by the Manager and the Trustee including that the Approved Applicant agrees to comply with equivalent terms governing Creation and Redemption Applications made through a Participating Dealer in all material respects save for the Application Unit size and dealing period described above. Subject to the Sub-Fund being approved by the Mandatory Provident Fund Schemes Authority as an eligible investment under the mandatory provident fund regime, the Manager may approve MPF Schemes and ORSO Schemes which are Approved Applicants to create and redeem the Listed Class of Units via such special Cash Creations (in HKD) and Cash Redemptions (in HKD) arrangement.

For special Cash Creations and Redemptions by Approved Applicants, the Application Unit size is 1 Unit. Applications submitted in respect of the Listed Class of Units other than in Application Unit size will not be accepted, save and except for Applications during the Initial Offer Period. The minimum subscription for the Listed Class of Units of Sub-Fund is one Application Unit.

For special Cash Creations and Cash Redemptions by Approved Applicants, the dealing period on each Dealing Day commences at 9:00 a.m. (Hong Kong time) and ends at the Dealing Deadline, which is the official closing time of the SEHK on the relevant Dealing Day, as may be

revised by the Manager in consultation with the Trustee, from time to time.

Any special Cash Creation Application or Cash Redemption Application received after the Dealing Deadline will be considered as received on the next Dealing Day.

### 3. **DEALING OF UNLISTED CLASS OF UNITS**

#### **Available Classes**

The Sub-Fund currently has the following Unlisted Class of Units which are available to investors:

- Class A Units

#### **Initial Offer Period**

The Initial Offer Period of the Class A Units will be 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) on 30 June 2022.

The initial Subscription Price in respect of Class A Units is as follows:

<b>Class</b>	<b>Initial Subscription Price per Unit</b>
Class A Units	Net Asset Value per Unit of the Listed Class of Units as of 30 June 2022

#### **Dealing procedures**

For details of dealing procedures, please refer to the sections headed “Subscription of Unlisted Class of Units”, “Redemption of Unlisted Class of Units” and “Switching of Unlisted Class of Units” in Schedule 3 of Part 1 of this Prospectus.

The following apply to the Unlisted Class of Units:

<b>Dealing Day</b>	<b>Each Business Day</b>
Valuation Day	each Dealing Day or such other days as the Manager may determine
Dealing Deadline	3:00 p.m. (Hong Kong time)

Investors should note that the Dealing Deadline in respect of Listed Class of Units and Unlisted Class of Units are different.

#### **Switching**

Subject to the prior consent of the Manager either generally or in any particular case, Unitholders may switch part or all of their Unlisted Class of Units of the Sub-Fund into another Unlisted Class of Units of the Sub-Fund (where available). Switching of Unlisted Class of Units of the Sub-Fund to unlisted shares, units or interests in any other collective schemes (including any other Sub-Funds of the Trust) is currently not permitted.

#### **Payment of redemption proceeds**

Save as otherwise agreed by the Manager, and so long as relevant account details have been provided, redemption proceeds in respect of Unlisted Class of Units will normally be paid by telegraphic transfer, within 7 Business Days after the relevant Dealing Day and in any event within one calendar month of the relevant Dealing Day or (if later) receipt of a properly documented redemption request, unless legal or regulatory requirements (such as foreign currency controls) to which the Sub-Fund is subject render the payment of the redemption

proceeds within the aforesaid time period not practicable, and such extended time frame should reflect the additional time needed in light of the specific circumstances in the relevant market.

**Investment minima**

The following investment minima apply to the Unlisted Class of Units:

	<b>Class A Units</b>
Minimum initial investment	HKD 1,000,000 or equivalent
Minimum subsequent investment	HKD 1,000,000 or equivalent
Minimum Holding	HKD 1,000,000 or equivalent
Minimum redemption amount	HKD 1,000,000 or equivalent

The Manager may, in its absolute discretion, waive or agree to a lower amount of any of the above investment minima (either generally or in any particular case).

**4. INVESTMENT OBJECTIVE AND STRATEGY**

**Investment Objective**

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

**Investment Strategy**

In order to achieve the investment objective of the Sub-Fund, the Sub-Fund will adopt a full replication strategy by directly investing all, or substantially all, of the Sub-Fund’s assets in Index Securities constituting the Underlying Index in substantially the same weightings as these Index Securities have in the Underlying Index. The Manager will not use a representative sampling strategy other than in exceptional circumstances.

Under exceptional circumstances (i.e. due to restrictions, suspensions of trading, limited availability of certain Index Securities, corporate events, or as the Manager believes there is significant market mispricing or foreseeable market turbulence), where it is not feasible or not in the best interest of investors to acquire certain securities which are constituents of the Underlying Index due to restrictions or limited availability and/or it is not cost efficient, by reference to the Sub-Fund’s Net Asset Value, to use a full replication strategy, the Manager may also use a representative sampling strategy to invest in:

- i. A representative sample whose performance is closely correlated with the Underlying Index, but whose constituents may or may not themselves be constituents of the Underlying Index; and/or
- ii. Other collective investment schemes (CIS). “**CIS**” means an exchange traded fund and/or an unlisted index tracking fund which tracks an index that has a high correlation with the Underlying Index. The Sub-Fund’s ability to invest in other CIS may not exceed 10% of its Net Asset Value and the Sub-Fund will not hold more than 10% of any units issued by any single CIS; and/or
- iii. Financial derivative instruments (the “**FDIs**”) (mainly swaps with one or more counterparties) with no more than 10% of the Sub-Fund’s Net Asset Value for investment and hedging purposes, where the Manager believes such investments will help the Sub-Fund achieve its investment objective and are beneficial to the Sub-Fund.

In pursuing a representative sampling strategy, the Manager may cause the Sub-Fund to deviate from the index weighting on condition that the maximum deviation from the index weighting of any constituent will not exceed 3% or such other percentage as determined by the Manager after consultation with the SFC.

If any non-constituent of the Underlying Index is held in the portfolio, for reasons other than Underlying Index rebalancing and Underlying Index related corporate action, to enhance transparency the Manager will disclose the name and weighting of such non-constituent securities and other CIS on the Manager's website immediately after the purchase and it will be reported daily until its disposal.

The Manager reviews the Index Securities held in the Sub-Fund's portfolio each Business Day. In order to minimize tracking error, the Manager closely monitors factors such as any changes in the weighting of each Index Security in the Underlying Index, suspension, dividend distributions and the liquidity of the Sub-Fund's portfolio. The Manager will also conduct adjustment on the portfolio of the Sub-Fund regularly, taking into account tracking error reports, the index methodology and any rebalance notification of the Underlying Index.

#### Other investments

The Manager does not intend to engage in securities lending, sale and repurchase transactions and reverse repurchase transactions on behalf of the Sub-Fund.

Other than pursuing a representative sampling strategy during exceptional circumstances as disclosed above, the Manager does not intend to invest in FDIs for any purpose.

#### 5. USE OF FDIs

The Sub-Fund's net derivative exposure may be up to 50% of its net asset value.

#### 6. BORROWING RESTRICTIONS

The Sub-Fund may borrow up to 5% of its Net Asset Value to acquire investments, to settle redemption proceeds or to pay expenses relating to the Sub-Fund.

The Sub-Fund may not borrow from the Manager, the Trustee or any of their Connected Persons.

#### 7. DISTRIBUTION POLICY

The Manager may at its discretion make distribution to Unitholders, having regard to the Sub-Fund's net income after fees and costs. Currently, the Manager intends to make distributions semi-annually (in May and November each year).

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

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

The composition of the distributions (i.e. the relative amounts paid out of net distributable income and capital) for the last 12 months are available by the Manager on request and also on the Manager's website <http://www.csopasset.com/en/products/hk-hsi>.

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

Distributions (if declared) will be declared in the Base Currency of the Sub-Fund (i.e. HKD). The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in HKD only. The details of the distribution declaration dates, distribution amounts and ex-dividend payment dates will be published on the Manager's website <http://www.csopasset.com/en/products/hk-hsi> and on HKEX's website [http://www.hkexnews.hk/listedco/listconews/advancedsearch/search\\_active\\_main.aspx](http://www.hkexnews.hk/listedco/listconews/advancedsearch/search_active_main.aspx).

There can be no assurance that a distribution will be paid.

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

## **8. RISK FACTORS RELATING TO THE SUB-FUND**

In addition to the general risk factors common to all Sub-Funds set out in section "4. **General Risk Factors**" in Part 1 of this Prospectus, investors should also consider the specific risks associated with investing in the Sub-Fund including those set out below. The following statements are intended to be summaries of some of those risks. They do not offer advice on the suitability of investing in the Sub-Fund. Investors should carefully consider the risk factors described below together with the other relevant information included in this Prospectus before deciding whether to invest in Units of the Sub-Fund. The Commission's authorisation is not a recommendation or endorsement of a product nor does it guarantee the commercial merits of a product or its performance. It does not mean the product is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

### **8.1 Concentration risk**

The Underlying Index tracks the performance of companies incorporated in, or with the majority of revenue derived from, or with a principal place of business in, the Greater China region. The Net Asset Value of the Sub-Fund is therefore likely to be more volatile than a more broad-based fund, such as a global or regional fund, as the Underlying Index is more susceptible to fluctuations in value resulting from adverse conditions in the Greater China region.

In addition, the investments of the Sub-Fund may be concentrated in certain sectors and companies such as those operating in the finance and property sectors, which constitute a substantial portion of the weighting of the Underlying Index. Fluctuations in the performance of these sectors or companies may thus have a greater impact on the Sub-Fund than a fund having a more diverse portfolio of investments.

### **8.2 Risks related to companies with weighted voting rights**

The Sub-Fund may invest in "new economy" companies including companies with a weighted voting rights (WVR) structure. These are typically emerging and innovative companies, such as pre-revenue biotech startups or technology companies. The WVR structure deviates from the "one share, one vote" principle. This concentrated control limits shareholders' ability to influence corporate matters and, as a result, the company may take actions that shareholders do not view as beneficial. There may be a risk of greater misalignment between the interests of the company's controlling shareholder and those of the rest of the company's shareholders as a whole. This may weaken shareholders' rights and in turn corporate governance in these

companies. Performance of these companies could be adversely affected. This may have a negative impact on the Sub-Fund where it invests in the ordinary shares of such companies.

### 8.3 **Risks relating to the Underlying Index**

The Sub-Fund may be subject to the following risks in relation to the Underlying Index:

- (i) If the Underlying Index is discontinued or the Manager's license from the Index Provider under the relevant licence agreement is terminated, the Manager may, in consultation with the Trustee, seek the Commission's prior approval to replace the Underlying Index with an index that is tradable and has similar objectives to the Underlying Index. Please refer to section "13. Replacement of Underlying Index" below on the circumstances in which the Underlying Index may be replaced by the Manager. Such change shall be made in accordance with the provisions of the Trust Deed and with the prior approval of the Commission. For the avoidance of doubt, index-tracking will remain the Sub-Fund's investment objective.

The Manager has been granted a licence by HSIL to use the Underlying Index in connection with the issue, operation, marketing, promotion and distribution of the Sub-Fund. Such licence commenced on 9 April 2021 and shall continue in full force and effect unless terminated pursuant to the Licence Agreement (as defined below in the section "**14. Index Licence Agreement**" in this Appendix). Please refer to section "**14. Index Licence Agreement**" in this Appendix on the circumstances in which the Licence Agreement may be terminated. There is no guarantee that the Licence Agreement will be perpetually renewed.

The Sub-Fund may be terminated if the Underlying Index is discontinued and/or the Licence Agreement is terminated and the Manager is unable to identify or agree with any Index Provider terms for the use of a suitable replacement index, using, in the opinion of the Manager, the same or substantially similar formula for the method of calculation as used in calculating the Underlying Index and which meets the acceptability criteria as specified under the applicable rules and regulations. Any such replacement index shall be acceptable to the Commission, and will be subject to the prior approval of the relevant regulatory authorities, and Unitholders will be duly notified of the same. Accordingly, investors should note that the ability of the Sub-Fund to track the Underlying Index may depend on the continuation in force of the Licence Agreement in respect of the Underlying Index or a suitable replacement. The Sub-Fund may also be terminated if the Underlying Index ceases to be compiled or published and there is no replacement index, using, in the opinion of the Manager, the same or substantially similar formula for the method of calculation as used in calculating the Underlying Index.

The Manager and the Index Provider may by mutual agreement terminate or postpone the parties' obligations under the Licence Agreement upon the occurrence of a force majeure event such that the terms of the Licence Agreement can no longer be performed. There is no guarantee or assurance of exact or identical replication at any time of the performance of the relevant Underlying Index.

For further information on the grounds for terminating the Licence Agreement in respect of the Underlying Index, please refer to section "**14. Index Licence Agreement**" in this Appendix.

- (ii) There may be changes in the constituent securities of the Underlying Index from time to time. For example, a constituent security may be delisted or a new eligible security may be added to the Underlying Index. In such circumstances, in order to achieve the investment objective of the Sub-Fund, the Manager may rebalance the composition of the portfolio of the Sub-Fund. The price of the Units in the Sub-Fund may rise or fall as a result of these changes. Thus, an investment in Units of the Sub-Fund will generally reflect the Underlying Index as its constituents change from time to time, and not necessarily the way it is comprised at the time of an investment in the Units. Please refer to section "15. The

Underlying Index” in this Appendix below for more information on how the Underlying Index is compiled.

- (iii) The process and the basis of computing and compiling the Underlying Index and any of its related formulae, constituent companies and factors may also be changed or altered by the Index Provider at any time without notice. There is also no warranty, representation or guarantee given to the investors as to the accuracy or completeness of the Underlying Index, its computation or any information related thereto.

#### **8.4 Risks specific to the Listed Class of Units**

*No Market in the Units Risk.* Although the Listed Class of Units are listed on the SEHK and the Manager will use its best endeavours to put in place arrangements so that there is at all times at least one market maker for Listed Class of Units traded in the Sub-Fund, investors should be aware that there may be no liquid trading market for the Listed Class of Units or that such market maker(s) may cease to fulfil that role. Further, there can be no assurance that Listed Class of Units will experience trading or pricing patterns similar to those of other exchange traded fund which are traded on the SEHK and which are based upon indices.

*Termination of Market Maker Risk.* A market maker may cease to act as a market maker for the Listed Class of Units of the Sub-Fund in accordance with the terms of the arrangement including upon giving prior written notice. The termination notice period for at least one market maker for Listed Class of Units of the Sub-Fund will be three months. The liquidity for the Listed Class of Units of the Sub-Fund may be affected if there is no market maker for the Listed Class of Units. The Manager will use its best endeavours to put in place arrangements so that there is at least one market maker for the Sub-Fund to facilitate efficient trading of Listed Class of Units. It is possible that there is only one SEHK market maker for the Listed Class of Units of the Sub-Fund or the Manager may not be able to engage a substitute market maker within the termination notice period of a market maker, and there is also no guarantee that any market making activity will be effective.

*Liquidity Risk.* Listed Class of Units will be a new security and following listing on the SEHK, it is unlikely that the Listed Class of Units will initially be widely held. Accordingly, any investor buying Listed Class of Units in small numbers may not necessarily be able to find other buyers should that investor wish to sell. To address this risk, at least one market maker has been appointed. In turn, this may affect the liquidity and trading price of the Listed Class of Units in the secondary market. Therefore, Unitholders may not be able to sell their Listed Class of Units in the secondary market in as timely a manner as some other equity products denominated in Hong Kong dollars listed in Hong Kong, and the trading price may not fully reflect the intrinsic value of the Listed Class of Units.

#### **8.5 Other risks**

*Operating risk.* There is no assurance that the performance of the Sub-Fund will be identical to the performance of the Underlying Index. The level of fees, taxes and expenses payable by the Sub-Fund will fluctuate in relation to its Net Asset Value. Although the amounts of certain ordinary expenses of the Sub-Fund can be estimated, the growth rate of the Sub-Fund, and hence its Net Asset Value, cannot be anticipated. Accordingly, no assurance can be given as to the performance of the Sub-Fund or the actual level of its expenses.

Under the terms of the Trust Deed and as summarised under section “**12.5 Termination of the Trust or a Sub-Fund**” in Part 1 of this Prospectus, the Manager may terminate the Sub-Fund. On the termination of the Sub-Fund, the Sub-Fund will be liquidated and investors will receive distributions of cash.

*Tracking error risk.* Although the Manager will adopt a full replication strategy to reduce tracking error, the Manager may also use representative sampling in exceptional circumstances, such as where it may not be able to acquire certain Index Securities which are constituents of the

Underlying Index due to restrictions or limited availability. As such, there can be no assurance of exact or identical replication at any time of the performance of the Underlying Index. Factors such as the fees and expenses of the Sub-Fund, imperfect correlation between the Sub-Fund's assets and the Index Securities, inability to rebalance the Sub-Fund's holdings of Index Securities in response to changes in the constituents of the Underlying Index, rounding of the Index Securities' prices, and changes to the regulatory policies may affect the Manager's ability to achieve close correlation with the Underlying Index. These factors may cause the Sub-Fund's returns to deviate from the Underlying Index.

*Risks associated with investment in FDIs.* The Sub-Fund may invest up to 10% of its Net Asset Value in FDIs in exceptional circumstances. Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. FDIs are susceptible to price fluctuations and higher volatility, and may have large bid and offer spreads and no active secondary markets. The leverage element/component of an 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.

*Investing in other CISs risk.* The Sub-Fund may invest up to 10% of its Net Asset Value in other CISs in exceptional circumstances. The fees and costs charged in respect of such CISs will be borne by the Sub-Fund. The Sub-Fund does not have control of the CISs and there is no assurance that these CISs will successfully achieve their respective investment objectives and strategies, which may have a negative impact on the Net Asset Value of the Sub-Fund. Any tracking error of these CISs will also contribute to the tracking error of the Sub-Fund. Further, although the Manager will only invest in other CISs that track indices that have a high correlation with the Underlying Index, differences between the constituents of the Underlying Index and the indices tracked by the relevant CISs may also contribute to tracking error. Please also note the CISs invested by the Sub-Fund may or may not be regulated by the Commission.

*Risk relating to distributions paid out of capital.* The Manager may, at its discretion, pay dividend out of capital. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of the capital. **Investors should note that the payment of distributions out of or effectively out of capital represents a return or a withdrawal of part of the amount they originally invested or capital gain attributable to that amount. Any such distributions may result in an immediate reduction in the Net Asset Value per Unit of the Sub-Fund.**

*Proprietary investments / seed money risk.* The assets under management at any time during the life of the Sub-Fund may include proprietary money (or “**seed money**”) invested by one or more interested parties, such as participating dealers, and such investment may constitute a significant portion of such assets under management. Investors should be aware that such an interested party may (i) hedge any of its investments in whole or part, thereby reducing or removing its exposure to the performance of the Sub-Fund; and (ii) redeem its investment in the Sub-Fund at any time, without notice to Unitholders. Such an interested party is under no obligation to take the interests of other Unitholders into account when making its investment decisions. There is no assurance that any such monies will continue to be invested in the Sub-Fund by an interested party for any particular length of time. As many of the expenses of the Sub-Fund are fixed, a higher amount of assets under management may reduce the expenses of the Sub-Fund per Unit and a lower amount of assets under management may increase the expenses of the Sub-Fund per Unit. As with any other redemption representing a material portion of the Sub-Fund's assets under management, a significant redemption of any such proprietary investment may affect the management and/or performance of the Sub-Fund and may, in certain circumstances (i) cause remaining investors' holdings to represent a higher percentage of the Net Asset Value of the Sub-Fund, (ii) cause other investors in the Sub-Fund to redeem their investment, and/or (iii) lead the Manager, in consultation with the Trustee, to determine that the Sub-Fund, has become unmanageable and to consider taking exceptional measures, such as terminating the Sub-Fund, in accordance with the Trust Deed, in which case Unitholders' investments would be redeemed in their entirety.

## 9. **FEES AND CHARGES**

### 9.1 **General**

The following fees apply to investors of both Listed Class of Units and Unlisted Class of Units.

#### **Management Fees**

The Manager is entitled to receive a management fee. Currently at the rate of 0.1% per annum for Listed Class of Units and 0.09% per annum for Class A units, and up to 2% per annum of the Net Asset Value of the relevant Class of Units of the Sub-Fund accrued daily and calculated as at each Dealing Day and payable monthly in arrears. One month's prior notice will be provided to investors if the management fee is increased up to the maximum rate.

The Sub-Fund employs a single management fee structure, with the Sub-Fund paying all of its fees, costs and expenses (and its due proportion of any costs and expenses of the Trust allocated to it) as a single flat fee (the "**Management Fee**").

Fees and expenses taken into account in determining the Sub-Fund's Management Fee include, but are not limited to, the Manager's fee, the Trustee's fee, the Custodian's fee, the Registrar's fee, the Service Agent's fee, the fees and expenses of the Auditor, service agents, ordinary legal and out-of-pocket expenses incurred by the Trustee or the Manager, and the costs and expenses of licensing indices used in connection with the Sub-Fund. The Manager may also pay a distribution fee to any distributor or sub-distributor of the Sub-Fund out of the Management Fee. A distributor may re-allocate an amount of the distribution fee to the sub-distributors.

The Management Fee does not include brokerage and transaction costs such as the fees and charges relating to the investment and realising the investments of the Sub-Fund and extraordinary items such as litigation expenses.

#### **Trustee's, Custodian's and Registrar's Fee**

The Management Fee of the Sub-Fund is inclusive of the Trustee's, Custodian's and Registrar's fee and the Manager will pay the fees of the Trustee/Custodian/Registrar out of the Management Fee.

The Trustee/Custodian/Registrar shall be entitled to be reimbursed all out-of-pocket expenses incurred. The Management Fee of the Sub-Fund is inclusive of all such expenses.

#### **Other Charges and Expenses of the Sub-Fund**

The Management Fee of the Sub-Fund is inclusive of other charges and expenses as referred to in the section "**10.5 Other Charges and Expenses**" in Part 1 of this Prospectus.

#### **Establishment costs of the Sub-Fund**

The establishment costs of the Sub-Fund, which are estimated to be HKD 700,000, will be paid out of the Management Fee of the Sub-Fund. Such costs shall be amortised over the first 5 financial years of the Sub-Fund (or such other period as determined by the Manager after consulting the Auditors).

### 9.2 **Listed Class of Units**

The following fees apply to investors of Listed Class of Units only.

#### **Fees Payable by Participating Dealers, Approved Applicants, Primary Market Investors and Secondary Market Investors**

The fees payable by Participating Dealers, Approved Applicants, Primary Market Investors and Secondary Market Investors are summarized in the respective tables below:

**Participating Dealers and Approved Applicants**

*Creation and Redemption of Listed Class of Units by a Participating Dealer or an Approved Applicant*

	<b>Participating Dealers</b>	<b>Approved Applicants</b>
Application Cancellation Fee	HKD10,000 per cancellation (See Note 1)	N/A
Extension Fee	HKD10,000 per extension (See Note 1)	N/A
Transaction Fee	HKD3,000 per Application (See Note 2)	N/A
Service Agent's Fee (in respect of Cash Creation and Redemption only)	See Note 3	
Conversion Agent's Fee (in respect of In-Kind Creation and Redemption only)	See Note 4	N/A
Corporate action fee (in respect of In-Kind Creation and Redemption Only)	HKD0.80 per board lot (See Note 5)	N/A
Unit Cancellation Fee (in respect of In-Kind Redemption only)	HKD1.00 per board lot	N/A
Stamp duty	Nil	

Participating Dealers and Approved Applicants shall also bear all transaction costs, Duties and Charges and other expenses and charges, and the market risks in constituting and liquidating the Basket(s) in relation to an Application.

*Fees Payable by Approved Applicants where Listed Class of Units are created or redeemed through special Cash Creations or special Cash Redemptions*

The Manager reserves the right to request Approved Applicants to reimburse the Manager and/or the Sub-Fund for all reasonable transaction costs incurred in relation to or incidental to the special Cash Creation Applications or special Cash Redemption Applications, respectively. The Manager also reserves the right to charge such fees as the Manager may in its absolute discretion determine.

***Primary Market Investors creating or redeeming Listed Class of Units through a Participating Dealer or a stockbroker***

Primary Market Investors submitting creation or redemption requests through the Participating Dealer or a stockbroker should note that the Participating Dealer or the stockbroker (as the case may be) may impose fees and charges in handling such requests. Such investors should check

the relevant fees and charges with the Participating Dealer or the stockbroker (as the case may be).

### **Secondary Market Investors Dealing in Listed Class of Units on the SEHK**

Brokerage	Market rates (in currency determined by the intermediaries used by the investors)
Transaction levy	0.0027% (see Note 6 and Note 11)
Accounting and Financial Reporting Council ("AFRC") transaction levy	0.00015% (see Note 7)
Trading fee	0.00565% (see Note 8 and Note 11)
Stamp duty	Nil (see Note 9)
Investor compensation levy	0.002% (currently suspended) (see Note 10)

**Note:**

1. The Application Cancellation Fee of HKD10,000 and the Extension Fee of HKD10,000 are payable by the Participating Dealer, and are payable to the Trustee for its own account, on each occasion the Manager grants the request of such Participating Dealer for cancellation or extended settlement in respect of such Application as provided in this Prospectus.
2. A Transaction Fee of HKD3,000 per Application is payable by each Participating Dealer for the account and benefit of the Trustee.
3. A Service Agent's Fee of HKD1,000 is payable by each Participating Dealer to the Service Agent for each book-entry deposit transaction or book-entry withdrawal transaction. A Service Agent's Fee of HKD8,000 per month is payable and may be passed to the Approved Applicant.
4. The Conversion Agent's Fee is payable by a Participating Dealer to the Trustee for the benefit of the Conversion Agent according to the following schedule:

<b>Total Aggregated HK Application Basket Value</b>	<b>Conversion Agent's fee Transacted Daily</b>
HK\$1 to HK\$2,000,000	HK\$5,000
HK\$2,000,001 to HK\$5,000,000	HK\$8,000
HK\$5,000,001 to HK\$10,000,000	HK\$10,000
Over HK\$10,000,000	HK\$12,000

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

5. The corporate action fee is payable to HKSCC in respect of any In-Kind Creation Application and In-Kind Redemption Application and is subject to a maximum of HKD10,000 and the tariff specified in the CCASS Operational Procedures in effect from time to time.
6. A transaction levy of 0.0027% of the trading price of the Listed Class of Units, payable by the buyer and the seller.
7. AFRC transaction levy of 0.00015% of the trading price of the Listed Class of Units, payable by each of the buyer and the seller.
8. A trading fee of 0.00565% of the trading price of the Listed Class of Units, payable by the buyer and the seller.
9. Stamp duty is currently waived pursuant to the Stamp Duty (Amendment) Ordinance 2015.
10. The investor compensation levy of the trading price of the Listed Class of Units, payable by the buyer and the seller, has been suspended pursuant to the exemption notice published by the Commission on 11 November 2005.
11. The transaction levy and trading fee will be paid by intermediaries to HKEx in Hong Kong dollars and calculated based on an exchange rate as determined by the Hong Kong Monetary Authority on the date of the trade which

will be published on the HKEx's website by 11:00 a.m. on each trading day.

12. Investors should consult their own intermediaries as to how and in what currency the trading related fees and charges should be paid by the investors.

### 9.3 **Unlisted Class of Units**

The following fees apply to investors of Unlisted Class of Units only.

#### ***Subscription, redemption and switching fees payable by Unitholders of Unlisted Class of Units***

	<b>Unlisted Class of Units</b>
Subscription fee	Up to 5 per cent of the subscription monies
Redemption fee	Nil
Switching fee	N/A

Investors should note that switching between Unlisted Class of Units and Listed Class of Units on the secondary market is not available. Distributors who wish to switch between Unlisted Class of Units and Listed Class of Units should do so in accordance with the procedures as agreed with the Manager and the Trustee.

### 10. **DOCUMENTS AVAILABLE FOR INSPECTION**

Please refer to section “**12.11 Documents Available for Inspection**” in Part 1 of this Prospectus for the list of the documents that are available for inspection.

### 11. **PUBLICATION OF INFORMATION RELATING TO THE SUB-FUND**

Please refer to section “**12.15 Publication of Information Relating to the Sub-Funds**” in Part 1 of this Prospectus for information relating to the Sub-Fund that will be published on the Manager's website <http://www.csopasset.com/en/products/hk-hsi> and the HKEx's website.

### 12. **MATERIAL CHANGES TO THE UNDERLYING INDEX**

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

### 13. **REPLACEMENT OF UNDERLYING INDEX**

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

- (a) the Underlying Index ceasing to exist;
- (b) the licence to use the Underlying Index being terminated;
- (c) a new index becoming available that supersedes the existing Underlying Index;
- (d) a new index becoming available that is regarded as the market standard for investors in the particular market and/or would be regarded as more beneficial to the Unitholders than the existing Underlying Index;

- (e) investing in the Index Securities comprised within the Underlying Index becomes difficult;
- (f) the Index Provider increasing its licence fees to a level considered too high by the Manager;
- (g) the quality (including accuracy and availability of the data) of the Underlying Index having in the opinion of the Manager, deteriorated;
- (h) a significant modification of the formula or calculation method of the Underlying Index rendering that index unacceptable in the opinion of the Manager; and
- (i) the instruments and techniques used for efficient portfolio management not being available.

The Manager may change the name of the Sub-Fund if the Underlying Index changes or for any other reasons including if the licence to use the Underlying Index is terminated. Any change to (i) the use by the Sub-Fund of the Underlying Index and/or (ii) the name of Sub-Fund will be notified to investors in accordance with applicable rules and requirements.

#### 14. **INDEX LICENCE AGREEMENT**

The Manager has been granted a non-exclusive, non-transferable licence pursuant to index licence agreement dated 9 April 2021 (the "**Licence Agreement**") entered into between the Manager and HSIL, to use the Underlying Index (i.e. Hang Seng Index) in connection with the issue, operation, marketing, promotion and distribution of the Sub-Fund.

The Licence Agreement takes effect from its date and shall continue until terminated by either party under the circumstances listed below:

- (a) HSIL may terminate the Licence Agreement forthwith if:
  - i. the Manager breaches any of the provisions under the Licence Agreement and has not, in the case of a remediable breach, remedied the breach within 15 days of receiving notice in writing from HSIL and/or Hang Seng Data Services Limited ("**HSDS**") specifying the breach and requiring the same to be remedied;
  - ii. the Manager is convicted of any criminal offence relating to the Sub-Fund or to the trading of the Units of the Sub-Fund; or
  - iii. the Manager is found by any governmental or other regulatory authority or organization to be in breach of any law or any of the material rules of that authority or organization applicable from time to time to the Manager;
  - iv. a resolution shall be adopted for the winding up of the Manager or the Manager shall be wound up compulsorily (otherwise than for the purpose of and followed by a voluntary amalgamation or reconstruction), or an encumbrancer shall take possession, or a receiver, administrator or like person shall be appointed, of the whole or any part of the undertaking or assets of the Manager, or the Manager shall be unable to pay its debts within the meaning of any applicable insolvency or similar legislation, or the Manager shall compound with or convene a meeting of its creditors or take or suffer similar action which, in the opinion of HSDS and/or HSIL, means that the Manager may be unable to pay its debts; or
  - v. HSIL and/or HSDS are required by any applicable law or any applicable governmental body or regulatory authority not to grant or continue to grant the licence pursuant to this Agreement in respect of the Sub-Fund.

- (b) Either party may terminate the Licence Agreement if at least 3 months' prior written notice is given to the other party.

## 15. THE UNDERLYING INDEX

The Underlying Index is a free float adjusted market capitalisation weighted index with a specified cap-level of 8% on individual non-foreign companies constituent, 4% on individual foreign companies constituent and 10% on aggregate foreign companies constituents. The objective of the Underlying Index is to serve as a market benchmark that reflects the overall performance of the Hong Kong stock market. The Underlying Index is a net total return index which means that the performance of the Underlying Index constituents is calculated on the basis that any dividends or distributions are reinvested after withholding tax deduction (if any).

As of 27 February 2026, the Underlying Index has a total market capitalization of HK\$ 31,636.12 billion and 88 constituents.

The Underlying Index was launched on 25 February 2009 and had a base level of 44,276.04 on 1 August 2008. The Underlying Index is denominated in HKD.

### Index Universe

The universe of the Underlying Index (the “**Index Universe**”) includes constituents of the Hang Seng Composite LargeCap & Midcap Index as of index review data cut-off date. It excludes secondary-listed Foreign Companies, Stapled Securities, Biotech Companies with stock names end with marker “B” and Specialist Technology Companies with stock names ended with marker “PC”.

### Eligible securities

A security is eligible for constituent selection if it fulfils the following requirements:

- **Market Value Requirements:** As a Hang Seng Composite LargeCap & MidCap Index constituent
- **Geographical Requirements:** Excludes secondary-listed “Foreign Companies”, which are classified as companies (i) incorporated outside Hong Kong; (ii) non-Chinese Mainland companies (i.e. non-H-shares, non-Red-chips and non-P-chips companies); or (iii) companies with history, headquarters, management and a principal place of business outside Hong Kong, Macau, Chinese Mainland, or Taiwan.
- **Listing History Requirements:** Has at least 3 months (counting up to the index review meeting date)
- **Turnover Requirements:** To pass the monthly turnover test if it attains a minimum velocity of 0.1% in that month (details of the velocity test as described in the Index Methodology General Guide published by HSIL).

### Selection criteria

From the securities in the Index Universe satisfying the above eligibility requirements, final selections are based on the following:

#### *Selection by Industry Group*

Eligible candidates will be assigned to one of the below industry groups according to their industry classification of the Hang Seng Industry Classification System (“HSICS”):

Industry Group	HSICS	
	Code	Industry

1	50	Financials
2	70	Information Technology
3	23	Consumer Discretionary
	25	Consumer Staples
4	60	Properties & Construction
5	35	Telecommunications
	40	Utilities
6	28	Healthcare
7	00	Energy
	05	Materials
	10	Industrials
	80	Conglomerates

The combination of the industry group will be reviewed at least every two years.

#### *Considerations for Deciding the Constituent Number for Each Industry Group*

The number of constituents in each industry group will be decided by the below principles:

- Target to cover at least 50%, in terms of market capitalization, for each industry group;
- Characteristics of the industry group which include the distribution of the listed companies in terms of their size and number; and
- The industry group weighting in the index compared to the market.

The index will also maintain at least 20 constituents that are classified as “Hong Kong” Companies and this number will be reviewed at least every two years.

#### *Principles of Constituent Selection*

In general, eligible securities will be evaluated within each industry group according to the following considerations:

- Representativeness;
- Market capitalisation;
- Turnover; and
- Financial performance.

Cross-industry group constituent changes might take place to restore sectoral balance.

#### **Number of Constituents**

Target to reach 80 by mid-2022 and ultimately fixed at 100.

#### **Index calculation**

The Index is based on a free float adjusted market capitalisation weighted formula with an 8% capping on individual securities.

#### **Free float adjusted factor**

The free float adjusted factor represents the proportion of shares that is freely floated as a percentage of the issued shares after excluding strategic holdings, director and management holdings, corporate cross-holdings, lock-up shares and WVR shares:

- **Strategic holdings** – Shareholdings of governments and affiliated entities or any other entities which hold more than 5% of the company’s shareholding
- **Director and management holdings** – Shareholdings that individually represent more than 5% of the company’s shareholdings held by directors, members of the board committee, principal

- officers or founding members
- Corporate cross-holdings – Shareholdings held by publicly traded companies or private firms / institutions that individually represent more than 5% of the company's shareholdings
  - Lock-up shares – Shareholdings that represent more than 5% of the company's shareholdings and has a publicly disclosed lock-up arrangement
  - WVR shares – Shares carrying multiple voting rights

A free float adjusted factor will not be applied to interests in constituent securities held by custodians, trustees, mutual funds, and investment companies, or any of the HK Shares held by a depository or its custodian as underlying for overseas depository receipts.

### **Index review**

HSIL undertakes regular quarterly reviews of HSI constituents with data cut-off dates of end of March, June, September and December each year. The regular rebalancing is usually implemented after market close on the first Friday in March, June, September and December, and comes into effect on the next trading day.

Index adjustment will be made simultaneously for corporate actions such as bonus issue, rights issue, share split and share consolidation.

In each review, there may or may not be constituent additions or deletions.

Existing constituents failing to meet the eligibility requirements may be considered for removal. Even if existing constituents fulfil all the eligibility requirements, the smallest constituents and the constituents with lowest liquidity within the industry group may be considered for removal from the HSI subject to the availability of appropriate replacement candidates.

The final constituent selection will be decided by the HSI Advisory Committee after taking the above into consideration.

### **Index Constituents**

You can obtain the most updated list of the Index Constituents with their respective weightings and additional information of the Underlying Index, including its last closing level, from the website of HSIL at <https://www.hsi.com.hk/eng/indexes/all-indexes/hsi>.

### **Index codes**

Bloomberg Code: HSINH

### **Index Provider**

The Underlying Index is compiled and managed by Hang Seng Indexes Company Limited (“HSIL”), a wholly-owned subsidiary of Hang Seng Bank Limited.

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

### **Index Provider disclaimer**

The Hang Seng Index is published and compiled by HSIL pursuant to a licence from Hang Seng Data Services Limited (“HSDS”). The mark and name “Hang Seng Index” is proprietary to HSDS. HSIL and HSDS have agreed to the use of, and reference to, the Hang Seng Index by the Manager and the Trustee and their respective duly appointed agents in connection with CSOP Hang Seng Index ETF, BUT NEITHER HSIL NOR HSDS WARRANTS OR REPRESENTS OR GUARANTEES TO ANY BROKER OR HOLDER OF THE CSOP HANG SENG INDEX ETF OR ANY OTHER PERSON (i) THE ACCURACY OR COMPLETENESS OF THE HANG SENG INDEX AND ITS COMPUTATION OR ANY INFORMATION RELATED THERETO; OR (ii) THE FITNESS OR SUITABILITY FOR ANY PURPOSE OF THE HANG

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