

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

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

*If you have sold or transferred all your shares in Value Partners EMQQ Emerging Markets Internet & Ecommerce ETF, you should at once hand this Announcement and Notice to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.*

**IMPORTANT:** The Stock Exchange of Hong Kong Limited (the “SEHK”), the Hong Kong Exchanges and Clearing Limited (the “HKEX”), the Hong Kong Securities and Futures Commission (the “SFC”) and the Hong Kong Securities Clearing Company Limited (the “HKSCC”) take no responsibility for the contents of this Announcement and Notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Announcement and Notice.

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

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



## **Value Partners ETF Series OFC** (the “Company”)

*a Hong Kong public umbrella open-ended fund company with variable capital, limited liability and segregated liability between sub-funds and authorised under section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong*

## **Value Partners EMQQ Emerging Markets Internet & Ecommerce ETF** (the “Sub-Fund”)

**Stock Code: 03030**

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

Terms not defined in this Announcement and Notice will have the meanings as are given to such terms in the Prospectus of the Company and the Sub-Fund dated 15 July 2022 (the “Prospectus”).

**IMPORTANT:** Investors are strongly advised to consider the contents of this Announcement and Notice. This Announcement and Notice is important and requires your immediate attention. It concerns the proposed cessation of trading of shares of the Sub-Fund (the “Shares”) on the SEHK, proposed termination and proposed deauthorisation of the Sub-Fund, proposed delisting of the Sub-Fund from the SEHK and the non-applicability of certain provisions of the Code on Unit Trusts and Mutual Funds (the “Code”) for the period from 3 July 2024 (the “Trading Cessation Date” as defined in section 2.4 below) to the date of deauthorisation of the Sub-Fund (the “Deauthorisation Date”). In particular, investors should note that:

- taking into account the relevant factors, including, in particular, the relatively small net asset value of the Sub-Fund (the “Net Asset Value”) (see section 1 below), the Directors have decided to exercise its power under Clause 286(A) of the Instrument of Incorporation to terminate the Sub-Fund with effect from the Termination Date (as explained below) and gave notice in writing to the Custodian notifying the Custodian of its proposal to terminate the Sub-Fund;
- the Last Trading Day (as defined in section 2.4 below) of the Shares will be 2 July 2024. The investors may continue to buy or sell their shares on the SEHK on any trading day up to (and including) the Last Trading Day;
- the Shares will cease trading from the Trading Cessation Date, 3 July 2024;
- the Manager will aim to realise all of the assets of the Sub-Fund from the Trading Cessation Date. Accordingly, from the Trading Cessation Date onwards, (i) there will be no further trading of Shares on the SEHK and no further creation and redemption of Shares; (ii) the Manager will start to realise all the assets of the Sub-Fund and the Sub-Fund will therefore cease to track the performance of its Index and will not be able to meet its investment objective of tracking the performance of such Index; (iii) the Sub-Fund will no longer be marketed or offered to the public; (iv) the Sub-Fund will mainly hold cash; and (v) the Sub-Fund will only be operated in a limited manner;
- the Manager will bear all costs and expenses associated with the termination and deauthorisation of the Sub-Fund as well as the delisting of the Sub-Fund (other than transaction costs and any taxes relating to the realisation of assets of the Sub-Fund) from the date of this Announcement and Notice up to and including the Termination Date. As at the date of this Announcement and Notice, the Sub-Fund has unamortised establishment costs of HK\$1,213,596.78. Such unamortised establishment costs will be reimbursed by the Manager in full;
- the Manager will, after having consulted the Custodian and the Sub-Fund’s auditors (the “Auditors”), declare a Distribution (as defined in section 2.2 below) to the investors who remain so as at 17 July 2024 (the “Distribution Record Date”), and the Distribution is expected to be payable on or around 31 July 2024

(the “Distribution Date”). The amount of Distribution will equal the value of net proceeds from the realisation of the assets of the Sub-Fund as at 17 July 2024 excluding (i) any taxes payable; and (ii) any expenses payable;

- by the date when the Custodian and the Manager form an opinion that the Sub-Fund ceases to have any outstanding contingent or actual assets or liabilities, the Custodian and the Manager will commence the completion of the termination of the Sub-Fund (i.e. the Termination Date). The Manager expects the Termination Date will be on or around 7 November 2024 and the Manager will publish an announcement on or shortly before the Termination Date about the termination, deauthorisation and delisting of the Sub-Fund;
- from the Trading Cessation Date until the Termination Date, the Manager will maintain the Sub-Fund’s SFC authorisation status and SEHK listing status. Subject to the SEHK’s approval, delisting should take effect at or around the same time as the deauthorisation;
- the Manager expects that the deauthorisation and the delisting will take place either on the Termination Date or shortly after the Termination Date. Any product documentation of the Sub-Fund previously issued to investors, including the Prospectus and the Product Key Facts Statement of the Sub-Fund (the “KFS”), should be retained for personal use only and not for public circulation; and
- investors should pay attention to the risk factors set out in section 5.1 below (including liquidity risk, Shares trading at a discount or premium and Market Makers’ inefficiency risk, tracking errors during the period from the date of this Announcement and Notice to the Last Trading Day risk, Net Asset Value downward adjustment risk, failure to track the Index risk and delay in distribution risk). Investors should exercise caution and consult their professional and financial advisers before dealing in the Shares or otherwise deciding on the course of actions to be taken in relation to their Shares.

Stockbrokers and financial intermediaries are urged to:

- forward a copy of this Announcement and Notice to their clients holding Shares in the Sub-Fund, and inform them of the contents of this Announcement and Notice as soon as possible;
- facilitate their clients who want to dispose of Shares on or before the Last Trading Day;
- inform their clients as soon as possible if any earlier dealing deadline, additional fees or charges, and/or other terms and conditions will be applicable in respect of the provision of their services in connection with any disposal of Shares; and
- inform their clients of the Distribution arrangements as set out in section 2.2 below and the possible impact in relation to such arrangements to their clients.

## **1. Proposed termination, cessation of trading and realisation of assets**

### **1.1. Proposed termination**

According to Clause 286(A) of the instrument of incorporation of the Company and the Sub-Fund effective as of 11 January 2022 (the “Instrument”), the Sub-Fund may be terminated

by the Directors in their absolute discretion in the event that the Net Asset Value of the Sub-Fund is less than HK\$150,000,000. The Instrument does not require investors' approval for terminating the Sub-Fund on the ground set out in Clause 286(A) of the Instrument.

As at 28 May 2024, the Net Asset Value and the Net Asset Value per Share of the Sub-Fund were HK\$90,994,926.40 and HK\$8.4255 respectively. Having taken into account the relevant factors including the interests of the investors as a whole, the current relatively small Net Asset Value of the Sub-Fund, the Directors are of the view that the proposed termination of the Sub-Fund would be in the best interests of the investors of the Sub-Fund.

Therefore, the Directors have decided to exercise their power under Clause 286(A) of the Instrument to terminate the Sub-Fund on the date on which the Custodian and the Manager form an opinion that the Sub-Fund ceases to have any outstanding contingent or actual assets or liabilities. The Directors have given written notice to the Custodian notifying the Custodian of its proposal to terminate the Sub-Fund and to voluntarily seek the deauthorisation and delisting of the Sub-Fund, and the Custodian does not object to such proposal and acknowledges the non-applicability of certain provisions of the Code as referred to in this Announcement and Notice for the period from and including the Trading Cessation Date to the date of the Sub-Fund's deauthorisation, subject to the specific conditions and requirements to be imposed by the SFC.

As required under Clause 288 of the Instrument, no less than one month's notice is hereby given to the investors, notifying them of the proposed termination of the Sub-Fund. As required under Chapter 10.11 of the SFC's Code on Open-Ended Fund Companies (the "**OFC Code**"), written notification to investors must be made prior to the termination of the Sub-Fund. Also, as required under Chapters 11.1A and 11.2 of the Code, no less than one month's notice is hereby given to the investors, notifying them that the Sub-Fund will cease to track the performance of its Index, and cease trading, from the Trading Cessation Date.

## **1.2. Proposed cessation of trading**

The Manager will apply to SEHK to have the Shares cease trading on the SEHK with effect from 3 July 2024 (the "**Trading Cessation Date**"). The Manager will aim to realise all of the assets of the Sub-Fund effective from the Trading Cessation Date.

The realisation of assets of the Sub-Fund will not incur any additional cost as compared to the costs associated with normal realisation of investments.

2 July 2024 will be the Last Trading Day when investors may buy or sell Shares on the SEHK in accordance with the usual trading arrangements currently in place, and no creation and redemption of Shares through Participating Dealers will be allowed after such date.

For the avoidance of doubt, creation and redemption of Shares by Participating Dealers will continue to be permitted until the Last Trading Day. Creations of Shares will be limited to the creation of Shares by Participating Dealers for market making activities of market makers to provide liquidity of the trading of the Shares on the SEHK. There will be no creation of Shares for other purposes after this Announcement and Notice has been published.

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

### 1.3. Impact of the proposed realisation of the assets

After the realisation of the assets of the Sub-Fund, the Sub-Fund will mainly hold cash (primarily consisting of the proceeds from the realisation of the assets of the Sub-Fund). It therefore follows that, from the Trading Cessation Date, the Sub-Fund will cease to track the performance of its Index, and will not be able to meet its investment objective of tracking the performance of such Index.

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

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

On any trading day up to and including the Last Trading Day, an investor may continue to buy or sell its Shares on the SEHK in accordance with the usual trading arrangements, during the trading hours of the SEHK and based on the prevailing market prices. The market makers of the Sub-Fund (collectively the “**Market Makers**”) will continue to perform its market making functions in accordance with the Trading Rules of the SEHK until the Trading Cessation Date.

Investors should note that stockbrokers or other financial intermediaries may impose brokerage fees on any sale of the Shares on the SEHK on investors, and a SFC transaction levy (at 0.0027% of the trading price of the Shares), an Accounting and Financial Reporting Council transaction levy (at 0.00015% of the trading price of the Shares) and a trading fee (at 0.00565% of the trading price of the Shares) will be payable by the buyer and the seller of the Shares.

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

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

Relevant Investors (as defined in section 2.2 below) are reminded to contact their stockbrokers or financial intermediaries to check whether there will be any fees or charges including custody fees that they may need to bear with regard to their holding of Shares during the period from the Trading Cessation Date up till the date on which they cease to hold Shares.

### 2.2 Distribution(s)

For Relevant Investors who are still holding Shares after the Last Trading Day, the Manager will, after consulting the Custodian and the Auditors, declare a distribution in Hong Kong dollars (“**HKD**”) (the “**Distribution**”) in respect of those investors who remain invested in the Sub-Fund as of the Distribution Record Date (the “**Relevant Investors**”). Such Distribution is expected to be made on or around 31 July 2024 (the “**Distribution Date**”).

The amount of Distribution will equal the value of net proceeds from the realisation of the assets of the Sub-Fund as at 17 July 2024, excluding (i) any tax payables; and (ii) any expenses payables. Each Relevant Investor will be entitled to the amount of Distribution in proportion to the Relevant Investor’s Shares in the Sub-Fund as at the Distribution Record Date.

The Distribution payable to each Relevant Investor is expected to be paid on or around 31 July 2024, to the accounts of its financial intermediary or stockbroker maintained with CCASS as at the Distribution Record Date. The Manager will issue a further announcement to inform the Relevant Investors of the exact day of payment of the Distribution, together with the amount of Distribution per Share in respect of the Sub-Fund at least five business days before the Distribution Date.

The Manager does not expect or anticipate there will be a further distribution after the Distribution. However, in the unlikely event there is a further distribution after the Distribution, the Manager will issue an announcement informing the Relevant Investors.

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

### **2.3 Between the Trading Cessation Date and the Termination Date**

Following the realisation of the assets and the Distribution and further distribution (if any), when the Manager and the Custodian are of the opinion that the Sub-Fund ceases to have any contingent or actual assets or liabilities (the “**Termination Date**”), the Manager and the Custodian will commence the completion of terminating the Sub-Fund.

During the period from the Trading Cessation Date until, at the earliest, the Termination Date, although the Sub-Fund will continue to have listing status on the SEHK and will remain authorised by the SFC, the Sub-Fund will no longer be marketed or offered to the public and will only be operated in a limited manner because there will be no dealing in the Shares in the primary market nor trading of Shares in the secondary market and the Sub-Fund will have no investment activities from the Trading Cessation Date onwards.

The deauthorisation and delisting of the Sub-Fund will take place either on the Termination Date or shortly after the Termination Date, subject to the SFC’s and SEHK’s respective approvals. The Manager expects that delisting will only take place at or around the same time of the deauthorisation.

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

Following deauthorisation, the Sub-Fund will no longer be subject to regulation by the SFC and will not be available for public distribution in Hong Kong. Any product documentation of the Sub-Fund previously issued to investors, including the Prospectus and the KFS, should be retained for personal use only and not for public circulation. Stockbrokers, financial intermediaries and investors must not circulate any marketing or other product information relating to the Sub-Fund to the public in Hong Kong as this may be in breach of the Securities and Futures Ordinance of Hong Kong (the “**SFO**”).

### **2.4 Important dates**

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

Dispatch of this Announcement and Notice	After market close on 31 May 2024 (Friday)
No further request for creation of Shares by investors in the primary market via Participating Dealers (other than by Participating Dealers for market making activities) after this Announcement and Notice has been published	3 June 2024 (Monday)
Last day on which requests for creation by Participating Dealers for market making activities and redemption of Shares in the primary market through Participating Dealers may be accepted  Last day for dealings in the Shares on the SEHK (the " <b>Last Trading Day</b> ")	2 July 2024 (Tuesday)
No further requests for creation and redemption of Shares in the primary market will be accepted  Cessation of trading in the Shares on the SEHK in the secondary market  The date on which the Manager will start to realise all the investments of the Sub-Fund and the Sub-Fund will cease to track the performance of its Index  The day from which the Sub-Fund shall no longer be marketed or offered to the public in Hong Kong (the " <b>Trading Cessation Date</b> ")	3 July 2024 (Wednesday)
Last valuation of the Sub-Fund to be conducted upon realisation of all assets (the " <b>Last Valuation Date</b> ")	17 July 2024 (Wednesday)
Record date for determining the eligibility of entitlement for the Distribution and further distribution, if any (the " <b>Distribution Record Date</b> ")	By close of business on 17 July 2024 (Wednesday)
Dispatch of announcement on Distribution and the amount of Distribution per Share after consultation with the Custodian and the Auditors	On or around 24 July 2024 (Wednesday), at least five business days before the Distribution Date
Distribution, after the Manager having consulted the Custodian and the Auditors, will be paid to the investors who are still holding Shares as at the Distribution Record Date (the " <b>Distribution Date</b> ")	On or around 31 July 2024 (Wednesday)
If any further distribution is payable to the Relevant Investors after the payment of the Distribution, dispatch of an announcement to inform investors of the Further	By 7 August 2024 (Wednesday), at least five business days

Distribution Date and the amount of further distribution per Share	before the Further Distribution Date
Payment of further distribution (if any) to the Relevant Investors as mentioned in the preceding paragraph (the “ <b>Further Distribution Date</b> ”)	On or around 14 August 2024 (Wednesday)
Termination of the Sub-Fund (the “ <b>Termination Date</b> ”)	Expected to be 7 November 2024 (Thursday)
Deauthorisation and delisting of the Sub-Fund The date of deauthorisation and delisting will be the date which the SFC and SEHK approve the deauthorisation and delisting respectively.	On or shortly after the Termination Date

The Manager will issue the following:

- (i) (on a weekly basis from the date of this Announcement and Notice to the Last Trading Day) reminder announcements informing and reminding investors of the Last Trading Day, the Trading Cessation Date and the Distribution Record Date;
- (ii) (at least five business days before the Distribution Date) an announcement to inform the investors of the Distribution Date;
- (iii) (at least five business days before the Further Distribution Date) an announcement to inform the investors of the Further Distribution Date (if any); and
- (iv) (on or shortly before the Termination Date) an announcement informing investors about the Termination Date, Deauthorisation Date and the date for the delisting of the Sub-Fund,

in accordance with the applicable regulatory requirements.

If there is any change to the dates mentioned set out in the table above, the Manager will issue an announcement to inform the Relevant Investors of the revised dates.

### **3. Non-applicability of certain provisions of the Code**

#### **3.1 Background**

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

Given the Sub-Fund will no longer be marketed to the public and have limited operation when the Sub-Fund ceases trading, pursuant to Chapter 8.6(t) of the Code and question 13 of the Frequently Asked Questions on Exchange Traded Funds and Listed Funds issued by the SFC, the Sub-Fund may continue to maintain its authorisation status without strictly complying with certain provisions of the Code for the period from and including the Trading Cessation Date up until the Deauthorisation Date, provided that the specific conditions and requirements imposed by the SFC are met.



Such conditions and requirements are described in this section 3.

### **3.2 Updating of the Prospectus and KFS**

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

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

- (i) the Manager shall promptly notify investors of any changes to the Sub-Fund or to the Prospectus or the KFS by means of publishing further announcement(s) on the Sub-Fund's website <https://www.vpemqq.com><sup>1</sup> and the HKEX's website (each, a "**Relevant Future Announcement**"); and
- (ii) the Manager shall ensure that each Relevant Future Announcement shall include a statement to refer investors to read this Announcement and Notice together with the Prospectus, the KFS, and any other Relevant Future Announcement(s).

### **3.3 Provision of real time or near-real time indicative Net Asset Value per Share and last Net Asset Value**

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

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

- (i) the Manager shall ensure the Net Asset Value per Share as of 2 July 2024 (i.e. the Last Trading Day), which will be the latest Net Asset Value per Share, will be published on the Sub-Fund's website: <https://www.vpemqq.com><sup>1</sup>; and
- (ii) the Manager shall update the latest available Net Asset Value per Share on the Sub-Fund's website <https://www.vpemqq.com><sup>1</sup> as soon as practicable should there be any other change to the Net Asset Value of the Sub-Fund, including but not limited to changes arising from (i) the Distribution (please see further in section 2.2 above); (ii) further distribution (if any); (iii) any deduction of transaction costs or taxes relating to the realisation of the assets of the Sub-Fund; and (iv) any change in market value of the scrip dividend receivable by the Sub-Fund (if any) of the underlying stocks.

### **3.4 Publication of suspension of dealing**

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

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<sup>1</sup> The website has not been reviewed by the SFC.

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

The Manager will continue to manage the Sub-Fund without strict compliance with Chapter 10.7 of the Code from the Trading Cessation Date to the Deauthorisation Date, subject to the condition that a statement shall be posted in a prominent position of the Sub-Fund's website <https://www.vpemq.com><sup>1</sup> from the Trading Cessation Date to the Deauthorisation Date to notify investors that the Shares have ceased trading on SEHK from 3 July 2024, and draw investors' attention to this Announcement and Notice, the subsequent reminder announcements and all other relevant announcements.

As the Sub-Fund will maintain its listing status with SEHK during the period from and including the Trading Cessation Date up until the date of delisting and deauthorisation, investors may continue to access further announcements in relation to the Sub-Fund via the Sub-Fund's website <https://www.vpemq.com><sup>1</sup> and HKEX's website during such period.

### **3.5 Other related matter**

The Manager confirms that, save for the particular provisions of the Code set out in sections 3.2 to 3.4 above, the Manager will continue to comply with all the other applicable provisions of the Code, the applicable provisions in the Instrument, the OFC Code, the Securities and Futures (Open-ended Fund Companies) Rules, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and other applicable laws and regulations in respect of the Sub-Fund.

## **4. Costs**

### **4.1 Trading on the SEHK**

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

### **4.2 Creation and redemption by Participating Dealers**

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

### **4.3 Ongoing charges of the Sub-Fund**

The ongoing charges over a year\* for the Sub-Fund as a percentage of Net Asset Value is 1.49%.

\*The ongoing charges figure is based on the expenses for the Sub-Fund for the year ended 31 December 2023, expressed as a percentage of the sum of expenses over the average Net Asset Value of the Sub-Fund for the corresponding period. It does not include the swap fees. The Manager does not expect that the termination of the Sub-Fund will impact the figure disclosed above for ongoing charges percentage. The ongoing charges are calculated in accordance with the guidance under the relevant SFC circular, and exclude the following costs and expenses associated with the termination of the Sub-Fund (which are borne by the Sub-Fund): (i) transaction costs and (ii) any taxes relating to the realisation of assets of the Sub-Fund.

The Sub-Fund does not have any contingent liabilities (such as outstanding litigation) as at the date of this Announcement and Notice.

#### **4.4 Cost of termination, deauthorisation and delisting**

The Manager will bear all costs and expenses associated with the termination and deauthorisation of the Sub-Fund as well as the delisting of the Sub-Fund (other than transaction costs and any taxes relating to the realisation of assets of the Sub-Fund) from the date of this Announcement and Notice up to and including the Termination Date. The Manager will continue to charge a management fee up to and including the Last Trading Date.

#### **4.5 Unamortised establishment costs**

As at the date of this Announcement and Notice, the Sub-Fund has unamortised establishment costs of HK\$1,213,596.78. Such unamortised establishment costs as at the date of this Announcement and Notice will be reimbursed by the Manager in full. Save for the unamortised establishment costs, the Sub-Fund does not have any contingent liabilities (such as outstanding litigation) as at the date of this Announcement and Notice.

### **5. Other matters**

#### **5.1 Other implications of the proposed cessation of trading, the proposed termination, deauthorisation and delisting**

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

*Liquidity risk* – Trading of Shares in the Sub-Fund on the SEHK from the date of this Announcement and Notice may become less liquid;

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

*Tracking errors during the period from the date of this Announcement and Notice to the Last Trading Day risk* – It is possible that the size of the Sub-Fund may drop drastically before the Last Trading Day. This may impair the Manager's ability to fulfil the investment objectives of the Sub-Fund and result in significant tracking error. In the extreme situation where the size of the Sub-Fund becomes so small that the Manager considers that it is not in the best interest of the Sub-Fund to continue to invest in the market, the Manager may

decide to convert the whole or part of the investments of the Sub-Fund into cash or deposits in order to protect the interest of the investors of the Sub-Fund;

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

*Failure to track the Index risk* – All assets of the Sub-Fund, to the extent possible, will be liquidated with effect from the Trading Cessation Date. Thereafter, the Sub-Fund's assets will mainly be cash. The Sub-Fund will only be operated in a limited manner. It therefore follows that, from the Trading Cessation Date, the Sub-Fund will cease to track the performance of its Index, and will not be able to meet its investment objective of tracking the performance of such Index; and

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

Investor attention is also drawn to the risk factors disclosed in the Prospectus.

## **5.2 Tax implications**

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

Distribution or further distribution (if any) to the extent of distribution of profits and/or capital of the Sub-Fund should generally not be subject to Hong Kong profits tax by investors in Hong Kong (whether by way of withholding or otherwise). For investors carrying on a trade, profession or business in Hong Kong, profits derived in redemption or disposal of Shares in the Sub-Fund may be subject to Hong Kong profits tax if the profits in question arise in or are derived from such trade, profession or business, sourced in Hong Kong, as well as the Shares are revenue assets of the investors.

The tax implications of the investors' shareholding as a consequence of the termination of the Sub-Fund may vary depending on the law and regulations of their country of residence, citizenship or domicile. Investors should consult their professional tax advisers for tax advice.

## **5.3 Connected party transaction**

The following persons currently hold in aggregate 10,004,000 Shares in the Sub-Fund, accounting for 92.63% of the Net Asset Value of the Sub-Fund:

- Value Partners Limited, a fellow subsidiary of the Manager and Sub-Manager of the Company and the Sub-Fund; and

- Mr. HUI Kiu Tat, Director of the Company.

Other than as disclosed above, none of the Connected Persons of the Manager and/or the Custodian are party to any transaction in relation to the Sub-Fund, nor hold any interest in the Sub-Fund. Investors should note that the possible disposal of the interest held by the Connected Persons, either in whole or in part, may result in significant reduction in the fund size or significant tracking error of the Sub-Fund. Such a disposal may impair the Manager's ability to fulfill the investment objectives of the Sub-Fund and result in significant tracking error of the Sub-Fund. Please also see "Tracking errors during the period from the date of this Announcement and Notice to the Last Trading Day risk" in section 5.1 above.

## **6. Documents available for inspection**

Copies of the following documents are available for inspection free of charge upon request at the Manager's office at 43/F, The Center, 99 Queen's Road Central, Hong Kong during normal business hours:

- the Instrument;
- the Prospectus and the KFS; and
- the audited annual report and unaudited semi-annual reports of the Sub-Fund.

## **7. Enquiries**

If you have any questions in relation to the contents of this Announcement and Notice, please direct them to your stockbrokers or financial intermediaries or contact the Manager by calling (852) 2143 0628 during office hours which are from 9:00 a.m. to 6:00 p.m. (except Hong Kong public holidays), or visiting the Sub-Fund's website <https://www.vpemqq.com><sup>2</sup>.

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

### **Sensible Asset Management Hong Kong Limited**

as Manager of the Company and the Sub-Fund

31 May 2024

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<sup>2</sup> The website has not been reviewed by the SFC.

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

# Value Partners ETF Series OFC

*(a Hong Kong public umbrella open-ended fund company with variable capital, limited liability and segregated liability between sub-funds and authorised under section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO"))*

## PROSPECTUS

*Manager*

**Sensible Asset Management Hong Kong Limited**  
盛寶資產管理香港有限公司

*Sub-Manager*

**Value Partners Hong Kong Limited**  
惠理基金管理香港有限公司

**15 July 2022**

Hong Kong Exchanges and Clearing Limited ("HKEX"), The Stock Exchange of Hong Kong Limited (the "SEHK"), Hong Kong Securities Clearing Company Limited ("HKSCC") and the Hong Kong Securities and Futures Commission (the "SFC") take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus. The Company has been registered with the SFC as an open-ended fund company. The Company and each Sub-Fund have each been authorised as collective investment schemes by the SFC. Registration with and authorisation by the SFC do not represent a recommendation or endorsement of the Company or any of the Sub-Fund(s) nor do they guarantee the commercial merits of the Company, any of the Sub-Fund(s) or their performance. They do not mean the Company or the Sub-Fund(s) is suitable for all investors nor do they represent an endorsement of their suitability for any particular investor or class of investors.

IMPORTANT – while section 112S of the SFO provides for segregated liability between sub-funds, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known how those foreign courts will react to section 112S of the SFO.

## IMPORTANT INFORMATION

This Prospectus relates to the offer in Hong Kong of shares (the “Shares”) in the Value Partners ETF Series OFC (the “Company”) and its sub-fund(s). The Company is a public umbrella open-ended fund company incorporated in Hong Kong on 11 January 2022 with variable capital and limited liability. The Company can have a number of sub-funds (the “Sub-Funds” or individually a “Sub-Fund”) with segregated liability among the Sub-Funds. Sensible Asset Management Hong Kong Limited (the “Manager”) has been appointed as the management company of the Company and each Sub-Fund. HSBC Institutional Trust Services (Asia) Limited has been appointed as the custodian of the Company and each Sub-Fund.

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

The Manager accepts full responsibility for the accuracy of the information contained in this Prospectus and the Product Key Facts Statement of each Sub-Fund and confirms having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this Prospectus or any Product Key Facts Statement misleading. The Manager also confirms that this Prospectus includes particulars given in compliance with the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* and the *Code on Unit Trusts and Mutual Funds* (the “UT Code”), the *Code on Open Ended Fund Companies* and the “Overarching Principles” of the *SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products* for the purposes of giving information with regard to the Shares in each Sub-Fund.

Each Sub-Fund is a fund falling within Chapter 8.6 of the UT Code. Certain Sub-Fund(s) may also be subject to additional Chapters of the UT Code. The Company has been registered with the SFC as an open-ended fund company under Section 112D of the SFO. The Company and each Sub-Fund are authorised by the SFC in Hong Kong under Section 104 of the SFO. The SFC takes no responsibility for the financial soundness of the Company, any Sub-Fund or for the correctness of any statements made or opinions expressed in this Prospectus. Registration with and authorisation by the SFC do not represent a recommendation or endorsement of the Company or any of the Sub-Funds nor do they guarantee the commercial merits of a scheme or its performance. They do not mean the Company or the Sub-Funds are suitable for all investors nor do they represent an endorsement of their suitability for any particular investor or class of investors.

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

Application has been made to the Listing Committee of the SEHK for the listing of, and permission to deal in the Shares of Value Partners EMQQ Emerging Markets Internet & Ecommerce ETF. Subject to compliance with the admission requirements of the HKSCC, the Shares of Value Partners EMQQ Emerging Markets Internet & Ecommerce ETF 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 Shares of Value Partners EMQQ Emerging Markets Internet & Ecommerce ETF on the SEHK or such other date as may be determined by HKSCC. 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 Shares or the distribution of this Prospectus in any jurisdiction other than Hong Kong and, accordingly, this Prospectus does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or any other United States Federal or State law and, except in a transaction which does not violate the Securities Act, may not be directly or indirectly offered to or sold in the United States of America or any of its territories or for the benefit of a US Person (as defined in Regulation S of the Securities Act). The Company and each Sub-Fund have not been and will not be registered as an investment company under the United States Investment Company Act of 1940, as amended. Shares may not be acquired or owned by (i) an employee benefit plan, as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), that is subject to Title I of ERISA, (ii) a plan, as defined in Section 4975(e)(1) of the United States Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), that is subject to Section 4975 of the Internal Revenue Code, (iii) a plan that is subject to any other law, regulation, rule or restriction that is substantially similar to ERISA or Section 4975 of the Internal Revenue Code (“Similar Law”) or (iv) an entity whose assets are deemed to include the assets of such an employee benefit plan or plan for purposes of ERISA, Section 4975 of the Internal Revenue Code or Similar Law, unless the purchase, holding and

disposition of Shares will not constitute a violation under ERISA, Section 4975 of the Internal Revenue Code and any applicable Similar Law.

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

The Manager may impose restrictions on the Shareholders by any "U.S. Person" and operate (i) compulsory redemption of Shares or (ii) transfer of Shares held by such "U.S. Person".

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

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

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

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

### **Questions and Complaints**

Investors may raise any questions on or make any complaints about the Company (including the Sub-Fund(s)) by contacting the Manager at its address as set out in the Directory of this Prospectus or calling the Manager (852) 2143 0688 during normal office hours.



## DIRECTORY

*Directors*  
**HO Man Kei, Norman**  
**HUI Kiu Tat**

*Manager*  
**Sensible Asset Management Hong Kong Limited**  
43/F, The Center  
99 Queen's Road Central  
Hong Kong

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

*Participating Dealers<sup>#</sup>*  
Please refer to the relevant Appendix of each Sub-Fund

*Legal Counsel to the Manager*  
**Simmons & Simmons**  
30/F, One Taikoo Place  
979 King's Road  
Hong Kong

*Listing Agent*  
**Altus Capital Limited**  
21 Wing Wo Street  
Central  
Hong Kong

*Company*  
**Value Partners ETF Series OFC**  
43/F, The Center  
99 Queen's Road Central  
Hong Kong

*Sub-Manager*  
**Value Partners Hong Kong Limited**  
43/F, The Center  
99 Queen's Road Central  
Hong Kong

*Administrator, Valuation Agent and Registrar*  
**The Hongkong and Shanghai Banking Corporation Limited**  
1 Queen's Road Central  
Hong Kong

*Market Makers<sup>#</sup>*  
Please refer to the relevant Appendix of each Sub-Fund

*Conversion Agent or Service Agent*  
**HK Conversion Agency Services Limited**  
8th Floor, Two Exchange Square  
8 Connaught Place  
Central, Hong Kong

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

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

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## **PART 1 – GENERAL INFORMATION RELATING TO THE COMPANY AND SUB-FUND(S)**

Part 1 of this Prospectus includes information relevant to the Company and all Sub-Fund(s) established under the Company and listed on the SEHK.

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

## DEFINITIONS

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

“Administrator” means The Hongkong and Shanghai Banking Corporation Limited, or such other person or persons for the time being duly appointed as administrator hereof in succession thereto.

“After Listing” means the period which commences on the Listing Date and continues until the relevant Sub-Fund is terminated.

“A-Shares” means shares issued by companies incorporated in Mainland China and listed on the SSE or the SZSE, traded in RMB and available for investment by domestic investors and foreign investors approved by the CSRC.

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

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

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

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

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

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

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

“Company” means Value Partners ETF Series OFC.

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

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

- (b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or
- (c) any member of the group of which that company forms part; or
- (d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c).

“Conversion Agency Agreement” means the agreement by which the Conversion Agent agrees with the Manager to provide its services entered amongst the Company, the Manager, the Administrator (where applicable), the Custodian, HKSCC and the Conversion Agent.

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

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

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

“CSRC” means the China Securities Regulatory Commission.

“Custodian” means HSBC Institutional Trust Services (Asia) Limited unless otherwise specified in Part 2 of this Prospectus.

“Custody Agreement” means the custody agreement dated 28 February 2022 between the Company for itself and each Sub-Fund and the Custodian by which the Custodian is appointed.

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

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

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

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

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

“Directors” means the directors of the Company for the time being or the directors of the Company present at a meeting of directors at which a quorum is present and includes any committee of the Directors duly constituted for the purposes relevant in the context in which any reference to the Directors appears or the members of such committee present at a meeting of such committee at which a quorum is present, and “Director” shall be construed accordingly.

“Dual Counter” means a Multi-Counter facility under which Shares of a Sub-Fund are traded in two eligible currencies.

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

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

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

“ETF” means exchange traded fund.

“Extension Fee” means the fee payable to the Custodian or the Administrator (as the case may be) on each occasion the Company, upon a Participating Dealer’s request, grants the Participation Dealer an extended settlement in respect of a Creation Application or Redemption Application.

“FDIs” means financial derivative instruments.

“FRC” means the Financial Reporting Council in Hong Kong.

“Fund Administration Agreement” means the agreement for the time being subsisting between the Company for and on behalf of the relevant Sub-Funds and The Hongkong and Shanghai Banking Corporation Limited relating to the appointment and duties of the Administrator, Valuation Agent and Registrar of the relevant Sub-Fund.

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

“Group” means Value Partners Group Limited and its subsidiaries.

“H-Shares” means shares issued by companies incorporated in Mainland China and listed on the Hong Kong Stock Exchange and traded in Hong Kong Dollars.

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

“HKEX” means Hong Kong Exchanges and Clearing Limited or its successors.

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

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

“IFRS” means International Financial Reporting Standards.

“Income Property” means, in respect of a 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 Custodian 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 or transfer of any Income Property received in a form other than cash); (b) all interest and other sums received or receivable by the Company in respect of (a), (c) or (d) of this definition; (c) all cash payments received or receivable by the Custodian for the account of the relevant Sub-Fund in respect of an Application; (d) all Cancellation Compensation received by the Custodian for the account of the relevant Sub-Fund; and (e) any payments to be received or are receivable by the Company under any contractual agreements in the nature of investments for the benefit of the relevant Sub-Fund but excluding (i) other Deposited Property; (ii) any amount for the time being standing to the credit of the distribution account for the account of the relevant Sub-Fund or previously distributed to Shareholders; (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 Company from the Income Property of the relevant Sub-Fund.

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

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

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

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

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

“Instrument” means the instrument of incorporation of the Company filed to the Companies Registry of Hong Kong and effective as of 11 January 2022, including its Schedules and Appendices, as amended from time to time.

“Issue Price” means the price at which Shares may be issued, determined in accordance with the Instrument.

“Laws and Regulations” means all applicable laws and regulations including the SFO, Securities and Futures (Open-ended Fund Companies) Rules (Chapter 571AQ of the Laws of Hong Kong), (as amended from time to time), the OFC Code, the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products (including the UT Code, as amended from time to time and supplemented by published guidelines or other guidance issued by the SFC) and the SFC Fund Manager Code of Conduct (as amended from time to time and supplemented by published guidelines or other guidance issued by the SFC).

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

“Macau” means the Macao Special Administrative Region of the PRC.

“Mainland China” means all the custom territories of the PRC, excluding for the purposes of interpretation of this Prospectus only, Hong Kong, Macau and Taiwan, and “Mainland Chinese” shall be construed accordingly.

“Management Agreement” means the discretionary management agreement dated 20 January 2022 between the Company for itself and each Sub-Fund and the Manager by which the Manager is appointed.

“Manager” means Sensible Asset Management Hong Kong Limited or such other person or persons for the time being duly appointed as investment manager of the Company in succession thereto being approved by the SFC under the UT Code.

“Market” means in any part of the world:

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

and any over-the-counter transaction conducted in any part of the world and in relation to any Security or futures contract shall be deemed to include any bilateral agreement with a responsible firm, corporation or association in any country in any part of the world dealing in the Security or futures contract which the Manager may from time to time elect.

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

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

“N-Shares” means shares of Mainland Chinese companies listed on a US stock exchange such as the NYSE or NASDAQ.

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

“OFC Code” means the Code on Open Ended Fund Companies issued by the SFC (as amended, or replaced, from time to time).

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



“P-chips” means Mainland Chinese companies listed on the SEHK and traded in HKD which are incorporated in the Cayman Islands, Bermuda and the British Virgin Islands with a majority of their business operations in Mainland China and controlled by private Mainland Chinese shareholders.

“Participating Dealer” means a licensed broker or dealer who is (or who has appointed an agent or delegate who is) a person admitted for the time being by HKSCC as a participant of CCASS and who has entered into a Participation Agreement in form and substance acceptable to the Manager and Custodian, and any reference in this Prospectus to “Participating Dealer” shall include a reference to any agent or delegate so appointed by the Participating Dealer.

“Participation Agreement” means an agreement entered into between, among others, the Company, the Manager, the Custodian, the Administrator and a Participating Dealer (and its agent, if applicable), and if determined necessary by the Manager (in its absolute discretion), each of HKSCC and the Conversion Agent, setting out, (amongst other things), the arrangements in respect of the issue of Shares and the redemption and cancellation of Shares. References to the Participation Agreement shall, where appropriate, mean the Participation Agreement, read together with the Operating Guidelines.

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

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

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

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

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

“Red Chips” means shares of companies incorporated outside of Mainland China with a majority of their business operations in Mainland China and traded on the SEHK in HKD.

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

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

“Registrar” means The Hongkong and Shanghai Banking Corporation Limited, or such person as may from time to time be appointed as registrar in respect of each Sub-Fund to keep the register of the Shareholders of the Sub-Fund hereof in succession thereto.

“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 Yuan, the lawful currency of Mainland China.

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

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

“Scheme Property” means all the property of the Company.

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

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

“Securities Lending Agent” means such person as may from time to time be appointed by the Custodian and/or the Manager to manage a Sub-Fund’s securities lending activities.

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

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

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

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

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

“Settlement Day” means the Business Day which is two Business Days after the relevant Dealing Day (or such other Business Day as is permitted in relation to such Dealing Day (including the Dealing Day itself) pursuant to the Operating Guidelines) or such other number of Business Days after the relevant Dealing Day as determined by the Manager in consultation with the Custodian from time to time and notified to the relevant Participating Dealers, either generally or for a particular class or classes of Shares, pursuant to the Operating Guidelines.

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

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

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

“Share Cancellation Fee” means the fee charged by the Conversion Agent in respect of the cancellation of Shares in connection with an accepted Redemption Application of a Sub-Fund.

“Shareholder” means the person for the time being entered on the Register as the holder of a Share or Shares including, where the context so admits, persons jointly so registered.

“SSE” means the Shanghai Stock Exchange.

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

“Stock Connect” means the securities trading and clearing linked programme with an aim to achieve mutual stock market access between Mainland China and Hong Kong, comprising the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.

“Sub-Fund” means a segregated pool of assets and liabilities into which the Scheme Property is divided, established under the Instrument and as described in the relevant Appendix.

“Sub-Manager” means Value Partners Hong Kong Limited unless otherwise specified in Part 2 of this Prospectus.

“Swap” means a swap agreement to be entered by the Company on behalf of a Sub-Fund which may, subject to the terms of the Instrument, take such form as determined or agreed by the Manager, including an International Swaps and Derivatives Association master agreement, schedules, annexes and confirmations as well as related documents.

“Swap Counterparty” means a counterparty of each Sub-Fund pursuant to a Swap.

“SZSE” means the Shenzhen Stock Exchange.

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

“US”, “U.S.” or “United States” means United States of America.

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

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

“Valuation Agent” means The Hongkong and Shanghai Banking Corporation Limited, or such other person or persons for the time being duly appointed as valuation agent hereof in succession thereto.

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

## INTRODUCTION

### **The Company**

The Company is a public umbrella open-ended fund company with variable capital with limited liability, which was incorporated in Hong Kong under the SFO on 11 January 2022 with the company number OF53. It is constituted by way of its Instrument filed to the Companies Registry of Hong Kong and effective as of 11 January 2022.

The Company is registered with the SFC under Section 112D of the SFO. The Company and each Sub-Fund is authorised as a collective investment scheme by the SFC under Section 104 of the SFO and each Sub-Fund falls within Chapter 8.6 of the UT Code. SFC registration or authorisation is not a recommendation or endorsement of a Sub-Fund nor does it guarantee the commercial merits of the Company, any Sub-Fund or their performance. It does not mean that the Company or a Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

### **The Sub-Fund(s)**

The Company may issue different classes of Shares and the Company shall establish a separate pool of assets in respect of each Sub-Fund (each such separate pool of assets a “Sub-Fund”) to which one or more class of Shares shall be attributable. The assets of a Sub-Fund will be invested and administered separately from the other assets of the Company. 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. Each Sub-Fund will have its own Appendix in Part 2 of this Prospectus.

Each Sub-Fund will be an exchange traded fund listed on the SEHK. Where indicated in the relevant Appendix, Shares in a Sub-Fund may be available for trading on the SEHK using a Multi-Counter.

The Company reserves the right to establish other Sub-Funds and/or issue further classes of Shares relating to a Sub-Fund or Sub-Funds in the future in accordance with the provisions of the Instrument.

## THE OFFERING PHASES

### Initial Offer Period

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

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

If a Creation Application is received by the Company, the Manager, the Administrator and the Registrar after the deadline as specified in the Appendix, that Creation Application shall be carried forward and deemed to be received at the opening of business on the Listing Date, which shall be the Dealing Day for the purposes of that Creation Application.

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

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

### After Listing

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

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

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

#### *Buying and Selling of Shares on the SEHK*

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

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

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

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

Shares will continue to be created and redeemed in the primary market at the Issue Price and Redemption Value respectively through Participating Dealers in Application Share size or multiples thereof. Where stated in the relevant Appendix, in-kind creations or in-kind

redemptions may be permitted by the Manager. The Application Share size and currency for settlement are as set out in the relevant Appendix.

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

Settlement in cash for subscribing Shares in cash is due by such time as agreed in the Operating Guidelines on the relevant Dealing Day, unless the Manager agrees with the relevant Participating Dealer to accept later settlement generally or in any particular case.

Settlement of Shares for redeeming Shares is due 2 Business Days (unless as otherwise stated in the relevant Appendix) after the Dealing Day, unless the Manager agrees with the relevant Participating Dealer to accept later settlement generally or in any particular case.

Notwithstanding any Multi-Counter (if applicable) for Shares, all settlement is in the base currency of the relevant Sub-Fund only.

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

## **Timetable**

### *Initial Offer Period*

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

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

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

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

### *After Listing*

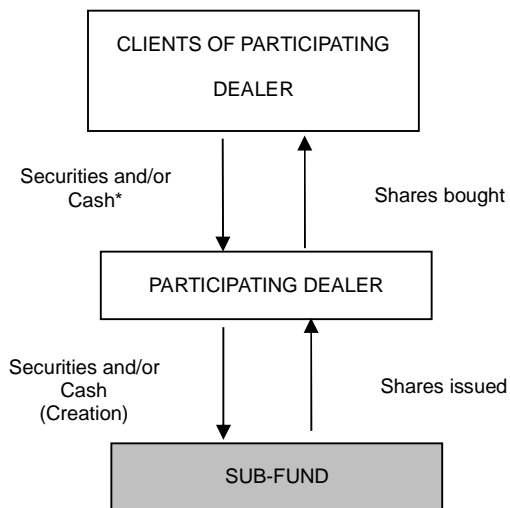
"After Listing" commences on the Listing Date and continues until the relevant Sub-Fund is terminated.

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

**Diagrammatic Illustration of Investment in a Sub-Fund**

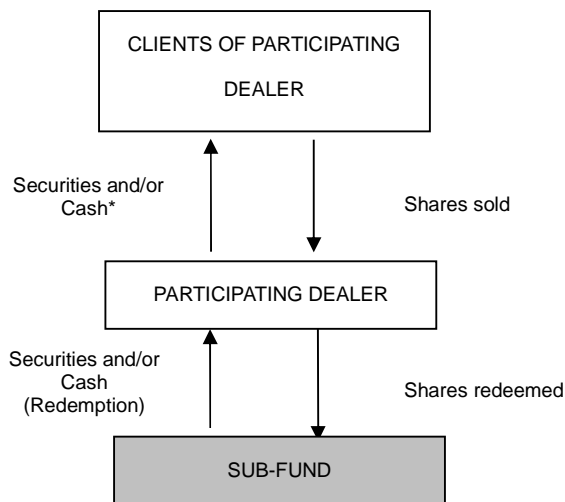
The diagrams below illustrate the creation or redemption and the buying or selling of Shares:

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



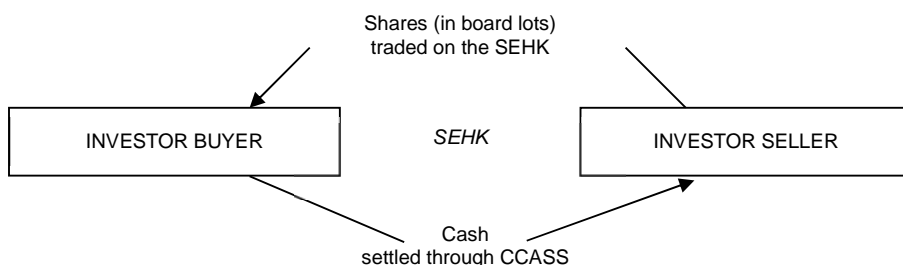
*\* Clients of a Participating Dealer may agree with the Participating Dealer settlement in a different currency to the creation currency.*

(b) Redemption and selling of Shares in the primary market – After Listing



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

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



**Summary of Offering Methods and Related Fees**

*Initial Offer Period*

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



After Listing

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

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

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

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

### **Investment Objective**

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

### **Investment Strategy**

Currently each Sub-Fund will adopt either a full replication or a representative sampling strategy.

#### *Full Replication Strategy*

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

#### *Representative Sampling Strategy*

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

#### *Switching Between Strategies*

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

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

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

The investment strategy of each Sub-Fund is stated in the relevant Appendix. Currently none of the Sub-Fund(s) is a "synthetic" exchange traded fund.

### **Stock Connect**

The Stock Connect is a securities trading and clearing linked programme developed by the HKEX, the SSE, the SZSE and the CSDCC, with an aim to achieve mutual stock market access between

Mainland China and Hong Kong. It comprises the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.

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

#### *Eligible Securities*

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

- a) SSE-listed shares which are not traded in RMB; and
- b) SSE-listed shares which are included in the “risk alert board”.

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

- a) SZSE-listed shares which are not traded in RMB; and
- b) SZSE-listed shares which are included in the “risk alert board”.

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

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

#### *Trading Day*

Investors (including a Sub-Fund) will only be allowed to trade on the other market on days where both markets are open for trading, and banking services are available in both markets on the corresponding settlement days.

#### *Trading Quota*

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

### *Settlement and Custody*

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

### *Corporate Actions and Shareholders' Meetings*

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

### *Currency*

Hong Kong and overseas investors (including a Sub-Fund) will trade and settle SSE Securities and SZSE Securities in RMB only.

### *Trading Fees and Taxes*

In addition to paying trading fees and stamp duties in connection with A-Share trading, a Sub-Fund may be subject to other fees and taxes concerned with income arising from stock transfers which are determined by the relevant authorities.

### *Coverage of Investor Compensation Fund*

A Sub-Fund's investments through Northbound trading under Stock Connect is not covered by Hong Kong's Investor Compensation Fund in respect of defaults occurring prior to 1 January 2020. Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong. For defaults occurring on or after 1 January 2020, the Hong Kong's Investor Compensation Fund also covers investors' losses in relation to securities traded on a stock market operated by the SSE or the SZSE and in respect of which an order for sale or purchase is permitted to be routed through the Northbound link of a Stock Connect arrangement. Since default in Northbound trading via Stock Connect do not involve products listed or traded in the SEHK or the Hong Kong Futures Exchanges Limited, such trading is not covered by Hong Kong's Investor Compensation Fund. On the other hand, since a Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not Mainland Chinese brokers, such trading is not protected by the China Securities Investor Protection Fund (中國投資者保護基金) in Mainland China. Further information about the Stock Connect is available at the website: [http://www.hkex.com.hk/eng/market/sec\\_tradinfra/chinaconnect/chinaconnect.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm).

### **Investment Restrictions**

Unless otherwise stated in the relevant Appendix and approved by the SFC, the following principal investment restrictions apply to each Sub-Fund under the Company authorised by the SFC:

- (a) the aggregate value of a Sub-Fund's investments in, or exposure to, any single entity (other than Government and other Public Securities) through the following may not exceed 10% of the latest available Net Asset Value of such Sub-Fund, save as (for an index tracking ETF) permitted by Chapter 8.6(h) and as varied by Chapter 8.6(h)(a) of the UT 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 UT Code and unless otherwise approved by the SFC, the aggregate value of a Sub-Fund's investments in, or exposure to, Entities within the Same Group through the following may not exceed 20% of the latest available Net Asset Value of the Sub-Fund:
- (1) investments in Securities issued by such entities;
  - (2) exposure to such entities through underlying assets of FDIs; and
  - (3) net counterparty exposure to such entities arising from transactions of over-the-counter FDIs;
- (c) unless otherwise approved by the SFC, the value of a Sub-Fund's cash deposits made with the same entity or Entities within the Same Group may not exceed 20% of the latest available 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 would 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 purposes of this paragraph, "cash deposits" generally refers 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 a single entity held for the account of a Sub-Fund, when aggregated with other holdings of ordinary shares issued by a single entity held for the account of all other Sub-Funds under the Company collectively, may not exceed 10% of the nominal amount of the ordinary shares issued by the same entity;
- (e) not more than 15% of the latest available 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, the 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 UT Code;
  - (2) any increase in the overall fees and charges directly or indirectly borne by the Shareholders or the Sub-Fund as a result must be clearly disclosed in the Appendix of the relevant Sub-Fund; and

- (3) the Sub-Fund must produce the reports required by Chapter 5.10(b) of the UT 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 latest available Net Asset Value of a Sub-Fund may be invested in Government and other Public Securities of the same issue, except that this limit may be exceeded with the approval of the SFC provided that the Sub-Fund has been authorised by the SFC as an index fund;
- (h) subject to (g), a Sub-Fund may fully invest in Government and other Public Securities in at least six different issues. Government and other Public Securities will be regarded as being of a different issue if, even though they are issued by the same person, they are issued on different terms whether as to repayment dates, interest rates, the identity of the guarantor, or otherwise. Subject to the approval of the SFC, and provided that the Sub-Fund has been authorised by the SFC as an index fund, the Sub-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 despite the restrictions under this paragraph;
- (i) unless otherwise approved by the SFC on a case-by-case basis taking into account the liquidity of the physical commodities concerned and availability of sufficient and appropriate additional safeguards where necessary, a Sub-Fund may not invest in physical commodities;
- (j) unless otherwise provided under the UT Code, the spread requirements under paragraphs (a), (b), (d) and (e) do not apply to investments in other collective investment schemes by a Sub-Fund and for the avoidance of doubt, exchange traded funds that are:
  - (1) authorised by the SFC under Chapter 8.6 or 8.10 of the UT 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 UT 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 UT Code,

may either be considered and treated as (i) listed Securities for the purposes of and subject to the requirements in paragraphs (a), (b) and (d) above; or (ii) collective investment schemes for the purposes of and subject to the requirements in paragraph (k)(1), (k)(2), provisos of (i) to (iii) of paragraph (k) below. However, the investments in exchange traded funds shall be subject to paragraph (e) above and, unless otherwise specified in the relevant Appendix in respect of a particular Sub-Fund, investment by a Sub-Fund in exchange traded funds is considered and treated as listed securities for the purposes of and subject to the requirements in paragraphs (a), (b) and (d) above;

- (k) where a Sub-Fund invests in shares or units of other collective investment schemes (“underlying schemes”),
  - (1) the value of such Sub-Fund’s investment in units or shares in underlying schemes which are non-eligible schemes (as determined by the SFC) and not authorised by the SFC, may not in aggregate exceed 10% of the latest available Net Asset Value of the Sub-Fund; and
  - (2) such Sub-Fund may invest in one or more underlying schemes which are either authorised by the SFC or eligible schemes (as determined by the SFC), but the value of the Sub-Fund’s investment in units or shares in each such underlying scheme may not exceed 30% of the latest available Net Asset Value of the Sub-

Fund, unless the underlying scheme is authorised by the SFC and its name and key investment information are disclosed in the Appendix of the relevant 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 UT Code, and where that underlying scheme's objective is to invest primarily in investments restricted by Chapter 7 of the UT Code, such investments may not be in contravention of the relevant limitation prescribed by Chapter 7 of the UT Code. For the avoidance of doubt, a Sub-Fund may invest in scheme(s) authorised by the SFC under Chapter 8 of the UT Code (except for hedge funds under Chapter 8.7 of the UT Code), eligible scheme(s) (as determined by the SFC) of which the net derivative exposure (as defined in the UT Code) does not exceed 100% of its latest available net asset value, and exchange traded funds satisfying the requirements in paragraph (j) above in compliance with paragraph (k)(1) and (k)(2);
  - (ii) where the underlying schemes are managed by the 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 schemes;
  - (iii) the objective of the underlying schemes may not be to invest primarily in other collective investment scheme(s);
  - (iv) where an investment is made in any underlying scheme(s) managed by the Manager or any of its Connected Persons, all initial charges and redemption charges on the underlying scheme(s) must be waived; and
  - (v) the Manager or any person acting on behalf of the Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or the management company of an underlying scheme, or quantifiable monetary benefits in connection with investments in any underlying scheme;
- (l) in the case of investments in shares in real estate companies and interests in real estate investment trusts (REITs), a Sub-Fund shall comply with the requirements under paragraphs (a), (b), (d), (e) and (k)(1) above where applicable. Where investments are made in listed REITs, the requirements under paragraphs (a), (b) and (d) above apply and where investments are made in unlisted REITs, which are either companies or collective investment schemes, then the requirements under paragraphs (e) and (k)(1) above apply respectively;
- (m) a Sub-Fund may invest 90% or more of its Net Asset Value in a single collective investment scheme and may be authorised as a feeder fund by the SFC. In this case:
- (1) the underlying scheme ("master fund") must be authorised by the SFC;
  - (2) the Appendix of the relevant Sub-Fund must state that:
    - (i) the Sub-Fund is a feeder fund into the master fund;
    - (ii) for the purpose of complying with the investment restrictions, the Sub-Fund and its master fund will be deemed a single entity;
    - (iii) the Sub-Fund's annual report must include the investment portfolio of the master fund as at the financial year end date; and

- (iv) the aggregate amount of all the fees and charges of the Sub-Fund and its underlying master fund must be clearly disclosed;
- (3) unless otherwise approved by the SFC, no increase in the overall total of initial charges, redemption charges, management company's annual fee, or any other costs and charges payable to the Manager or any of its Connected Persons borne by the Shareholders or by the Sub-Fund may result, if the master fund in which the Sub-Fund invests is managed by the Manager or by its Connected Person; and
- (4) notwithstanding paragraph (k)(iii) above, the master fund may invest in other collective investment scheme(s) subject to the investment restrictions as set out in paragraphs (k)(1), (k)(2), provisos of (i) to (iii) of paragraph (k); and
- (n) 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 latest available Net Asset Value in securities and other investments to reflect the particular objective, investment strategy or geographic region or market which the Sub-Fund represents.

### **Investment Prohibitions**

A Sub-Fund shall not:

- (A) invest in a security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5% of the total nominal amount of all the issued securities of that class or collectively the directors and officers of the Manager own more than 5% of those securities;
- (B) invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in REITs);
- (C) make short sales if as a result a Sub-Fund would be required to deliver Securities exceeding 10% of the latest available Net Asset Value of the Sub-Fund (and for this purpose (i) Securities sold short must be actively traded on a market where short selling is permitted; and (ii) short selling is carried out in accordance with all applicable laws and regulations);
- (D) carry out any naked or uncovered short sale of Securities;
- (E) lend or make a loan out of the assets of the Sub-Fund, except to the extent, in either case, that the acquisition of bonds or the making of a deposit (within the applicable investment restrictions) might constitute a loan;
- (F) subject to Chapter 7.3 of the UT 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 UT Code;
- (G) enter into any obligation in respect of a Sub-Fund or acquire any asset or engage in any transaction for the account of a Sub-Fund which involves the assumption of any liability which is unlimited. For the avoidance of doubt, the liability of Shareholders must be limited to their investments in the relevant Sub-Fund; or
- (H) apply any part of a Sub-Fund in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call is to be made for any sum unpaid on such investments unless such call could be met in full out of cash or near cash forming part of a Sub-Fund whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transactions in FDIs for the purposes of Chapters 7.29 and 7.30 of the UT Code.



*Note:* The investment restrictions set out above apply to each Sub-Fund, subject to the following: A collective investment scheme authorised by the SFC under the UT Code is usually restricted under Chapter 7.1 of the UT 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 latest available net asset value. However, where the Sub-Fund is authorised under Chapter 8.6 of the UT Code as an index fund (with reference to the investment objective of each Sub-Fund and nature of the index) and notwithstanding Chapter 7.1 of the UT Code, more than 10% of the latest available Net Asset Value of the relevant Sub-Fund may be invested in constituent securities issued by a single entity provided that (i) it is limited to any constituent securities that each accounts for more than 10% of the weighting of the Index; and (ii) the relevant Sub-Fund's holding of any such constituent Securities may not exceed their respective weightings in the Index, except where 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 Chapter 8.6(h)(i) and (ii) of the UT Code (as described above) do not apply if:

- (1) the Sub-Fund adopts a representative sampling strategy which does not involve the full replication of the constituent securities of the underlying index in the exact weightings of such index;
- (2) the strategy is clearly disclosed in this Prospectus;
- (3) 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;
- (4) 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 SFC. In determining this limit, the relevant Sub-Fund must consider the characteristics of the underlying constituent securities, their weightings and the investment objectives of the index and any other suitable factors;
- (5) limits laid down by the Sub-Fund pursuant to Chapter 8.6(h)(a)(iv) of the UT Code must be disclosed in this Prospectus;
- (6) 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 Chapter 8.6(h)(a)(iv) of the UT Code 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 SFC 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.

Due to its index tracking nature, the SFC may, upon sufficient justification, consider not requiring an index fund to strictly comply with the investment restrictions in Chapters 7.1A and 7.1B of the UT Code on a case-by-case basis.

## **Borrowing**

Borrowing against the assets of each Sub-Fund is allowed up to a maximum of 10% of its latest available Net Asset Value. In determining for the purpose of this borrowing limit, back-to-back loans do not count as borrowing. The Company may borrow for the account of a Sub-Fund any currency, and charge or pledge assets of that Sub-Fund in accordance with the provisions of the Instrument.

For the avoidance of doubt, securities lending transactions and sale and repurchase transactions (subject to the "What is the investment strategy?" section in each relevant Appendix) in compliance with the requirements set out in the section headed "Securities Financing Transactions" are not subject to the limitations in this section.

## **Financial Derivative Instruments**

Subject always to the provisions of the Instrument, the UT Code and the “What is the investment strategy?” section in each relevant Appendix, the Manager may on behalf of a Sub-Fund enter into any transactions in relation to Swaps or other FDIs, for hedging or non-hedging (investment) purposes.

### **Hedging purposes**

Where specified in the relevant Appendix, a Sub-Fund may acquire FDIs for hedging purposes. FDIs are considered as being acquired for hedging purposes if they meet all of the following criteria:

- (a) they are not aimed at generating any investment return;
- (b) they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss or risks arising from the investments being hedged;
- (c) although they may not necessarily reference to 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
- (d) they exhibit price movements with high negative correlation with the investments being hedged under normal market conditions.

The Manager, where it deems necessary, shall cause hedging arrangement to be adjusted or re-positioned with due consideration on the fees, expenses and costs, to enable the relevant Sub-Fund to meet its hedging objective in stressed or extreme market conditions.

### **Non-hedging (investment) purposes**

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 latest available Net Asset Value, except this limit may be exceeded for Sub-Funds approved by the SFC under Chapters 8.8 (structured funds) or 8.9 (funds that invest extensively in financial derivative instruments) of the UT Code and provided that this limit may be exceeded in such circumstances as permitted under the UT Code, handbook, code and/or guideline issued by the SFC from time to time or permitted by the SFC from time to time. In this regard:

- (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 positions;
- (b) the net derivative exposure should be calculated in accordance with the requirements and guidance issued by the SFC which may be updated from time to time; and
- (c) for the avoidance of doubt, 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.

The actual level of leverage may be higher than such expected level in exceptional circumstances, for example when there are sudden movements in markets and/or investment prices.

### **Restrictions applicable to FDIs**

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, currencies or other asset classes acceptable to the SFC, in which the Sub-Fund may invest according to its investment objectives and policies;
- (b) where a Sub-Fund invests in index-based FDIs, the underlying assets of such FDIs are not required to be aggregated for the purposes of the investment restrictions or limitations set out in paragraphs (a), (b), (c) and (g) of the section headed "Investment Restrictions" above provided that the index is in compliance with the relevant requirements under Chapter 8.6(e) of the UT Code;
- (c) the counterparties to over-the-counter FDI transactions or their guarantors are substantial financial institutions or such other entity acceptable to the SFC on a case-by-case basis;
- (d) subject to paragraphs (a) and (b) under the section entitled "Investment Restrictions" above, a Sub-Fund's net counterparty exposure to a single entity arising from transactions of the over-the-counter FDIs may not exceed 10% of the latest available Net Asset Value of such Sub-Fund, provided that the exposure of a 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 marked-to-market value of the over-the-counter FDIs with that counterparty, if applicable; and
- (e) the valuation of the FDIs is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager, the Custodian 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 Valuation Agent 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.

For the avoidance of doubt, restrictions and limitations on counterparty as set out in paragraphs (a) and (b) under the section entitled "Investment Restrictions" above and paragraph (d) of this section will not apply to FDIs that are:

- (A) transacted on an exchange where the clearing house performs a central counterparty role; and
- (B) marked-to-market daily in the valuation of their financial derivative instrument positions and subject to margining requirements at least on a daily basis.

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

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 such purposes, assets that are used to cover a 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 the case of holding alternative assets as cover, a Sub-Fund shall apply safeguard measures such as to apply haircut where appropriate to ensure that such alternative assets held are sufficient to meet its future obligations.

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

### **Securities Financing Transactions**

Subject to the "What is the investment strategy?" section in each relevant Appendix, the Company may enter into securities financing transactions in respect of a Sub-Fund, provided that they are in the best interests of Shareholders and the associated risks have been properly mitigated and addressed. Please refer to the "What is the investment strategy?" section in each relevant Appendix for the policy regarding such arrangements of each Sub-Fund.

Securities lending transactions will only be entered into:

- (a) if the borrower provides 100% collateralisation for the borrowed Securities of a value equivalent to or in excess of the borrowed Securities and such collateral to be quality, liquid collateral;
- (b) through the agency of a recognised clearing system or a financial institution acceptable to the Manager which engages in this type of transaction;
- (c) the relevant Securities lent must be fully paid-up shares listed on any stock exchange, over-the-counter market or other organised securities market that is open to the international public on which such securities are regularly traded; and
- (d) the amount of consideration (including the value of any collateral) given for the relevant Securities must exceed the value of such Securities at any one time on daily marked to market values.

Further, unless otherwise specified under the "What is the investment strategy?" section in each relevant Appendix, details of the policy regarding securities financing transactions are as follows:

- (i) all revenue arising from securities financing transactions, net of direct and indirect expenses which will be borne by the relevant Sub-Fund (such as any fees paid to securities lending agents and operational costs arising from such transactions) as reasonable and normal compensation for the services rendered in the context of such transactions, will be credited to the account of the relevant Sub-Fund;
- (ii) each counterparty for such transactions (including a borrower for a securities lending transaction) and the issuer of collateral will be an independent counterparty approved by the Manager and will be a financial institution which is subject to ongoing prudential regulation and supervision. There is no criteria for country of origin of the counterparty. Each counterparty is expected to be (x) incorporated in countries of high credit quality; (y) have a minimum credit rating of A2/P2 or equivalent assigned by reputable credit rating agencies or in the reasonable opinion of the Manager, or deemed to have an implied rating

of A2/P2 or equivalent; alternatively, an unrated counterparty will be acceptable where the relevant Sub-Fund is indemnified against losses caused by the counterparty, by an entity which has a minimum credit rating of A2/P2 or equivalent; or (z) be a licensed corporation with the SFC or registered institution with the Hong Kong Monetary Authority when entering into such transactions;

- (iii) the relevant Sub-Fund should have at least 100% collateralisation in respect of securities financing transactions. The Custodian, upon the instruction of the Manager, will take collateral, which will be cash or liquid securities with value greater than or equal to the value of the securities lent, and the collateral agent (who may be the Custodian or a third party to be appointed by the Custodian at the direction of the Manager or by the Manager directly, as may from time to time be agreed between them) will review its value on a daily basis to ensure that it is at least of a value equivalent to the borrowed securities, and such collateral must meet the collateral policies described below;
- (iv) up to 50% of the assets of the relevant Sub-Fund may be available for such transactions and, unless otherwise specified in the relevant Appendix, the expected level of a Sub-Fund's assets available for these transactions will be up to 20% of the assets of the relevant Sub-Fund;
- (v) the Manager will ensure that it is able to recall the Securities or the full amount of cash (as the case may be) subject to the securities financing transactions or terminate such transactions into which it has entered;
- (vi) where any securities lending transaction is arranged through the Custodian or a Connected Person of the Custodian or the Manager, such transaction shall be conducted at arm's length and executed on the best available terms, and the relevant entity shall be entitled to retain for its own use and benefit any fee or commission it receives on a commercial basis in connection with such arrangement (the securities lending fee will be disclosed in the connected party transaction section of the relevant Sub-Fund's annual financial reports).

In particular, The Hongkong and Shanghai Banking Corporation Limited, which is a Connected Person of the Custodian, may engage in securities financing transactions with a Sub-Fund. In acting as securities lending agent, The Hongkong and Shanghai Banking Corporation Limited will receive remuneration for its activities; and

- (vii) custody/safekeeping arrangements, which details are set out in the section entitled "Collateral" below, are in place in respect of the assets subject to the securities financing transactions.

## **Collateral**

The Manager employs a collateral management policy in relation to collateral received in respect of over-the-counter (OTC) FDI transactions and securities financing transactions entered into in respect of a Sub-Fund.

A Sub-Fund may receive collateral from a counterparty to an OTC FDI transaction or a securities financing transaction, so as to reduce its counterparty risk exposure as set out in paragraph (d) under the section entitled "Restrictions applicable to FDIs" above and paragraph (iii) under the section entitled "Securities Financing Transactions" above, provided that the collateral complies with the requirements set out below:

- Nature and quality of collateral – unless otherwise agreed by the Manager, eligible collateral include:

- cash, in the same currency denomination as the securities lent, or in Hong Kong or US dollars if the securities lent are denominated in a foreign currency;
- government or other public securities including debt securities;
- certificates of deposit;
- letters of credit which are unconditional and irrevocable and which have a credit rating of A1/P1 or better; and
- certificates issued by securities exchange clearing systems;
- Selection of counterparties - The Manager has counterparty selection policies and control measures to manage the credit risks of counterparties of OTC FDI transactions and securities financing transactions and will be subject to the requirements under paragraph (ii) under the section entitled “Securities Financing Transactions” above. In particular:
  - the counterparties for OTC FDI transactions will be entities with legal personality typically located in Organisation for Economic Co-operation and Development (OECD) jurisdictions (but may also be located outside such jurisdictions), and be subject to ongoing supervision by a regulatory authority; and
  - the counterparties for securities financing transactions (including a borrower for a securities lending transaction) will be an independent counterparty approved by the Manager and will be a financial institution which is subject to ongoing prudential regulation and supervision;
- Liquidity – collateral must be sufficiently liquid and tradable that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing. 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;
- Valuation – collateral should be marked-to-market daily by using independent pricing source;
- Issuer credit quality – asset used as collateral must be of high credit quality and should be replaced immediately as soon as the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral;
- Haircut – a haircut is a discount applied to the value of a collateral asset to account for the fact that its valuation, or liquidity profile, may deteriorate over time. 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:
  - the haircut policy takes into account the price volatility of the asset used as collateral and, where appropriate, other specific characteristics of the collateral, including, among others, asset types, issuer creditworthiness, residual maturity, price sensitivity, optionality, expected liquidity in stressed period, impact from foreign exchange, and correlation between securities accepted as collateral and the securities involved in the transactions; and
  - the haircut policy applied to posted collateral will be negotiated on a counterparty basis and will vary depending on the class of asset received by a Sub-Fund. Further details of the applicable haircut arrangement for each asset class is available from the Manager upon request;

- 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 corresponding investment restrictions and limitations set out in the paragraphs (a), (b), (c), (g), (h), (k)(1), (k)(2), provisos of (i) to (iii) of paragraph (k), (l) and (B) under the section entitled “Investment Restrictions” above;
- Correlation – the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty or the issuer of the FDIs, or the counterparty of securities financing transactions 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 the counterparty of securities financing transactions or any of their related entities should not be used as collateral;
- Management of operational and legal risks – the Manager shall have appropriate systems, operational capabilities and legal expertise for proper collateral management;
- Independent custody – collateral must be held by the Custodian;
- Safe-keeping of collateral and assets subject to securities financing transactions –
  - any non-cash assets received by the relevant Sub-Fund from a counterparty on a title transfer basis (whether in respect of a securities lending transaction or an OTC FDI transaction) shall be held by the Custodian, or a nominee, agent or delegate appointed in relation the assets of such relevant Sub-Fund. This is not applicable in the event that there is no title transfer and, in which case, the collateral will be held by a third party custodian which is unrelated to the provider of the collateral; and
  - assets provided by the relevant Sub-Fund on a title transfer basis (in respect of a sale and repurchase transaction) shall no longer belong to such Sub-Fund. The counterparty may use those assets at its absolute discretion. Assets provided to a counter party other than on a title transfer basis shall be held by the Custodian or a nominee, agent or delegate appointed in relation the assets of such relevant Sub-Fund;
- Enforceability – collateral must be readily accessible/enforceable by the Custodian without further recourse to the issuer of the FDIs, or the counterparty of securities financing transactions;
- Re-investment of collateral – 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 UT Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the UT Code and the following restrictions:
  - 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 Chapters 8.2(f) and 8.2(n) of the UT Code;
  - cash collateral received is not allowed to be further engaged in any securities financing transactions;
  - 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; and

- unless otherwise specified in the relevant Appendix in respect of a particular Sub-Fund, up to 100% of the cash collateral received by a Sub-Fund may be reinvested.

For the purposes of re-investment of cash collateral received, “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 will be taken into account;

- 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.

The requirements under paragraphs (a) and (b) under the section entitled “Investment Restrictions” above will also apply in the case of the “diversification” and “re-investment of collateral” requirements of this section.

A description of holdings of collateral (including but not limited to a description of the nature of collateral, identity of the counterparty providing the collateral, value of the Sub-Fund (by percentage) secured/covered by collateral with breakdown by asset class/nature and credit rating (if applicable)) will be disclosed in the Sub-Fund’s annual and interim reports for the relevant period.

If any of the restrictions or limitations set out above is breached in respect of a Sub-Fund, the Manager will, as a priority objective, take all necessary steps within a reasonable period of time to remedy such breach, taking due account of the interests of the Shareholders of that Sub-Fund. The Custodian will take reasonable care to ensure compliance with the investment and borrowing limitations set out in the Instrument and the conditions under which a Sub-Fund was authorised.



## CREATIONS AND REDEMPTIONS (PRIMARY MARKET)

### Investment in a Sub-Fund

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

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

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

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

### Creation of Shares Through Participating Dealers

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

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

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

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

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

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

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

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

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

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

#### *Creation Process*

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

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

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

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

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

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

The Company'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 Company may exercise its rights to reject such Creation Application in the circumstances described herein.

Where the Company accepts a Creation Application from a Participating Dealer, it shall instruct the Administrator, the Custodian and/or the Registrar to effect (i) for the account of the Sub-Fund, the creation of Shares in Application Share size in exchange for a transfer of cash and/or Securities (at the discretion of the Participating Dealer but subject to the Manager's agreement); and (ii) the issue of Shares to the Participating Dealer, both in accordance with the Operating Guidelines and the Instrument.

#### *Issue of Shares*

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

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

Shares are denominated in the base currency of the relevant Sub-Fund (unless otherwise determined by the Directors) as set out in the relevant Appendix and no fractions of a Share shall be created or issued by the Company.

The creation and issue of Shares pursuant to a Creation Application shall be effected on the Dealing Day on which the Creation Application is received (or deemed received) and accepted in accordance with the Operating Guidelines but, for valuation purposes only, Shares shall be deemed created and issued after the Valuation Point on the Dealing Day on which the relevant Creation Application was received or deemed received and the register will be updated on the relevant Settlement Day or the Dealing Day immediately following the Settlement Day if the settlement period is extended. If a Creation Application is received on a day which is not a Dealing Day or is received after the relevant Dealing Deadline on a Dealing Day, that Creation Application shall be treated as having been received at the opening of business on the next Dealing Day, which shall be the relevant Dealing Day for the purposes of that Creation Application.

The Registrar shall be entitled to refuse to enter (or allow to be entered) Shares in the register if at any time the Registrar is of the opinion that the provisions as set out in the Instrument, the relevant Operating Guidelines or the relevant Participation Agreement, in regard to the issue of Shares, are being infringed.

#### *Fees Relating to Creation Applications*

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

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

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

## **Cancellation of Creation Applications**

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

The Company may cancel a creation order in respect of any Shares deemed created pursuant to a Creation Application if it has not received good title to all Securities and/or cash (including Transaction Fees, Duties and Charges) relating to the Creation Application by the Settlement Day, provided that the Company may at its discretion, (i) extend the settlement period (either for the Creation Application as a whole or for a particular Security) such extension to be on such terms and conditions (including as to the payment of an Extension Fee or otherwise as the Company may determine) as the Directors may determine and in accordance with the provisions of the Operating Guidelines; or (ii) partially settle the Creation Application to the extent to which Securities and/or cash has been vested in the Sub-Fund, on such terms and conditions as the Directors determine including terms as to any extension of the settlement period for the outstanding Securities, futures contracts or cash.

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

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

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

## **Redemption of Shares Through Participating Dealers**

Any application for the redemption of Shares of a Sub-Fund must only be made through a Participating Dealer in respect of an Application Share size or whole multiples thereof. Investors cannot redeem Shares directly from the relevant Sub-Fund. Only Participating Dealers may submit

Redemption Applications to the Company and the Registrar (with a copy to the Manager and the Administrator).

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

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

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

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

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

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

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

Participating Dealer as to the relevant timing deadlines and the client acceptance procedures and requirements.

### *Redemption Process*

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

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

To be effective, a Redemption Application must:

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

The Company shall have the right to reject, acting in good faith and having regard to the best interests of the Shareholders, any Redemption Application under exceptional circumstances, including without limitation the following circumstances:

- (a) any period during which (i) the creation or issue of Shares of the relevant Sub-Fund, (ii) the redemption of Shares 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 Index;
- (d) where acceptance of the Redemption Application would render the Company in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Company or the Manager necessary for compliance with applicable legal and regulatory requirements;
- (e) circumstances outside the control of the Company or the Manager make it for all practicable purposes impossible to process the Redemption Application; or
- (f) during any period the business operations of the Company or any delegate of the Company in relation to the redemption of Shares in the relevant Sub-Fund are substantially interrupted

or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God.

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

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

Where the Company accepts a Redemption Application from a Participating Dealer, it shall (i) effect the redemption and cancellation of the relevant Shares; and (ii) require the Custodian and/or the Administrator to transfer to the Participating Dealer Securities and/or cash in accordance with the Operating Guidelines and the Instrument.

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

#### *Redemption of Shares*

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

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

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

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

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



### *Fees Relating to Redemption Applications*

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

In relation to cash redemption of Shares, notwithstanding the aforesaid regarding the redemption and cancellation of Shares based on Net Asset Value, the Participating Dealer may be required to pay an additional sum as the Manager in its discretion considers appropriate for the Duties and Charges. The Participating Dealer may pass on to the relevant investor such additional sum.

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

Where a Sub-Fund redeems in-kind in respect of SEHK listed Securities, the Conversion Agent may charge a Share Cancellation Fee in connection with each accepted Redemption Application.

### **Cancellation of Redemption Applications**

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

No Security shall be transferred and/or no cash amount shall be paid in respect of any Redemption Application unless Shares, which are the subject of the Redemption Application, have been delivered to the Company free and clear of any Encumbrance for redemption by such time on the Settlement Day or other deadline set forth in the Instrument and/or Operational Guidelines as the Company shall for the time being prescribe for Redemption Applications generally.

In the event that Shares, which are the subject of a Redemption Application, are not delivered to the Company for redemption in accordance with the foregoing or are not free and clear of any Encumbrance (other than in certain circumstances contemplated in the Instrument such as when the Manager declares a suspension of redemptions of Shares):

- (a) the Administrator or the Custodian may charge the relevant Participating Dealer an application cancellation fee (see the section on “Fees and Expenses” for further details);
- (b) the Company may at its discretion require the Participating Dealer to pay to the Company, for the account of the relevant Sub-Fund, in respect of each Share so cancelled Cancellation Compensation, being the amount (if any) by which the Redemption Value of each such Share is less than the Issue Price which would have applied in relation to each such Share if the Participating Dealer had, on the actual date when the Company is able to repurchase any replacement Securities made a Creation Application in accordance with the provisions of the Instrument plus such other amount as the Company reasonably determines as representing any charges, expenses and losses incurred by the Sub-Fund as a result of such cancellation;
- (c) the Transaction Fee in respect of such Redemption Application shall remain due and payable (notwithstanding that the Redemption Application shall be deemed to never have been made) and once paid, shall be retained by and for the benefit of the Company, the Administrator, the Registrar, the Conversion Agent and/or the Service Agent (see the section on “Fees and Expenses” for further details); and

- (d) no previous valuations of the Scheme Property shall be re-opened or invalidated as a result of an unsuccessful Redemption Application.

### **Restrictions on redemption**

With a view to protecting the interests of Shareholders, the Manager is entitled to limit the total number of Shares of a Sub-Fund that may be redeemed on any Dealing Day (whether by purchase by the Manager or by cancellation) to 10%, or such other percentage as the Manager may determine either generally or in respect of any particular Dealing Day and as permitted by the SFC, of the latest available Net Asset Value of the relevant Sub-Fund on such Dealing Day. In this event, the limitation will apply pro rata so that all Shareholders of the relevant Sub-Fund wishing to redeem Shares of that Sub-Fund on that Dealing Day will redeem the same proportion of such Shares, and Shares not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption on the next Dealing Day based on the Redemption Price as at that Dealing Day, subject to the same limitation, and will have priority on the next Dealing Day over subsequent redemption requests received in respect of such subsequent Dealing Day. If requests for redemption are so carried forward, the Manager will promptly inform the Shareholders concerned.

The Manager may suspend the redemption of Shares 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 the section headed "Suspension of Determination of Net Asset Value"). Any such delay of payment of redemption proceeds will not apply to redemption requests received prior to the suspension of redemption of Shares of any Sub-Fund by the Manager.

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

The Company may at its discretion (in consultation with the Custodian and, in respect of redemptions, where practicable following consultation with the relevant Participating Dealers and having regard to the best interests of the Shareholders), suspend the creation or issue of Shares of any Sub-Fund, suspend the redemption of Shares of any Sub-Fund and/or (subject to all applicable legal or regulatory requirements where payment of redemption proceeds exceeds one calendar month) delay the payment of any monies and transfer of any Securities in respect of any Creation Application and/or Redemption Application in the following circumstances, provided that payment of redemption monies should not be delayed if the Redemption Application is properly completed prior to the following circumstances:

- (a) during any period when trading on the SEHK or any other Recognised Stock Exchange or Recognised Futures Exchange is restricted or suspended;
- (b) during any period when a market on which a Security that is a component of the 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 a Security that is a component of the Index has its primary listing is restricted or suspended;
- (d) during any period when, in the opinion of the Manager, settlement or clearing of Securities in the official clearing and settlement depository (if any) of such market is disrupted;
- (e) during the existence of any state of affairs as a result of which delivery or purchase of Securities, as appropriate or disposal of investments for the time being comprised in the relevant Sub-Fund cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Shareholders of the relevant Sub-Fund;
- (f) during any period when the Index for the relevant Sub-Fund is not compiled or published;

- (g) during any breakdown in any of the means normally employed in determining the Net Asset Value of the relevant Sub-Fund or the Net Asset Value per Share of the relevant class or when for any other reason the value of any Securities or other property for the time being comprised in the relevant Sub-Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained;
- (h) during any period when the determination of the Net Asset Value of the relevant Sub-Fund is suspended or if any circumstance specified in the section on "Suspension of Determination of Net Asset Value" below arises;
- (i) during any period when the Swap (if any) cannot be adjusted or reset for any reason;
- (j) during any period when the business operations of the Company, the Manager, the Custodian, the Administrator, the Registrar or any delegate of the Company in respect of the creation or redemption of Shares in the relevant Sub-Fund are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God; or
- (k) if as a result of the investment of the proceeds of issue of such Shares in accordance with the investment objective of the Sub-Fund, the Company collectively holds or would hold in aggregate more than 10% of the ordinary shares issued by any single entity.

In addition, where the Sub-Fund(s) under the Company hold in aggregate more than the limit of 10% of the ordinary shares issued by any single entity, the Manager will make it a priority objective to take all other necessary steps within a reasonable period to remedy such breach, having regard to the best interests of the Shareholders.

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

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

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

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

### **Evidence of Shareholding**

Shares will be deposited, cleared and settled by the CCASS. Shares are held in registered entry form only, which means that no Share certificates are issued. HKSCC Nominees Limited is the registered owner (i.e. the sole holder of record) of all outstanding Shares deposited with the CCASS and is holding such Shares for the participants in accordance with the General Rules of CCASS. Furthermore, the Company, the Manager and the Custodian acknowledge that pursuant to the General Rules of CCASS neither HKSCC Nominees Limited nor HKSCC has any proprietary interest in the Shares. Investors owning Shares in CCASS are beneficial owners as shown on the

records of the participating brokers or the relevant Participating Dealer(s) or PD Agent(s) (as the case may be) who are participants of CCASS.

### **Restrictions on Shareholders**

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

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

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

### **Transfer of Shares**

The Instrument provides that a Shareholder may transfer Shares subject to the provisions of the Instrument.

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

## EXCHANGE LISTING AND TRADING (SECONDARY MARKET)

### *General*

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

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

The Manager use its best endeavours to put in place arrangements so that at least one Market Maker will maintain a market for the Shares of each Sub-Fund. Where a Multi-Counter has been adopted in respect of a Sub-Fund the Manager will use its best endeavours to put in place arrangements so that there is at least one Market Maker for each available counter although these Market Makers may be the same entity. Broadly, the obligations of a Market Maker will include quoting bid and offer prices on the SEHK with the intention of providing liquidity. Given the nature of the Market Maker's role, the Manager may make available to a Market Maker the portfolio composition information made available to a Participating Dealer.

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

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

Application has been made to the Listing Committee of the SEHK for the listing of, and permission to deal in the Shares of Value Partners EMQQ Emerging Markets Internet & Ecommerce ETF. Subject to compliance with the admission requirements of the HKSCC, the Shares of Value Partners EMQQ Emerging Markets Internet & Ecommerce ETF 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 Shares of Value Partners EMQQ Emerging Markets Internet & Ecommerce ETF on the SEHK or such other date as may be determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

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

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

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

## DETERMINATION OF NET ASSET VALUE

### Calculation of Net Asset Value

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

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

- (a) Securities that are quoted, listed, traded or dealt in on any Market shall unless the Manager (in consultation with the Custodian) determines that some other method is more appropriate, be valued by reference to the price appearing to the Manager to be the official closing price, or if unavailable, the last traded price on the Market as the Manager may consider in the circumstances to provide fair criterion, provided that (i) if a Security is quoted or listed on more than one Market, the Manager shall adopt the price quoted on the Market which in its opinion provides the principal market for such Security; (ii) if prices on that Market are not available at the relevant time, the value of the Securities shall be certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager, or if the Custodian so requires, by the Manager after consultation with the Custodian if the prices on that Market is not available for more than such period of time as may be agreed between the Manager, the Custodian and/or any delegates appointed by the Custodian applicable to the Sub-Fund; (iii) interest accrued on any interest-bearing Securities shall be taken into account, unless such interest is included in the quoted or listed price; and (iv) the Manager and the Valuation Agent shall be entitled to use and rely on electronic price feeds from such source or sources as they may from time to time determine, notwithstanding that the prices so used are not the official closing prices or last traded prices as the case may be;
- (b) the value of each interest in any unlisted mutual fund corporation or unit trust shall be the latest available net asset value per share or unit in such mutual fund corporation or unit trust or if not available or appropriate, the latest available bid or offer price for such unit, share or other interest;
- (c) the value of any Swap shall be determined to be the mark-to-market value of such Swap including the amount expended out of the relevant Sub-Fund in entering into the Swap, but excluding any fees, commissions and other expenses in connection with the entry or negotiation of the Swap, and any initial margin or deposits provided in connection therewith determined and provided by the relevant valuation agent under such Swap to the Manager and/or the Custodian, unless otherwise provided under the terms of the Swap subject to the right of the Custodian or its delegates (or such independent valuation agent appointed by the Manager) to recalculate the same and of the Manager, in consultation with the Custodian, to adjust such value where it considers that such adjustment is required to reflect the fair value thereof;
- (d) futures contracts will be valued based on the formulae set out in the Instrument;
- (e) except as provided for in paragraph (b), the value of any investment which is not listed, quoted or ordinarily dealt in on a Market shall be the initial value thereof equal to the amount expended on behalf of the relevant Sub-Fund in the acquisition of such investment (including, in each case the amount of stamp duties, commissions and other acquisition expenses) provided that the Manager may at any time in consultation with the Custodian and shall at such times or at such intervals as the Custodian may request, cause a revaluation to be made on a regular basis by a professional person approved by the Custodian as qualified to value such investments (which may, if the Custodian agrees, be the Manager);

- (f) 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 Custodian, any adjustment should be made to reflect the value thereof; and
- (g) notwithstanding the foregoing, the Manager may in consultation with the Custodian adjust the value of any investment or permit such other method of valuation to be used if, having regard to relevant circumstances, the Manager considers that such adjustment is required to fairly reflect the value of the investment.

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

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

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

The Company may, in consultation with the Custodian, having regard to the best interests of the Shareholders, declare a suspension of the determination of the Net Asset Value of the relevant Sub-Fund or of any class of Shares for the whole or any part of any period during which:

- (a) there exists any state of affairs prohibiting the normal disposal and/or purchase of the investments of the relevant Sub-Fund;
- (b) circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to realise a substantial part of any Securities held or contracted for the account of the Sub-Fund or it is not possible to do so without seriously prejudicing the interest of Shareholders of the relevant Sub-Fund;
- (c) for any other reason the prices of investments of the relevant Sub-Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained;
- (d) there is any breakdown in any of the means normally employed in determining the Net Asset Value of the relevant Sub-Fund or the Net Asset Value per Share of the relevant class or when for any other reason the value of any Securities or other property for the time being comprised in the relevant Sub-Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained;
- (e) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, a substantial part of the Securities or other property of the relevant Sub-Fund or the subscription or redemption of Shares of the relevant class is delayed or cannot, in the opinion of the Manager, be carried out promptly or at normal rates of exchange;
- (f) the business operations of the Company or any delegate of the Company in relation to the determination of the Net Asset Value of the relevant Sub-Fund are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God;
- (g) the existence of any state of affairs prohibiting the normal disposal of any notional investment to which a Swap is linked (if applicable); or
- (h) in the case of a Sub-Fund authorised by the SFC as a feeder fund, the determination of the net asset value of the master fund (as defined under the section entitled "Investment Restrictions" above) is suspended.

Any suspension shall take effect upon its declaration and thereafter there shall be no determination of the Net Asset Value of the relevant Sub-Fund and the Manager shall be under no obligation to rebalance the relevant Sub-Fund until the suspension is terminated on the earlier of (i) the

Company declaring the suspension is at an end; and (ii) the first Dealing Day on which (1) the condition giving rise to the suspension shall have ceased to exist; and (2) no other condition under which suspension is authorised exists.

The Manager shall immediately after declaration of any such suspension by the Company notify the SFC and publish a notice of suspension following the suspension, and at least once a month during the suspension, on the Company's website at <https://www.vpemq.com> (the contents of which and of other websites referred to in this Prospectus have not been reviewed by the SFC) or in such other publications as the Company decides.

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

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

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

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

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

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

The latest Net Asset Value of the Shares will be available on the Company's website at <https://www.vpemq.com> (the contents of which and of other websites referred to in this Prospectus have not been reviewed by the SFC) or published in such other publications as the Manager decides.

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



## FEES AND EXPENSES

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

<b>Fees and expenses payable by Participating Dealers on creations and redemptions (as applicable) of Shares (applicable both during the Initial Offer Period and After Listing)</b>	<b>Amount</b>
Transaction Fee and Service Agent's Fee	HKD4,000 <sup>1</sup> per Application and HKD1,000 <sup>1</sup> per book-entry deposit and book-entry withdrawal transaction
Application cancellation fee	HKD10,000 <sup>2</sup> per Application
Extension Fee	HKD10,000 <sup>3</sup> per Application
Stamp duty	Nil
All other Duties and Charges incurred by the Custodian or the Manager in connection with the creation or redemption	As applicable

<b>Fees and expenses payable by investors</b>	<b>Amount</b>
<b><i>(i) Fees payable by clients of the Participating Dealers in respect of creations and redemptions (as applicable) via the Participating Dealer (applicable both during the Initial Offer Period and After Listing)</i></b>	
Fees and charges imposed by the Participating Dealer <sup>4</sup>	Such amounts as determined by the relevant Participating Dealer
<b><i>(ii) Fees payable by all investors in respect of dealings in the Shares on SEHK (applicable After Listing)</i></b>	
Inter-counter transfer	HKD5.00 <sup>5</sup>
Brokerage	Market rates

<sup>1</sup> The Transaction Fee of HKD4,000 is payable by a Participating Dealer to the Custodian for the benefit of the Administrator and/or Registrar. The Service Agent's fee of HKD1,000 is payable by a Participating Dealer to the Service Agent for each book-entry deposit or book-entry withdrawal transaction. A Participating Dealer may pass on to the relevant investor such Transaction Fee.

<sup>2</sup> An application cancellation fee is payable to the Administrator in respect of either a withdrawn or failed Creation Application or Redemption Application.

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

<sup>4</sup> The Participating Dealer may increase or waive the level of its fees in its discretion. Information regarding these fees and charges is available upon request to the relevant Participating Dealer.

<sup>5</sup> HKSCC will charge each CCASS participant a fee of HKD5 per instruction for effecting an inter-counter transfer from one counter to another (if applicable). Investors should check with their respective brokers regarding any additional fees.

SFC transaction levy	0.0027% <sup>6</sup> of the trading price
FRC transaction levy	0.00015% <sup>7</sup> of the trading price
SEHK trading fee	0.005% <sup>8</sup> of the trading price
Stamp duty	Nil

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

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

#### *Management Fee*

The Manager is entitled to receive a management fee of up to 3% per year of the Net Asset Value of a Sub-Fund. The current management fee percentage in respect of each Sub-Fund is set out in the relevant Appendix and is accrued daily and calculated as at each Dealing Day and payable monthly in arrears. This fee is payable out of the Scheme Property in respect of the relevant Sub-Fund.

A Sub-Fund may employ a single management fee structure, and details will be set out in the Appendix of the relevant Sub-Fund.

For a Sub-Fund which do not employ a single management fee structures, the following fees and expenses may be payable out of and borne by the Sub-Fund: the Custodian's fee, the Administrator's fee, the Registrar's fee, fees of Conversion Agent and Service Agent, fees and expenses of the auditors, ordinary out-of-pocket expenses incurred by the Manager or the Custodian and costs and expenses of licensing the Index used in connection with the relevant Sub-Fund.

The fees of the Sub-Manager, if any, will be paid by the Manager and not out of the assets of the relevant Sub-Fund.

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

#### *Custodian Fee*

Pursuant to the Instrument and Custody Agreement, the Custodian is entitled to receive a Custodian Fee of up to 1% as soon as reasonably practicable after the last Dealing Day for each Sub-Fund in each calendar month. This fee will be accrued daily and paid monthly in arrears. The Custodian Fee is expressed as a percentage of the Net Asset Value of the relevant Sub-Fund. The Custodian is also entitled to receive various transaction, custodial, and other applicable fees as agreed with the Company from time to time to be reimbursed by the relevant Sub-Fund for all out-of-pocket expenses properly incurred by it in the performance of its duties as the Custodian.

<sup>6</sup> SFC transaction levy, presently 0.0027% of the trading price of the Shares, payable by each of the buyer and the seller.

<sup>7</sup> FRC transaction levy, presently 0.00015% of the trading price of the Shares, payable by each of the buyer and the seller.

<sup>8</sup> Trading fee of 0.005% of the trading price of the Shares, payable by each of the buyer and the seller.

For a Sub-Fund which does not employ a single management fee structure, the applicable custodian fee percentage is set out in the relevant Appendix of the Sub-Fund.

The custodian fee will be included in the Management Fee if a Sub-Fund employs a single management fee structure.

The custodian fee may be increased by agreement with the Company up to the maximum on giving one month's notice to the Shareholders.

#### *Administrator, Valuation Agent and Registrar Fee*

The Administrator, Valuation Agent and Registrar is entitled to receive various transaction, processing, valuation fees and other applicable fees as agreed with the Company from time to time and to be reimbursed by the relevant Sub-Fund for all out-of-pocket expenses properly incurred by it in the performance of its duties as Administrator, Valuation Agent and the Registrar.

#### *Directors' Remuneration and Expenses*

Under the Instrument, the Directors shall be entitled to remuneration for their services as Directors up to a total aggregate amount per annum of US\$30,000 and, where payable and where there is more than one Sub-Fund, such remuneration shall be allocated fairly as between Sub-Funds by reference to their respective Net Asset Values.

The Company may pay any travelling, accommodation and other expenses properly incurred by Directors in connection with their attendance at meetings of Directors, general meetings, separate meetings of the Shareholders or any Sub-Fund or class of Shareholders or the exercise of their powers and the discharge of their responsibilities in relation to the Company.

#### *Estimated Ongoing Charges*

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

#### *Promotional Expenses*

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

#### *Other Expenses*

A Sub-Fund will bear all operating costs relating to the administration of the Sub-Fund including but not limited to stamp and other duties, governmental charges, brokerages, commissions, exchange costs and commissions, bank charges and other costs and expenses payable in respect

of the acquisition, holding and realisation of any investment or any monies, deposit or loan, charges and expenses of its legal counsel, auditors and other professionals, index licensing fees, the costs in connection with maintaining a listing of the Shares on the SEHK or other exchange and maintaining the Company's and the Sub-Fund's authorisation under the SFO, costs incurred in the preparation, printing and updating of any offering documents and the costs incurred in the preparation of supplemental deeds, any disbursements or out-of-pocket expenses properly incurred on behalf of the Sub-Fund by the Custodian, the Manager, the Administrator, the Registrar or any of the Company's other service providers, the expenses incurred in convening meetings of Shareholders, preparing, printing and distributing annual and half-yearly financial reports and other circulars relating to the Sub-Fund and the expenses of publishing share prices.

### **Establishment Costs**

The cost of establishing the Company and the initial Sub-Fund (namely Value Partners EMQQ Emerging Markets Internet & Ecommerce ETF) including the initial preparation of this Prospectus, inception fees, the costs of seeking and obtaining the listing and authorisation by the SFC and all initial legal and printing costs is approximately HKD3,260,000 and will be amortised over the first 60 months since the launch of the initial Sub-Fund (or such other period as determined by the Manager after consulting the Auditor and the Custodian).

The cost of establishing subsequent Sub-Funds may be borne by the relevant Sub-Fund to which such costs relate and will be amortised over the first three financial years of the relevant Sub-Fund(s) (or such other period as determined by the Manager after consulting the Auditor and the Custodian).

The attention of investors is drawn to the risk factor entitled "Valuation and Accounting Risk".

### **Increase in Fees**

The current fees in respect of each Sub-Fund payable to the Manager, the Administrator and the Custodian as described in the relevant Appendix may be increased on not less than one month's notice to the affected Shareholders (or such shorter period as may be approved under the UT Code), subject to the maximum rates set out in this Prospectus.

## RISK FACTORS

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

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

#### *Investment Objective Risk*

There is no assurance that the investment objective of a Sub-Fund will be achieved. Whilst it is the intention of the Manager to implement strategies which are designed to achieve the investment objective and to minimise tracking error, there can be no assurance that these strategies will be successful. In addition, trading errors are an intrinsic factor in any investment process, and will occur, notwithstanding the execution of due care and special procedures designed to prevent such errors. It is possible that you as an investor may lose a substantial proportion or all of its investment in a Sub-Fund, including where the relevant Index value declines. As a result, each investor should carefully consider whether you can afford to bear the risks of investing in the relevant Sub-Fund.

#### *Market Risk*

The Net Asset Value of each Sub-Fund will change with changes in the market value of the Securities and/or Swaps it holds. The price of Shares 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 each Sub-Fund are based on the capital appreciation and income on the Securities and/or Swaps it holds, less expenses incurred. A Sub-Fund's return may fluctuate in response to changes in such capital appreciation or income. Furthermore, a Sub-Fund may experience volatility and decline in a manner that broadly corresponds with the relevant Index. Investors in each Sub-Fund are exposed to the same risks that investors who invest directly in the underlying Securities would face.

#### *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 and/or Swaps in which the Sub-Fund invests may underperform or outperform returns from other Securities markets or from investment in other assets. Different types of Securities and/or Swaps tend to go through cycles of out-performance and underperformance when compared with other general Securities and/or Swaps markets.

#### *Possible Business Failure Risk*

Global markets may experience very high levels of volatility and an increased risk of corporate failures. The insolvency or other corporate failures of any one or more of the companies in which a Sub-Fund invests or a constituent of the relevant Index may have an adverse effect on the Index's (if any) and therefore the relevant Sub-Fund's performance. You may lose money by investing in any Sub-Fund.

#### *Management Risk*

Because there can be no guarantee that each Sub-Fund will fully replicate the relevant Index, it is subject to management risk. This is the risk that the Manager's strategy, the implementation of which is subject to a number of constraints, may not produce the intended results. In addition, the Manager has absolute discretion to exercise Shareholders' rights with respect to Securities and/or

Swaps comprising a Sub-Fund. There can be no guarantee that the exercise of such discretion will result in the investment objective of a Sub-Fund being achieved.

#### *Single Region / Single Industry Sector / Concentration Risk*

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

#### *Securities Risk*

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

#### *Counterparty Risk*

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

A Sub-Fund may be exposed to the counterparty risk of the Custodian with which the Scheme Property is deposited. The Custodian 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.

#### *Equity Risk*

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

#### *Trading Risk*

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

be sustained. If the Manager suspends creations and/or redemptions of Shares, the Manager anticipates that there may be larger discounts or premiums as between the secondary market price of Shares and the Net Asset Value.

#### *Trading Error Risk*

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

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

Although the Shares are listed on the SEHK and one or more Market Makers have been appointed, there may be no liquid trading market for the Shares or that such Market Maker(s) may cease to fulfil that role. Further, there can be no assurance that Shares 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 relevant Index.

#### *Indemnity Risk*

Under the Custody Agreement and the Management Agreement, the Custodian 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 Custodian or the Manager on the right of indemnity would reduce the assets of a Sub-Fund and the value of the Shares.

#### *Dividends May Not be Paid Risk*

Whether a Sub-Fund will pay distributions on its Shares is subject to the Manager's distribution policy (as described in the relevant Appendix) and also mainly depends on dividends declared and paid in respect of the Securities comprising the Index or in the Sub-Fund's portfolio. In addition, dividends received by a Sub-Fund may be applied towards meeting the costs and expenses of that Sub-Fund. Dividend payment rates in respect of such Securities will depend on factors beyond the control of the Manager including, general economic conditions, and the financial position and dividend policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions.

#### *Early Termination Risk*

A Sub-Fund may be terminated early under certain circumstances as set out in the Instrument and summarised under the section headed "Termination (otherwise than by winding up)" below. Upon a Sub-Fund being terminated, the Company will distribute the net cash proceeds (if any) derived from the realisation of the investments comprised in the relevant Sub-Fund to the Shareholders in accordance with the Instrument. Investors may suffer a loss where a Sub-Fund is terminated because any such amount distributed may be more or less than the capital invested by the Shareholder.

#### *Foreign Exchange Risk*

If a Sub-Fund's assets are generally invested (either directly or indirectly) in non-Hong Kong Securities and/or Swaps, and if a substantial portion of the revenue and income of a Sub-Fund is received in a currency other than HKD, any fluctuation in the exchange rate of the HKD relative to the relevant foreign currency will affect the Net Asset Value of a Sub-Fund denominated in the HKD regardless of the performance of its underlying portfolio. If the relevant Sub-Fund's Net Asset Value is determined on the basis of the HKD, an investor may lose money if it invests in any Sub-

Fund if the local currency of a foreign market depreciates against the HKD, even if the local currency value of an investment fund's holdings goes up.

### *Foreign Security Risk*

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.

Some overseas stock exchanges may have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. Some countries prohibit or restrict foreign investment, or the repatriation of income, capital or the proceeds from sale of Securities. The Sub-Fund may incur higher costs investing in these countries. These restrictions may limit the Sub-Fund's ability to invest in these countries, delay the investment or repatriation of capital of the Sub-Fund and impact the Sub-Fund's ability to track the performance of the relevant Index.

### *Securities Financing Transactions Risks*

A Sub-Fund which enters into securities financing transactions may be subject to legal risk, operational risks, liquidity risk of the counterparty and custody risk of the collateral and the following risks:

- *Securities lending transactions* – Securities lending transactions may involve the risk that the borrower may fail to return the securities lent out in a timely manner and the value of the collateral may fall below the value of the securities lent out.
- *Sale and repurchase transactions* – 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.
- *Reverse repurchase transactions* – 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.

### *Collateral and FDI Risks*

The risks associated with the use of FDIs are different from, or possibly greater than, the risks associated with investing directly in Securities and other traditional investments. Generally, a derivative is a financial contract the value of which depends upon, or is derived from, the value of an underlying asset, reference rate or index, and may relate to stocks, bonds, interest rates, currencies or currency exchange rates, commodities, and related indices. Any Sub-Fund investing in FDIs may utilise both exchange-traded and over-the-counter derivatives. Compared to equity securities, FDIs can be more sensitive to changes in market prices of the underlying assets and thus market prices of FDIs may fall in value as rapidly as they may rise. Investors investing in such



Sub-Fund(s) are exposed to a higher degree of fluctuation in value than a Sub-Fund which does not invest in FDIs. Transactions in over-the-counter FDIs may involve additional risk such as the risk that a counterparty defaults as there is no regulated market for such FDIs. Investing in FDIs also involves other types of risks including, but not limited to, the risk of adopting different valuation methodologies and imperfect correlation between the FDI and its underlying securities, rates and indices. Risks associated with FDIs also include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of a FDI can result in a loss significantly greater than the amount invested in the FDI by a Sub-Fund. Exposure to FDIs may lead to a high risk of significant loss by a Sub-Fund. There is no assurance that any derivative strategy used by a Sub-Fund will succeed.

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

A Sub-Fund may use investment techniques, including investments in derivatives such as Swaps, that may be considered aggressive. The use of derivatives may result in larger losses or smaller gains than investing in or shorting the Securities included in the relevant Index. Investments in these derivatives may generally be subject to market risks that cause their prices to fluctuate more than an investment directly in a Security and may increase the volatility of Sub-Fund. The use of derivatives may expose each Sub-Fund to additional risks such as counterparty risk, liquidity risk and increased daily correlation risk. When a Sub-Fund uses derivatives, there may be imperfect correlation between the value of the underlying reference assets and the derivative, which may prevent each Sub-Fund from achieving its investment objective.

#### *Risks Associated with Investment in Swaps*

A Sub-Fund may invest in Swaps for hedging and/or non-hedging (i.e. investment) purposes. Swaps are entered into primarily with major global financial institutions for a specified period which may range from one day to more than one year. In a standard swap transaction, two parties agree to exchange the return (or differentials in rates of return) earned or realised on particular predetermined reference or underlying Securities or instruments. The gross return to be exchanged or swapped between the parties is calculated based on a notional amount or the return on or change in value of a particular dollar amount invested in a basket of Securities representing a particular index.

If the Index of a Sub-Fund investing in Swaps suffers a dramatic intraday move in value that causes a material decline in a Sub-Fund's Net Asset Value, the terms of the Swap agreement between each Sub-Fund and its Swap Counterparty may allow the Swap Counterparty to immediately close out of the transaction with the Sub-Fund. In such circumstances, each Sub-Fund may be unable to enter into another swap agreement or invest in other derivatives to achieve the desired exposure consistent with the Sub-Fund's investment objective. Any financing, borrowing or other costs associated with using derivatives may also have the effect of lowering the Sub-Fund's return.

In addition, each Sub-Fund may invest in Swaps involving counterparties for the purpose of attempting to gain exposure to a relevant index without actually purchasing those Securities or investments. The use of these derivatives involves risks that are different from those associated with Securities. For example, each Sub-Fund is exposed to the risk that the Swap Counterparty may be unwilling or unable to make timely payments to meet its contractual obligations or may fail

to return holdings that are subject to the agreement with the Swap Counterparty. If the Swap Counterparty becomes bankrupt or defaults on its payment obligations to the Sub-Fund, it may not receive the full amount it is entitled to receive. In addition, each Sub-Fund may enter into swap agreements with a limited number of counterparties, which may increase the Sub-Fund's exposure to counterparty credit risk. Each Sub-Fund does not specifically limit its counterparty risk with respect to any single counterparty and there is a chance for each Sub-Fund to have single counterparty. Further, there is a risk that no suitable counterparties are willing to enter into, or continue to enter into, transactions with each Sub-Fund and, as a result, each Sub-Fund may not be able to achieve its investment objectives. A Sub-Fund will not enter into any agreement involving a Swap Counterparty unless the Manager believes that the other party to the transaction is creditworthy.

The value of the collateral assets of any Swaps invested in by a Sub-Fund may be affected by market events which may cause a Sub-Fund's exposure to the Swap Counterparty to be under-collateralised and may result in significant losses.

#### *Risk Associated with Small-capitalisation/Mid-capitalisation Companies*

A Sub-Fund may invest in small-capitalisation/mid-capitalisation companies, the stock of which may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

### **Risks Associated with Investment in an Index Fund**

#### *Passive Investment Risk*

Each Sub-Fund is not actively managed. Accordingly, such a Sub-Fund may be affected by a decline in the market segments relating to the relevant Index or Indices. Investors may lose a significant part of their respective investments if the Index falls. Each Sub-Fund invests (either directly or indirectly) in the Securities and/or Swaps included in or representative of the relevant Index regardless of their investment merit, except to the extent of any representative sampling strategy. The Manager does not attempt to select securities individually or to take defensive positions in declining markets. Investors should note that the lack of discretion on the part of the Manager to adapt to market changes due to the inherent investment nature of a Sub-Fund will mean a decline in the Index or Indices are expected to result in corresponding falls in the Net Asset Values of the Sub-Fund, and investors may lose substantially all of their investment.

#### *Representative Sampling Risk*

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

#### *Tracking Error Risk*

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

A Sub-Fund's returns may deviate from the Index due to a number of factors. For example, the fees and expenses of a Sub-Fund, any adoption of a representative sampling strategy, liquidity of the market, imperfect correlation of returns between a Sub-Fund's assets and the Securities constituting its Index, rounding of share prices, foreign exchange costs, changes to the Indices and regulatory policies may affect the Manager's ability to achieve close correlation with the Index of each Sub-Fund. Further, a Sub-Fund may receive income (such as interests and dividends) from its assets while the Index does not have such sources of income. There can be no guarantee

or assurance of exact or identical replication at any time of the performance of the Index or that an Index Tracking will achieve its investment objective at any time of corresponding to the performance of the relevant Index.

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

## **Risk Associated with Mainland China**

### *Economic, Political and Social Risks of Mainland China*

The economy of Mainland China, which has been in a state of transition from a planned economy to a more market oriented economy, differs from the economies of most developed countries in many respects, including the level of government involvement, its state of development, its growth rate, control of foreign exchange, and allocation of resources.

Although the majority of productive assets in Mainland China are still owned by the Mainland Chinese government at various levels, in recent years, the Mainland Chinese government has implemented economic reform measures emphasising utilisation of market forces in the development of the economy of Mainland China and a high level of management autonomy. The economy of Mainland China has experienced significant growth in the past 25 years, but growth has been uneven both geographically and among various sectors of the economy. Economic growth has also been accompanied by periods of high inflation. The Mainland Chinese government has implemented various measures from time to time to control inflation and restrain the rate of economic growth.

For more than 25 years, the Mainland Chinese government has carried out economic reforms to achieve decentralisation and utilisation of market forces to develop the economy of Mainland China. These reforms have resulted in significant economic growth and social progress. There can, however, be no assurance that the Mainland Chinese government will continue to pursue such economic policies or, if it does, that those policies will continue to be successful. Any such adjustment and modification of those economic policies may have an adverse impact on the securities market in Mainland China as well as the underlying Securities of a Sub-Fund. Further, the Mainland Chinese government may from time to time adopt corrective measures to control the growth of Mainland China economy which may also have an adverse impact on the capital growth and performance of a Sub-Fund.

Political changes, social instability and adverse diplomatic developments in Mainland China could result in the imposition of additional government restrictions including expropriation of assets, confiscatory taxes or nationalisation of some or all of the property held by the underlying issuers of the Securities in a Sub-Fund's portfolio.

### *Mainland China Laws and Regulations Risk*

The regulatory and legal framework for capital markets and joint stock companies in Mainland China may not be as well developed as those of developed countries. Mainland China laws and regulations affecting securities markets are relatively new and evolving, and because of the limited volume of published cases and judicial interpretation and their non-binding nature, interpretation and enforcement of these regulations involve significant uncertainties. In addition, as Mainland China legal system develops, no assurance can be given that changes in such laws and regulations, their interpretation or their enforcement will not have a material adverse effect on their business operations.

### *Restricted Markets Risk*

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

### *Accounting and Reporting Standards Risk*

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

### *Changes in Mainland China taxation risk*

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

## **Risks Associated with A-Shares**

### *A-Shares Market Suspension and Volatility Risk*

A-Shares may only be bought from, or sold to, a Sub-Fund from time to time where the relevant A-Shares may be sold or purchased on the SSE or the SZSE, as appropriate. Given that the A-Shares market is considered volatile and unstable (with the risk of suspension of a particular stock or government intervention), the creation and redemption of Shares may be disrupted. A Participating Dealer is unlikely to create or redeem Shares if it considers that A-Shares may not be available. High market volatility and potential settlement difficulties in the A-Shares market may also result in significant fluctuations in the prices of the securities traded on the A-Shares market and thereby may adversely affect the value of the relevant Sub-Fund.

### *Mainland China Taxation Risk*

Pursuant to the "Notice for the tax policies in relation to the Pilot Program for Shanghai-Hong Kong Stock Connect" (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) Caishui [2014] No.81 ("Circular 81") and "Notice about the tax policies related to Shenzhen-Hong Kong Stock Connect" (關於深港股票市場交易互聯互通機制試點有關稅收政策的通知) (Caishui [2016] No. 127) ("Circular 127") jointly promulgated by the Ministry of Finance of the PRC ("MOF"), the STA and the CSRC on 14 November 2014 and 5 November 2016 respectively, Corporate Income Tax ("CIT") will be temporarily exempted on capital gains derived by Hong Kong market investors (including each Sub-Fund) on the trading of A-Shares through the 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 81 and Circular 127 and having consulted independent professional tax adviser, no provision for gross realised or unrealised capital gains derived from trading of A-Shares via Stock Connect is made by the Manager on behalf of any Sub-Fund.

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

The Manager reserves the right to provide for Mainland China withholding income tax (“WIT”) or other taxes on capital gains or income and withhold the tax for the account of a Sub-Fund if there is any future change in Mainland China tax rules. The Manager will closely monitor any further guidance by the relevant Mainland Chinese tax authorities and change its tax provision policy and the tax provision amount in respect of the Sub-Fund accordingly. Any change to the tax provision policy or the amount of tax provision in respect of a Sub-Fund will be notified to the Shareholders.

If actual tax is collected by the STA and a Sub-Fund is required to make payments reflecting tax liabilities for which no provision has been made, the Net Asset Value of the Sub-Fund may be adversely affected, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the tax liabilities will only impact Shares in issue at the relevant time, and the then existing Shareholders and subsequent Shareholders will be disadvantaged as such Shareholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund.

Please refer to the sub-section entitled “Taxation in Mainland China” under the section headed “Taxation” in this Prospectus for further information in this regard.

### **Risks Associated with N-Shares**

N-Shares are securities of companies with business operations in Mainland China and listed on a US stock exchange, such as NYSE, NASDAQ or the American Stock Exchange. Because companies issuing N-Shares often have business operations in Mainland China, they are subject to certain political and economic risks in Mainland China. The American stock market may behave very differently from Mainland China stock market, and there may be little to no correlation between the performance of the two.

### **Risks Associated with P-Chip Companies**

P-Chip companies are often run by the private sector and have a majority of their business operations in Mainland China. P-Chip shares are traded in HKD on the SEHK, and may also be traded by foreigners. Because they are traded on the SEHK, P-Chips are also subject to risks similar to those associated with investments in H-Shares. They are also subject to risks affecting their jurisdiction of incorporation, including any legal or tax changes.

### **Risks Associated with Red Chip Companies**

Red Chip companies are controlled, either directly or indirectly, by the central, provincial or municipal governments of Mainland China. Red Chip shares are traded in HKD on the SEHK and may also be traded by foreigners. Because Red Chip companies are controlled by various Mainland Chinese governmental authorities, investing in Red Chips involves risks that political changes, social instability, regulatory uncertainty, adverse diplomatic developments, asset expropriation or nationalisation, or confiscatory taxation could adversely affect the performance of Red Chip companies. Red Chip companies may be less efficiently run and less profitable than other companies.

### **Risks Associated with the Stock Connect**

A Sub-Fund’s investments through the Stock Connect may be subject to the following risks.

#### *Quota Limitations*

The Stock Connect is subject to quota limitations. In particular, once the remaining balance of the Northbound Daily Quota drops to zero or the Northbound Daily Quota is exceeded during the opening call session, new buy orders will be rejected (though investors will be allowed to sell their cross-boundary securities regardless of the quota balance). The Sub-Fund’s ability to invest in A-Shares through the Stock Connect may be affected.

### *Suspension Risk*

It is contemplated that both the SEHK and the SSE would reserve the right to suspend Northbound and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the Northbound trading is effected, the Sub-Fund's ability to access the Mainland China market through the Stock Connect will be adversely affected.

### *Differences in Trading Day*

The Stock Connect will only operate on days when both Mainland China and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the Mainland China market but Hong Kong investors (such as the Sub-Fund(s)) cannot carry out any A-Shares trading. Due to the differences in trading days, a Sub-Fund may be subject to a risk of price fluctuation in A-Shares on a day that Mainland China markets are open for trading but the Hong Kong stock market is closed.

### *Operational Risk*

The Stock Connect provides a new channel for investors from Hong Kong and overseas to access the Mainland China stock market directly. Market participants are able to participate in this programme subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house. Market participants may need to address issues arising from the differences on an on-going basis.

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

### *Recalling of Eligible Stocks*

If a stock is recalled from the scope of eligible stocks for trading via the Stock Connect, the stock can only be sold and cannot be bought. This may affect the Manager's ability to select a stock with the aim of achieving the investment objective of a Sub-Fund and affect the relevant Sub-Fund's tracking of the Index if, for example, a constituent of the Index is recalled from the scope of eligible stocks.

### *Clearing and Settlement Risk*

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

### *Regulatory Risk*

The Stock Connect is novel in nature, and will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in Mainland China and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connect. The regulations are untested and there is no certainty as to how they will be applied, and are subject to change. There can be no assurance that the Stock Connect will not be abolished. The Sub-Fund may be adversely affected as a result of such changes.

### *Limited Investor Compensation Risk*

Investment through the Stock Connect is conducted through broker(s) and is subject to the risks of default by such brokers' in their obligations. While the Sub-Fund is covered by the Investor Compensation Fund for defaults occurring on or after 1 January 2020 for Northbound trading, since the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not Mainland Chinese brokers, they are not protected by the China Securities Investor Protection Fund (中國投資者保護基金) in Mainland China.

### *Participation in Corporate Actions and Shareholders' Meetings*

HKSCC will keep CCASS participants informed of corporate actions of SSE Securities and SZSE Securities. Hong Kong and overseas investors (including the Sub-Fund(s)) will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of SSE Securities and SZSE Securities may be as short as one business day only. Therefore, the Sub-Fund may not be able to participate in some corporate actions in a timely manner.

Hong Kong and overseas investors (including the Sub-Fund(s)) are holding SSE Securities and SZSE Securities traded via Stock Connect program through their brokers or custodians. According to existing practice in Mainland China, multiple proxies are not available. Therefore, the Sub-Fund may not be able to appoint proxies to attend or participate in shareholders' meetings in respect of the SSE Securities and SZSE Securities.

### **Risks Associated with the RMB currency**

#### *RMB is not Freely Convertible and subject to Exchange Controls and Restrictions Risk*

It should be noted that the RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies and repatriation restrictions imposed by the Mainland Chinese government. Since 1994, the conversion of RMB into USD has been based on rates set by the People's Bank of China, which are set daily based on the previous day's Mainland China interbank foreign exchange market rate. On 21 July 2005, the Mainland Chinese government introduced a managed floating exchange rate system to allow the value of RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. In addition, a market maker system was introduced to the interbank spot foreign exchange market. In July 2008, Mainland China announced that its exchange rate regime was further transformed into a managed floating mechanism based on market supply and demand. Given the domestic and overseas economic developments, the PBOC decided to further improve the RMB exchange rate regime in June 2010 to enhance the flexibility of the RMB exchange rate. However it should be noted that the Mainland Chinese government's policies on exchange control and repatriation restrictions are subject to change, and any such change may adversely impact the Sub-Fund. There can be no assurance that the RMB exchange rate will not fluctuate widely against the USD or any other foreign currency in the future. Any depreciation of the RMB will decrease the value of RMB-denominated assets the Sub-Fund may hold and of any dividends that the Sub-Fund may

receive from such investments, which may have a detrimental impact on the Net Asset Value of the Sub-Fund, and vice versa.

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

#### *RMB Trading and Settlement of Shares Risk*

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

#### *Non-RMB or Late Settlement Redemption or Distributions Risk*

Where, in extraordinary circumstances, the remittance or payment of RMB funds on the redemption of Shares or for distributions in RMB cannot, in the opinion of the Manager in consultation with the Custodian, be carried out normally due to legal or regulatory circumstances beyond the control of the Custodian and the Manager, redemption proceeds or distribution payments in RMB may be delayed or, if necessary in exceptional circumstances, redemption proceeds may be paid in USD or HKD instead of in RMB (at the prevailing market foreign exchange rate). As such, there is a risk that investors may not be able to receive, through Participating Dealers, settlement upon a redemption of Shares in RMB (and may receive USD or HKD) or may receive redemption proceeds or distribution payments in RMB on a delayed basis.

#### *Exchange Rates Movement Between the RMB and Other Currencies Risk*

Investors in RMB traded Shares whose assets and liabilities are predominantly in HKD or in currencies other than RMB should take into account the potential risk of loss arising from fluctuations in value between such currencies and RMB. There is no guarantee that RMB will appreciate or depreciate in value against HKD or any other currency. If RMB appreciates in value, an investor may enjoy a gain in RMB terms but suffer a loss when converting funds from RMB back into HKD (or any other currency), and vice versa if RMB depreciates.

#### *Future Movements in RMB Exchange Rates Risk*

The exchange rate of RMB ceased to be pegged to USD on 21 July 2005, resulting in a more flexible RMB exchange rate system. China Foreign Exchange Trading System, authorised by the PBOC, promulgates the central parity rate of RMB against USD, Euro, Yen, British Pound and



Hong Kong dollar at 9:15 a.m. on each business day, which will be the daily central parity rate for transactions on the Inter-bank Spot Foreign Exchange Market and OTC transactions of banks. The exchange rate of RMB against the above-mentioned currencies fluctuates within a range above or below such central parity rate. As the exchange rates are based primarily on market forces, the exchange rates for RMB against other currencies, including USD and Hong Kong dollar, are susceptible to movements based on external factors.

There can be no assurance that such exchange rates will not fluctuate widely against USD, Hong Kong dollar or any other foreign currency in the future. From 1994 to July 2005, the exchange rate for RMB against USD and the Hong Kong dollar was relatively stable. Since July 2005, the RMB has begun to appreciate until August 2015 when the PBOC introduced a one-off devaluation of RMB. There can be no assurance that RMB will not be subject to further devaluation. The future movements in RMB exchange rates are uncertain and the fluctuations may have a positive or negative impact on investors' investment in a Sub-Fund.

#### *Offshore RMB ("CNH") Market Risk*

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

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

#### **Risks Associated with Multi-Counter**

##### *Multi-Counter Risk*

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

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

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

Investors without RMB or USD accounts may not be able to buy or sell RMB or USD traded Shares and should note that distributions will only be made in the base currency of the Sub-Fund. As such, investors may suffer a foreign exchange loss and incur foreign exchange associated fees and charges to receive their distribution.

It is possible that some brokers and CCASS participants may not be familiar with and may not be able to (i) buy Shares in one counter and to sell Shares in another, (ii) carry out inter-counter transfers of Shares, or (iii) trade Shares in different counters at the same time. In such a case another broker or CCASS participant may need to be used. Accordingly investors may only be able to trade their Shares in one currency, investors are recommended to check the readiness of their brokers in respect of the Multi-Counter trading and inter-counter transfer and should fully understand the services which the relevant broker is able to provide (as well as any associated fees).

## **Risks Associated with Market Trading**

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

Although Shares of each Sub-Fund are listed for trading on the SEHK, there can be no assurance that an active trading market for such Shares will develop or be maintained. In addition, if the underlying Securities and/or Swaps which comprise each Sub-Fund themselves have limited trading markets, or if the spreads are wide, this may adversely affect the price of the Shares and the ability of an investor to dispose of its Shares at the desired price. If an investor needs to sell his, her or its Shares at a time when no active market for them exists, the price received for the Shares – assuming an investor is able to sell them – is likely to be lower than the price received if an active market did exist.

### *Suspension of Trading Risk*

Investors and potential investors will not be able to buy, nor will investors be able to sell, Shares on the SEHK during any period in which trading of the Shares is suspended. The SEHK may suspend the trading of Shares whenever the SEHK determines that it is appropriate and in the interest of a fair and orderly market to protect investors. The subscription and redemption of Shares may also be suspended if the trading of Shares is suspended.

### *Effect of Redemptions Risk*

If significant redemptions of Shares are requested by the Participating Dealers, it may not be possible to liquidate the relevant Sub-Fund's investments at the time such redemptions are requested or the Manager may be able to do so only at prices which the Manager believes does not reflect the true value of such investments, resulting in an adverse effect on the return to investors. Where significant redemptions of Shares are requested by the Participating Dealers, the right of Participating Dealers to require redemptions in excess of 10% of the total number of Shares

in a 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 a Sub-Fund for the whole or any part of any period. Please see the section on "Determination of Net Asset Value" for further details.

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

Shares may trade on the SEHK at prices above or below the most recent Net Asset Value. The Net Asset Value per Share of each Sub-Fund is calculated at the end of each Dealing Day and fluctuates with changes in the market value of the relevant Sub-Fund's holdings. The trading prices of the Shares fluctuate continuously throughout the trading hours based on market supply and demand rather than Net Asset Value. The trading price of the Shares may deviate significantly from Net Asset Value particularly during periods of market volatility. Any of these factors may lead to the Shares of the relevant Sub-Fund trading at a premium or discount to the Net Asset Value. On the basis that Shares can be created and redeemed in Application Shares at Net Asset Value, the Manager believes that large discounts or premiums to Net Asset Value are not likely to be sustained over the long-term. While the creation/redemption feature is designed to make it likely that the Shares will normally trade at prices close to the relevant Sub-Fund's next calculated Net Asset Value, trading prices are not expected to correlate exactly with the relevant Sub-Fund's Net Asset Value due to reasons relating to timing as well as market supply and demand factors. In addition, disruptions to creations and redemptions or the existence of extreme market volatility may result in trading prices that differ significantly from Net Asset Value. In particular, if an investor purchases Shares at a time when the market price is at a premium to Net Asset Value or sells when the market price is at a discount to Net Asset Value, then the investor may sustain losses.

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

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

#### *Borrowing Risks*

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

#### *Cost of Trading Shares Risk*

As investors will pay certain charges (e.g. trading fees and brokerage fees) to buy or sell Shares on the SEHK, investors may pay more than the Net Asset Value per Share when buying Shares

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

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

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

#### *Secondary Market Trading Risk*

Shares in a Sub-Fund may trade on the SEHK when the relevant Sub-Fund does not accept orders to subscribe or redeem Shares. On such days, Shares 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.

#### *Reliance on Market Makers Risk*

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

#### *Reliance on Participating Dealers Risk*

The creation and redemption of Shares may only be effected through Participating Dealers. A Participating Dealer may charge a fee for providing this service. Participating Dealers will not be able to create or redeem Shares 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 relevant Index is not compiled or published. In addition, Participating Dealers will not be able to issue or redeem Shares if some other event occurs that impedes the calculation of the Net Asset Value of the relevant Sub-Fund or disposal of the relevant Sub-Fund's Securities and/or Swaps cannot be effected. Since the number of Participating Dealers at any given time will be limited, and there may even be only one Participating Dealer at any given time, there is a risk that investors may not always be able to create or redeem Shares freely.

### **Risks Associated with the Indices**

#### *Fluctuations Risk*

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

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

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

### *Compilation of Index Risk*

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

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

The Securities constituting an Index will change as the Securities of the Index are delisted, or as the Securities mature or are redeemed or as new Securities are included in the Index or where the methodology of the Index is changed by the Index Provider. When this happens the weightings or composition of the Securities owned by the relevant Sub-Fund will change as considered appropriate by the Manager to achieve the investment objective. Thus, an investment in Shares of a Sub-Fund will generally reflect the Index as its constituents change and not necessarily the way it is comprised at the time of an investment in Shares. However, there can be no guarantee that it will, at any given time accurately reflect the composition of the relevant Index (please refer to the section on “Tracking Error Risk”).

### *Difficulties in Valuation of Investments Risk*

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

### *Errors and inaccuracies of Index Risk*

There may be inaccuracies, errors, omissions or mistakes in the compilation or calculation of an Index, which may result in significant deviations between the Net Asset Value of the Shares of a Sub-Fund and the relevant Index. The accuracy and completeness of the calculation of an Index may be affected by, without limitation, the availability and accuracy of prices for its constituent securities, market factors and errors in its compilation. The Manager and the Custodian are not

responsible or involved in the compilation or calculation of any Index, and thus cannot be held responsible or liable for any inaccuracies, errors, omissions or mistakes in such compilation or calculation.

## **Risks Associated with Regulation**

### *Withdrawal of SFC Authorisation Risk*

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

### *General 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 the investment policy and objectives followed by the Sub-Fund. Furthermore, such change in the laws may have an impact on the market sentiment which may in turn affect the performance of an Index or the Securities in a Sub-Fund's Portfolio and as a result, the performance of the relevant Sub-Fund. It is impossible to predict whether such an impact caused by any change of law will be positive or negative for the Sub-Fund. In the worst case scenario, a Shareholder may lose a material part of its investments in a Sub-Fund.

### *Shares may be Delisted from the SEHK Risk*

The SEHK imposes certain requirements for the continued listing of Securities, including the Shares, on the SEHK. Investors cannot be assured that any Sub-Fund will continue to meet the requirements necessary to maintain the listing of Shares on the SEHK or that the SEHK will not change the listing requirements. If the Shares of a Sub-Fund are delisted from the SEHK, Shareholders will have the option to redeem their Shares by reference to the Net Asset Value of the Sub-Fund. Where the relevant Sub-Fund remains authorised by the SFC, such procedures required by the UT Code will be observed by the Manager including as to notices to Shareholders, withdrawal of authorisation and termination, as may be applicable. Should the SFC withdraw authorisation of a Sub-Fund for any reason it is likely that Shares may also have to be delisted.

### *Taxation Risk*

Investing in a Sub-Fund may have tax implications for a Shareholder depending on the particular circumstances of each Shareholder. 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 Shares. Such tax consequences may differ in respect of different investors.

### *FATCA Related Risks*

Subject to the discussion regarding the IGA below, sections 1471 – 1474 (referred to as "FATCA") of the U.S. Internal Revenue Code of 1986, as amended ("IRS Code") impose rules with respect to certain payments to non-U.S. persons, such as each Sub-Fund, including interest and dividends

from securities of U.S. issuers. All such payments (referred to as “withholdable payments”) may be subject to withholding at a 30% rate, unless the recipient of the payment satisfies certain requirements intended to enable the U.S. Internal Revenue Service (the “IRS”) to identify U.S. persons (within the meaning of the IRS Code) with interests in such payments. Such withholding potentially in the future may apply to payments of gross proceeds from the sale or other disposition of property of a type which can produce U.S. source dividends or interest and certain non-U.S. source payment attributable to the amounts that would be subject to FATCA withholding (referred to as “foreign passthru payments”). To avoid such withholding on payments made to it, a foreign financial institution (a “FFI”), such as each Sub-Fund (and, generally, other investment funds organised outside the U.S.), generally will be required to enter into an agreement (an “FFI Agreement”) with the IRS, under which it will agree to identify its direct or indirect owners who are U.S. persons and report certain information concerning such owners to the IRS. Also, an FFI may be required to withhold U.S. tax at a rate of 30% on certain payments to investors who fail to cooperate with certain information requests made by the FFI or on such payments made to investors that are FFIs that have not entered into an FFI Agreement with the IRS.

On 13 November 2014, Hong Kong has entered into an intergovernmental agreement with the U.S. (“IGA”) for the implementation of FATCA, adopting Model 2 IGA arrangements. Under such Model 2 IGA arrangement, FFIs in Hong Kong (such as each Sub-Fund) can enter into an FFI Agreement with the IRS, register with the IRS and comply with the terms of an FFI Agreement. Otherwise each Sub-Fund will be subject to a 30% withholding tax on relevant U.S.-sourced payments and other withholdable payments.

Under the IGA, FFIs in Hong Kong (such as each Sub-Fund) complying with the terms of an 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 withholdable payments to non-consenting U.S. accounts (i.e. accounts of which the holders do not consent to FATCA reporting and disclosure to the IRS) or close such accounts (provided that information regarding such account is reported to the IRS pursuant to the provisions of the IGA), but may be required to withhold tax on withholdable payments made to non-compliant FFIs. Withholding may be required with respect to withholdable payment to non-consenting U.S. accounts if, pursuant to certain exchange of information provisions contained in the IGA, the IRS has not obtained information regarding such account holders within a time period specified in the IGA.

Each Sub-Fund will endeavour to satisfy the requirements imposed under FATCA, the IGA and the terms of an FFI Agreement to avoid any withholding tax. Broadly, the IGA requires each Sub-Fund to, amongst other things, (i) register as a “reporting financial institution” with the IRS; (ii) conduct due diligence on its accounts to identify whether any such accounts are considered “U.S. Accounts” under the IGA; and (iii) report to the IRS the required information on such U.S. Accounts on an annual basis. Each Sub-Fund has already registered with the IRS as a “reporting financial institution” under a Model 2 IGA. The Value Partners EMQQ Emerging Markets Internet & Ecommerce ETF has also been registered with the IRS as a reporting Model 2 FFI and has obtained a Global Intermediary Identification Numbers (GIIN) KKK2K5.99999.SL.344.

In the event that a Sub-Fund is not able to comply with the requirements imposed by FATCA, the IGA or the terms of an FFI Agreement and such Sub-Fund suffers U.S. withholding tax on its investments as a result of non-compliance, the Net Asset Value of such Sub-Fund may be adversely affected and such Sub-Fund may suffer significant loss as a result. In addition, prospective investors should note that underlying collective investment schemes in which each Sub-Fund invests may be required to satisfy their own FATCA compliance obligations, and failure by any underlying collective investment scheme to fully comply with its FATCA obligations may have an adverse impact on the net asset value of each Sub-Fund.

To the extent that a Sub-Fund suffers withholding tax on its investments as a result of FATCA, the Custodian on behalf of the Sub-Fund may, after completing due process to ascertain and confirm that the Shareholder has failed to cooperate and provide the required information, bring legal action against the relevant Shareholder for losses suffered by the relevant Sub-Fund as a result of such withholding tax.

Each prospective investor should consult with its own tax adviser as to the potential impact of FATCA in its own tax situation.

#### *Valuation and Accounting Risk*

The Manager intends to adopt IFRS in drawing up the annual financial reports of each Sub-Fund. However, the calculation of the Net Asset Value in the manner described under the section on “Determination of Net Asset Value” will not necessarily be in compliance with generally accepted accounting principles, that is, IFRS. Investors should note that under IFRS, establishment costs should be expensed as incurred and that the amortisation of the expenses of establishing a Sub-Fund is not in accordance with IFRS; however, the Manager has considered the impact of such non-compliance and has considered that it will not have a material impact on the financial statements of each Sub-Fund. To the extent that the basis adopted by a Sub-Fund for subscription and redemption purposes deviates from IFRS, the Manager may make necessary adjustments in the annual financial reports for the financial reports to be in compliance with IFRS. Any such adjustments will be disclosed in the annual financial reports, including a reconciliation.

#### *Contagion Risk*

The Instrument allows the Company to issue Shares in separate Sub-Funds. The Instrument provides for the manner in which the liabilities are to be attributed across the various Sub-Funds under the Company (liabilities are to be attributed to the specific Sub-Fund in respect of which the liability was incurred). A person to whom such a liability is owed has no direct recourse against the assets of the relevant Sub-Fund (in the absence of the Company granting that person a security interest).

#### *Cross Liability Risk*

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



## MANAGEMENT OF THE COMPANY AND SUB-FUNDS

### The Directors

The Directors of the Company are as follows:

#### **HO Man Kei, Norman**

Mr. Norman HO is a Senior Investment Director of Value Partners, where he is a leader in Value Partners' investment process, with a high degree of responsibility over portfolio management. Mr. HO is a member of the Board of Directors of Value Partners Group (the "Group"), and is also a director of certain subsidiaries of the Group.

Mr. HO has over 31 years of asset management and financial industry experience, with a solid track record in research and portfolio management. Mr. HO joined Value Partners in November 1995. He was promoted to the roles of Investment Director and Senior Investment Director in 2010 and January 2014, respectively.

Prior to joining Value Partners, he was an Executive with Dao Heng Securities Limited and had started his career with Ernst & Young.

Mr. HO graduated with a Bachelor's degree in Social Sciences (majoring in Management Studies) from The University of Hong Kong. He is a CFA charterholder.

#### **HUI Kiu Tat**

Mr. HUI Kiu Tat is a Portfolio Manager of Value Partners, specialising in quantitative investments and ETFs. He first joined Value Partners in June 2010 as a quantitative analyst for approximately 3 years, and re-joined the company in November 2016. He is involved in the operations and management of the company's ETF products, including a physical gold ETF.

Prior to re-joining Value Partners, Mr. HUI was a quantitative analyst at APAC CIO Office of BNP Paribas Investment Partners from March 2013 to November 2016, where he was responsible for quantitative research and supporting the management of a passive mandate that tracks the CSI 300 Index.

Mr. HUI graduated with a Master's degree in Business Administration (MBA) and a Bachelor's degree in Business Administration (Information Systems) from The University of Hong Kong. He is a CFA and FRM charterholder.

### The Manager

The Manager of the Company and each Sub-Fund is Sensible Asset Management Hong Kong Limited 盛寶資產管理香港有限公司, a company incorporated on 28 April 2008 under the laws of Hong Kong and licenced by the SFC to carry on Types 4 (advising on securities) and 9 (asset management) regulated activities in Hong Kong under the SFO.

The Manager is a wholly owned by Value Partners Group Limited, a company listed on the SEHK and a member of the Group.

The Manager will manage each Sub-Fund and continuously supervise the portfolio of each Sub-Fund. In addition the Manager will be primarily responsible for portfolio composition file generation, cash management, trade execution and instructing money transfers.

The Manager has in place the necessary operating systems for creation, redemption and operation of each Sub-Fund.

The Director of the Manager is as follows:

## *SO Chun Ki Louis*

Mr. Louis SO is Co-Chairman and Co-Chief Investment Officer (“Co-CIO”) of Value Partners. He works closely with Dato’ Seri CHEAH Cheng Hye on all aspects of providing leadership to Value Partners, including overseeing all group affairs and activities, daily operations and management of the firm’s investment management team. Mr. SO holds a leadership role in Value Partners’ investment process, including a high degree of responsibility over portfolio management.

Mr. SO has over 22 years of asset management industry experience, with a solid track record in research and portfolio management. He joined Value Partners in May 1999 and was promoted to take up various research and fund management roles since then. He was appointed Co-Chairman of Value Partners on 26 April 2019. His extensive management capability and on-the-ground experience helped Value Partners establish an unparalleled research and investment team.

Mr. SO was named “Outstanding Manager of the Year – Greater China equity category” in the Fund of the Year Awards 2017 by Benchmark. In the 2011 Best of the Best Awards by Asia Asset Management, he was the co-winner of “CIO of the Year in Asia” award alongside Dato’ Seri CHEAH Cheng Hye.

Mr. SO graduated from the University of Auckland in New Zealand with a Bachelor’s degree in Commerce and obtained a Master’s degree in Commerce from the University of New South Wales in Australia.

### **Sub-Manager**

The Manager has delegated, under its own supervision and responsibility and at its own expense, all of its investment management duties to Value Partners Hong Kong Limited (the “Sub-Manager”).

The Sub-Manager was incorporated in Hong Kong on 10 May 1999 and commenced its current operations in January 2008. It is licensed by the SFC for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities under the SFO with CE number AFJ002.

### **The Directors of the Sub-Manager**

#### ***Dato’ Seri CHEAH Cheng Hye***

Dato’ Seri CHEAH Cheng Hye is Co-Chairman and Co-Chief Investment Officer (“Co-CIO”) of Value Partners Group Limited (“Value Partners”). He is in charge of Value Partners’ fund management and investment research, business operations, product development and corporate management. He sets Value Partners’ overall business and portfolio strategy.

Dato’ Seri CHEAH has been in charge of Value Partners since he co-founded the firm in February 1993 with his partner, Mr. V-Nee YEH. Throughout the 1990s, he held the position of Chief Investment Officer and Managing Director of Value Partners, responsible for managing both the firm’s funds and business operation. He led Value Partners to a successful listing on the Main Board of The Hong Kong Stock Exchange in 2007. The firm became the first asset management company listed in Hong Kong. Dato’ Seri CHEAH has more than 30 years of investment experience, and is considered one of the leading practitioners of value-investing in Asia and beyond. Value Partners and he personally have received numerous awards – a total of more than 200 professional awards and prizes since the firm’s inception in 1993.

Dato’ Seri CHEAH currently serves as an Independent Non-executive Director, Chairman of Investment Committee and Cash Market Consultative Panel of Hong Kong Exchanges and Clearing Limited (“HKEX”), a member of the Hong Kong University of Science and Technology (“HKUST”) Business School Advisory Council, Convenor of Advisory Council for the Malaysian Chamber of Commerce (Hong Kong and Macau), a member of the Hong Kong Trade Development Council Belt and Road & Greater Bay Area Committee, a Fellow of the Hong Kong Management Association, and a member of the Hong Kong Academy of Finance (“MAoF”).

In August 2016, Dato' Seri CHEAH was conferred Darjah Gemilang Pangkuan Negeri ("DGPN"), one of the highest civil honours granted by the state of Penang in Malaysia to recognise exceptional individuals. The DGPN award comes with the title of "Dato' Seri". In 2013, he was conferred Darjah Setia Pangkuan Negeri ("DSPN") with the title of "Dato' ". In the same year, he was named an Honorary Fellow of the HKUST for outstanding achievements.

Dato' Seri CHEAH was named "Outstanding Manager of the Year – Greater China equity category" in the Fund of the Year Awards 2017 by Benchmark, and the co-winner of "CIO of the Year in Asia" along with Mr. Louis SO in the 2011 Best of the Best Awards by Asia Asset Management. In 2010, he was named by AsianInvestor as one of the Top-25 Most Influential People in Asian Hedge Funds. In 2009, he was named by AsianInvestor as one of the 25 Most Influential People in Asian Asset Management. He was also named "Capital Markets Person of the Year" by FinanceAsia in 2007, and in 2003, he was voted the "Most Astute Investor" in the Asset Benchmark Survey.

Prior to starting Value Partners, Dato' Seri CHEAH worked at Morgan Grenfell Group in Hong Kong, where, in 1989, he founded the company's Hong Kong/China equities research department as the Head of Research and proprietary trader for the firm. Prior to this, he was a financial journalist with the Asian Wall Street Journal and Far Eastern Economic Review, where he reported on business and financial news across East and Southeast Asia markets. Dato' Seri CHEAH served for nine years (1993 to 2002) as an independent non-executive director of Hong Kong-listed JCG Holdings, a leading microfinance company (a subsidiary of Public Bank Malaysia renamed from 2006 as Public Financial Holdings).

### ***SO Chun Ki Louis***

Please refer to the section on "The Manager".

### ***HO Man Kei, Norman***

Please refer to the section on "The Directors".

### **The Custodian**

The Custodian of the Company is HSBC Institutional Trust Services (Asia) Limited, which is a registered trust company in Hong Kong. Pursuant to the Custody Agreement and the Instrument, the Custodian is responsible for taking into its custody or under its control all of the Scheme Property. The Custodian may, however, appoint any person or persons (including any of its Connected Person) to be sub-custodian of the assets of the Company or any Sub-Fund or to otherwise act as its nominee or agent.

The Custodian may also empower such person to appoint co-custodians, sub-custodians and/or delegates (each such custodian, nominee, agent, co-custodian, sub-custodian and delegate a "Correspondent") provided that such appointment is made with the prior consent in writing of the Custodian, noting that for the purposes of satisfying this, the Custodian may pre-clear such appointment or provide consent/no objection to an agreed-upon process provided that it is satisfied that its appointed sub-custodian will exercise reasonable care and diligence in the selection, appointment and ongoing monitoring of its nominees, agents and/or delegates and has appropriate and adequate processes and procedures in place for doing so. Subject as noted below, the Custodian will remain responsible for the acts or omissions of any Correspondent in the same manner as if such acts or omissions were those of the Custodian.

The Custodian is required to exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of any Correspondent which are appointed for the custody and/or safekeeping of the Scheme Property during the term of their appointment, and must be satisfied that the Correspondents remain suitably qualified and competent on an ongoing basis to provide the relevant services.

Subject to the Custodian's proper discharge of the requirements as set out above in relation to the selection, appointment and ongoing monitoring of any Correspondent and its satisfaction that the

Correspondents remain suitably qualified and competent to provide the relevant services on an ongoing basis, the Custodian shall not be liable for the insolvency, liquidation bankruptcy, act or omission of any Correspondent which is not a Connected Person of the Custodian.

Except as provided for in the Instrument, the Custody Agreement or any applicable laws and regulations, and except to the extent of any fraud or negligence on its own part or that of its Correspondents where the Custodian would be liable pursuant to the provisions of the Custody Agreement:

- (a) the Custodian shall not be under any liability (including any loss, costs, damages or inconvenience that may result from the exercise or non-exercise of powers, duties, authorities and discretions vested in it), nor shall the Custodian be liable for any act, omission, misconduct, mistake, oversight or want of prudence on the part of the Manager or any person appointed by or otherwise acting as agent of or adviser to the Manager;
- (b) the Custodian (and its directors, officers and employees) be indemnified and held harmless out of the Scheme Property of the relevant Sub-Fund(s) in respect of (in addition to any right of indemnity given by law) any action, costs, claims, expenses, damages or liabilities to which it (or they) may be put or which it (or they) may incur as a result of the Custodian acting as custodian of or in respect of the Company and/or the relevant Sub-Fund(s), and the Custodian shall for such purpose have recourse to the Scheme Property of the relevant Sub-Fund(s); and
- (c) any liability of the arising under or in connection with the Instrument or the Custody Agreement, whether in contract, in tort, by law or otherwise, is limited to the amount for which the Custodian has a right of recovery against, or any indemnity from the Company or the relevant Sub-Fund (i.e. the relevant Scheme Property).

In addition, subject to any applicable laws and regulations, the Custodian shall not be responsible for or incur any liability for matters prescribed under the Instrument, including, without limitation, (i) any error of law or matter or thing done or omitted to be done in good faith, (ii) authenticity of any signature or seal affixed to any documents affecting the title to or transmission of Shares or of Investments, (iii) acting upon any resolutions purporting to have been passed at any meeting of the Shareholders in respect whereof minutes shall have been made and signed or passed in accordance with terms of the Instrument, (iv) any consequential, special or indirect loss or punitive damages arising under or in connection with the Instrument and the Custody Agreement, whether in contract, in tort, by law or otherwise, or (v) loss of or damage to any documents in its possession or for any failure to fulfil its duties hereunder caused by or directly or indirectly due to any cause which is beyond the reasonable control of the Custodian provided that the Custodian has taken all reasonable preventive or mitigating steps.

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

The Custodian will be entitled to a Custodian Fee and other service fees agreed by the Company.

The Custodian is not responsible for the preparation or issue of this Prospectus and therefore accepts no responsibility for any information contained in this Prospectus other than the descriptions under this section headed "The Custodian" and neither the Custodian nor any of its subsidiaries, affiliates, directors and other officers, shareholders, servants, employees, agents or permitted delegates accept any responsibility or liability for any information contained in this Prospectus other than the description under this section headed "The Custodian".

## **The Administrator, Valuation Agent and Registrar**

The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) has been appointed as the Administrator and/or Valuation Agent of the Company and Sub-Fund(s) and shall carry out certain financial, administrative functions and other services in relation to the relevant Sub-Fund on its behalf and is responsible for, among other things: (i) calculating the Net Asset Value and Net Asset Value per Shares of any class relating to the relevant Sub-Fund, and (ii) the general administration of the relevant Sub-Fund, which includes the proper book keeping of the relevant Sub-Fund, arranging the administration of the issue and redemption of Shares of the relevant Sub-Fund.

HSBC also acts as the Registrar for the Sub-Fund(s) under the terms of the Fund Administration Agreement, unless otherwise stated in the relevant Appendix. The Registrar provides services in respect of the establishment and maintenance of the Register of the relevant Sub-Fund.

HSBC, its delegated affiliates, directors, officers and employees of each of them, are entitled to be indemnified by the Company out of the Scheme Property of the relevant Sub-Fund against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, legal costs, expenses or disbursements of any kind or nature whatsoever other than those resulting from the fraud or negligence on the part of HSBC, its delegated affiliates, directors, officers, employees and each of them which may be imposed on, incurred by or asserted against HSBC, its delegated affiliates, directors, officers, employees and each of them, as a result of or in connection with performing the services under the Fund Administration Agreement between HSBC and the Company for and on behalf of the relevant Sub-Fund.

In performing the services under the Fund Administration Agreement, HSBC is entitled, without verification or further enquiry or liability, to rely on pricing information in relation to specified Investments held by the Company and the relevant Sub-Fund, which would include information provided by the Manager, or, in the absence of any such price sources, any price sources on which HSBC may choose to rely. Without prejudice to the generality of the foregoing, HSBC is not liable or otherwise responsible for any loss suffered by any person other than losses resulting from negligence or fraud on the part of HSBC or any affiliate by reason of any inaccuracy, error or delay (whether as a result of deliberate action or otherwise) in any pricing or valuation information provided by pricing agents, pricing sources or pricing models provided by any person, including, without limitation, by the manager, administrator or valuation agent of any fund or portfolio into which the Company and the relevant Sub-Fund invests or for any inaccuracy, error or delay (whether as a result of deliberate action or otherwise) in information (including, without limitation, pricing or valuation information) supplied to HSBC.

HSBC will use reasonable endeavours to independently verify the price of any assets or liabilities of the Company and the relevant Sub-Fund using its network of automated pricing services, brokers, market makers, intermediaries or using other pricing sources or pricing models provided by any person.

In the absence of readily available independent pricing sources, HSBC may rely solely upon any valuation or pricing information (including, without limitation, fair value pricing information) about any such assets or liabilities of the Company and the relevant Sub-Fund (including, without limitation, private equity investments) which is processed by it or provided to it by: (1) the Manager, the Company, the Directors (or other governing body); and/or (2) third parties including, but not limited to, any valuer, third party valuation agent, intermediary or other third party including, but not limited to, those appointed or authorised by the Manager, the Company, the Directors (or other governing body) to provide pricing or valuation information in respect of the Scheme Property or liabilities to HSBC. HSBC is not liable for any loss suffered by any person as a result of HSBC not providing this information for any such asset or liability of the Company and the relevant Sub-Fund.

HSBC in no way acts as guarantor or offeror of the Shares of the Company or any underlying investment. HSBC is a service provider to the Company and has no responsibility or authority to make investment decisions, or render investment, commercial, accounting, legal or any other

advice whatsoever, with respect to the Scheme Property. HSBC is not responsible for, and accepts no responsibility or liability for any losses suffered by the Company and the relevant Sub-Fund or any investors in the Company and the relevant Sub-Fund as a result of any failure by the Manager or the Directors (or other governing body), as applicable, to adhere to any investment objective, investment policy, investment restrictions, borrowing restrictions, operating guidelines or other restrictions applicable to the Company and the relevant Sub-Fund. HSBC will not participate in transactions or activities or make any payments denominated in US dollars, which, if carried out by a United States person, would be subject to sanctions of the Office of Foreign Assets Control (“OFAC”) of the United States Department of the Treasury or any other relevant sanctions.

HSBC is not liable or otherwise responsible for any loss suffered by any person by reason of (1) any act or omission of any person prior to the commencement date of the Fund Administration Agreement, (2) any defect, error, inaccuracy, breakdown or delay in any product or service provided to HSBC by any third party service provider or (3) any inaccuracy, error or delay in information provided to HSBC by or for the Company and the relevant Sub-Fund or Manager (including any broker, market maker or intermediary or any other third party). HSBC is not otherwise liable for any loss in connection to the services provided to the Company or any other person unless direct loss is sustained as a result of its fraud or negligence.

In addition, subject to any applicable laws and regulations, HSBC shall not be responsible for or incur any liability for matters prescribed under the Instrument, including, without limitation, (i) any error of law or matter or thing done or omitted to be done in good faith, (ii) authenticity of any signature or seal affixed to any documents affecting the title to or transmission of Shares or of Investments, (iii) acting upon any resolutions purporting to have been passed at any meeting of the Shareholders in respect whereof minutes shall have been made and signed or passed in accordance with terms of the Instrument, (iv) any consequential, special or indirect loss or punitive damages arising under or in connection with the Instrument and the Fund Administration Agreement, whether in contract, in tort, by law or otherwise, or (v) loss of or damage to any documents in its possession or for any failure to fulfil its duties hereunder caused by or directly or indirectly due to any cause which is beyond the reasonable control of HSBC provided that HSBC has taken all reasonable preventive or mitigating steps.

Under the terms of the Fund Administration Agreement, HSBC is permitted to delegate certain of its functions and duties to HSBC's affiliates as permitted by applicable laws and regulations, provided that HSBC will remain responsible for the performance of its affiliates.

The Fund Administration Agreement provides that the appointment of the HSBC in its capacity as the Administrator, Valuation Agent and Registrar may be terminated without cause by the Company by giving at least 90 days' prior notice in writing (or such shorter notice as the parties to the Fund Administration Agreement may agree). The Fund Administration Agreement may be terminated with immediate or subsequent effect by written notice in certain specified circumstances (e.g. in circumstances where a party to the Fund Administration Agreement has committed a material breach of the terms of such agreement).

HSBC is not responsible for the preparation or issue of this Prospectus other than with respect to the description above in respect of the Administrator, Valuation Agent and Registrar.]

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

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

## **The Auditor**

The Manager has appointed Ernst & Young to act as the auditor of the Company and each Sub-Fund (the "Auditor"). The Auditor is independent of the Manager and the Custodian.

## **The Participating Dealers**

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

## **The Market Makers**

A Market Maker is a broker or dealer permitted by the SEHK to make a market for the Shares in the secondary market and whose obligations include quoting bid prices to potential sellers and offer prices to potential buyers when there is a wide spread between the prevailing bid prices and offer prices for the Shares on the SEHK. Market Makers facilitate the efficient trading of Shares 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 use its best endeavours to put in place arrangements so that there is at all times at least one Market Maker for Shares in each available counter. If the SEHK withdraws its permit to the existing Market Maker(s), the Manager use its best endeavours to put in place arrangements so that there is at least one other Market Maker for each available counter of each Sub-Fund to facilitate the efficient trading of Shares. The Manager will use its best endeavours to put in place arrangements so that at least one Market Maker for each available counter of each Sub-Fund will give not less than 3 months' notice prior to terminating market making under the relevant market making agreement. The latest list of Market Makers for each Sub-Fund is available at [www.hkex.com.hk](http://www.hkex.com.hk) and <https://www.vpemqq.com> (the contents of which and of any other website referred to in this Prospectus have not been reviewed by the SFC). Please refer to the section on "Website Information" for the warning and the disclaimer regarding information contained in such website.

## **The Listing Agent**

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

## STATUTORY AND GENERAL INFORMATION

### Financial Reports

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

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

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

### The Instrument

The Company was incorporated in Hong Kong under the SFO on 11 January 2022. Its constitution is set out in the Instrument filed to the Companies Registry of Hong Kong and effective as of 11 January 2022 (and as may be further amended, modified or supplemented from time to time). All Shareholders are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Instrument.

### Indemnities of the Manager

Under the Management Agreement, the Manager is not liable in respect of any act or omission of:

- (a) any person, firm or company through whom transactions in Investments are effected for the account of any Sub-Fund;
- (b) the Custodian;
- (c) the Administrator, Valuation Agent and Registrar;
- (d) any Participating Dealer, Market Maker or Listing Agent;
- (e) any party having custody or possession of the Company's assets from time to time; or
- (f) any clearance or settlement system.

Nothing in any of the provisions of the Management Agreement and the Instrument (i) exempts the Manager from or against any liability to Shareholders for breach of its obligations through its fraud or negligence or any liability to Shareholders imposed by virtue of any Hong Kong law in relation to its duties nor (ii) indemnifies the Manager against such liability by Shareholders or at the Shareholders' expense.

Subject to the Instrument, the Company agrees to indemnify and keep indemnified the Manager and the directors, officers and employees of the Manager from and against any and all liabilities, obligations, losses, damages, suits and expenses (each a "Loss") which may be incurred by or asserted against the Manager in its capacity as Manager of the Company. However, such indemnity excludes Losses resulting from the negligence, wilful default or fraud of the person



seeking to rely on this indemnity and excludes expenses incurred by the Manager for which it is responsible under the Management Agreement.

When the Manager appears in, prosecutes or defends any action or suit in respect of the provisions of the Management Agreement or the Instrument or in respect of the Company, any Sub-Fund or any part thereof or any corporate or Shareholders' action which in its opinion would or might involve it in expense or liability, it shall be entitled to be indemnified by the Company out of the relevant Sub-Fund to its satisfaction against any costs or expenses in connection with the Manager appearing, prosecuting or defending such actions or suits.

Nothing in the Management Agreement excludes or restricts the liability to the Company which the Manager may have under the SFO.

No provision of the Instrument or the Management Agreement shall be construed as (i) providing any exemption of any liability of the Manager to the Shareholders under Hong Kong law, nor may the Manager be indemnified against such liability by Shareholders or at the Shareholders' expense, or (ii) diminishing or exempting the Manager from any of its duties and liabilities under applicable Laws and Regulations, and no provision shall have the effect of providing any of such exemption or indemnity.

### **Modification of the Instrument**

An amendment to the Instrument may be made to the extent permitted by the Laws and Regulations applicable to the Company and in accordance with the Instrument.

No alteration to the Instrument may be made unless:

- (a) the alteration has been approved by Shareholders by a special resolution (as defined in the Instrument);
- (b) the Custodian certifies in writing that in its opinion the proposed alteration: (i) is necessary to make possible compliance with fiscal or other statutory, regulatory or official requirements; (ii) does not materially prejudice Shareholders' interests, does not to any material extent release the Directors, the Manager, the Custodian or any other person from any liability to Shareholders and does not increase the costs and charges payable from the scheme property; or (iii) is necessary to correct a manifest error;
- (c) the alteration is approved by the SFC; or
- (d) the alteration does not require Shareholders' approval nor the SFC's approval, and does not fall within paragraph (b) according to the Laws and Regulations applicable to the Company.

The Company shall provide written notice to Shareholders in respect of any alteration to the Instrument and any alteration to the Company generally in accordance with the Laws and Regulations applicable to the Company.

Shareholders and intending applicants are advised to consult the terms of the Instrument for further details.

### **Meetings of Shareholders**

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

nominee(s)) as if such person were the registered Shareholder of the Shares held by the clearing house (or its nominee(s)), including the right to vote individually on a poll.

### **Voting Rights**

Shareholders' meetings may be convened by the Directors or by Shareholders representing at least 10% of the Shares in issue, on not less than 21 calendar days' notice in respect of a meeting where a special resolution (as defined in the Instrument) is to be proposed and 14 calendar days' notice in respect of a meeting where an ordinary resolution (as defined in the Instrument) is to be proposed.

These meetings may be used to modify the terms of the Instrument, including removing the Manager or terminating a Sub-Fund at any time. Such amendments to the Instrument must be considered by Shareholders of at least 25% of the Shares in issue and passed by a 75% or more of the votes cast.

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

The Instrument contains provisions for the holding of separate meetings of Shareholders holding Shares of different classes where only the interests of Shareholders of such class are affected.

### **Removal and Retirement of the Directors**

A person ceases to be a Director if the person:

- (a) ceases to be a Director or is prohibited from being a Director under the applicable Laws and Regulations or under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong;
- (b) becomes bankrupt or makes any arrangement or composition with the person's creditors generally;
- (c) becomes a mentally incapacitated person;
- (d) resigns from the office of Director by notice in writing of the resignation of not less than 28 days;
- (e) for more than 6 months has been absent without the Directors' permission from Directors' meetings held during that period;
- (f) upon the expiry of any period or notice period stated in an agreement for the provision of services between the Company and the Director or if such agreement is summarily terminated in accordance with its terms; or
- (g) is removed from the office of Director by an ordinary resolution (as defined in the Instrument).

Special notice (in accordance with the applicable Laws and Regulations) is required of a resolution to remove a Director or appoint a person in place of a Director so removed at the meeting at which the Director is removed.

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

Under the Management Agreement, the Manager must retire in the case of (i) below, and must be subject to removal by notice in writing from the Directors in the case of (ii) or (iii) below:

- (i) when it ceases to be eligible to be a Manager or is prohibited from being a Manager under the applicable Laws and Regulations, or when the SFC withdraws its approval of the Manager;
- (ii) when it goes into liquidation, becomes bankrupt or has a receiver appointed over its assets;
- (iii) when for good and sufficient reason, the Directors state in writing that a change in the Manager is desirable in the interests of the Shareholders.

The Manager may not retire except upon the appointment of a new Manager approved by the SFC.

### **Removal and Retirement of the Custodian**

Under the Custody Agreement, the Custodian must retire in the case of (i) below, and must be subject to removal by notice in writing in the case of (ii) and (iii) below:

- (i) when it ceases to be eligible to be a Custodian or is prohibited from being a Custodian under applicable Laws and Regulations, or when the SFC withdraws its approval of the Custodian;
- (ii) when it goes into liquidation, becomes bankrupt or has a receiver appointed over its assets;  
or
- (iii) when for good and sufficient reason, the Directors state in writing that a change in the Custodian is desirable in the interests of the Shareholders.

The Custodian may not retire except upon the appointment of a new Custodian approved by the SFC.

### **Termination (otherwise than by winding up)**

Without prejudice to any provision in the applicable Laws and Regulations by virtue of which the Company, or a Sub-Fund or a class of Shares may be terminated, the Company, a Sub-Fund or a class of Shares may be terminated, subject to and in accordance with the applicable Laws and Regulations, by the Directors in their absolute discretion if:

- (a) in the case of a Sub-Fund including classes therein, 1 year from the date of the first issue of Share relating to the relevant Sub-Fund or at any date thereafter the Net Asset Value of the relevant Sub-Fund is less than HKD150,000,000 or its equivalent in the base currency of the Sub-Fund;
- (b) in the case of a class only, there are no Shareholders of such class in a Sub-Fund;
- (c) in the case of the Company, 1 year from the date of the first issue of Shares relating to the first Sub-Fund or at any date thereafter the Net Asset Value of the Company is less than HKD150,000,000 or its equivalent in the base currency of the Company;
- (d) any law shall be passed which renders it illegal or in the reasonable opinion of the Directors impracticable or inadvisable to continue the relevant Sub-Fund or the Company;
- (e) the Index is no longer available for benchmarking;

- (f) in the case of a Sub-Fund including classes therein, if the Shares of the relevant Sub-Fund are no longer listed on the SEHK or any such other stock exchange from time to time determined by the Manager;
- (g) in the case of a Sub-Fund including classes therein, at any time, the relevant Sub-Fund ceases to have any Participating Dealer;
- (h) in the case of a Sub-Fund including classes therein, at any time, the relevant Sub-Fund ceases to have any market maker; or
- (i) in the case of a Sub-Fund including classes therein, if the Manager is unable to implement its investment strategy in respect of the relevant Sub-Fund.

The Directors shall give reasonable notice of termination of the Company, the relevant Sub-Fund, or the class of Shares (as the case may be) to the Shareholders in the Company, the relevant Sub-Fund or the class of Shares (as the case may be) in such manner and with such contents which are compliant with the applicable Laws and Regulations, and by such notice fix the date on which such termination is to take effect, provided that no less than one month's notice will be given to the relevant Shareholders in case of termination of the Company or a Sub-Fund.

With effect on and from the date as at which the Company or any Sub-Fund is to terminate:

- (a) no Shares of the relevant class or classes may be issued or sold by the Company;
- (b) the Manager shall on the instructions of the Directors realise all the assets then comprised in the relevant Sub-Fund;
- (c) distributions shall be made to the Shareholders of the relevant class or classes in proportion to their respective interests in the relevant Sub-Fund all net cash proceeds derived from the realisation of the relevant Sub-Fund and available for the purpose of such distribution, provided that the Custodian shall be entitled to retain out of any monies in its hands as part of the relevant Sub-Fund full provision for all costs, charges, expenses, claims and demands reasonably incurred by or on behalf of the Company, Directors, the Manager or the Custodian in connection with or arising out of the termination of the relevant Sub-Fund; and
- (d) any unclaimed proceeds or other monies held by the Custodian in the event of a termination may at the expiration of 12 calendar months from the date upon which the same became payable be paid into court, subject to the right of the Custodian to deduct therefrom any expenses it may incur in making such payment.

Every such distribution shall be made in such manner as the Directors shall at their reasonable discretion determine but shall be made only against the production of such evidence relating to the Shares of the relevant class or classes in respect of which the same is made and upon delivery of such form of request for payment as shall be reasonably required.

### **Winding Up**

Subject to any other provisions applicable to the specific Sub-Fund set out in the relevant Appendix to this Prospectus, the rights of the Shareholders to participate in the property comprised in a Sub-Fund on a winding up of the Company or a Sub-Fund shall be proportionate to the proportionate interests in the Sub-Fund represented by the Shares which they hold.

If the Company or a Sub-Fund is wound up and a surplus remains after the payment of debts proved in the winding up, the liquidator:

- (a) may, with the required sanction of a special resolution (as defined in the Instrument) of the Company or Shareholders of the relevant Sub-Fund and any other sanction required by the Laws and Regulations, divide amongst the Shareholders the whole or any part of the assets of the Company or relevant Sub-Fund (whether they consist of property of the same kind or

not) and may, for this purpose, set a value the liquidator thinks fair on any property to be so divided; and

- (b) may determine how the division is to be carried out between the Shareholders or different classes of Shareholders.

### **Distribution Policy**

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

### **Inspection of Documents**

Copies of the constitutive documents in respect of the Company and each Sub-Fund are available for inspection free of charge during normal business hours on each Business Day at the offices of the Manager.

### **Part XV of the SFO**

Part XV of the SFO sets out the Hong Kong disclosure of interests' regime applicable to Hong Kong listed companies. The regime applies to open-ended fund companies whose Securities are listed on the SEHK. However the Company has made a Category 3 application to the SFC for exemption from Part XV of the SFO pursuant to section 309(2) thereof and the Guidelines for the Exemption of Listed Corporations and Other Persons from Part XV of the SFO (Disclosure of Interests). Consequently, Shareholders are not obliged to disclose their interest in the Company or in a Sub-Fund.

### **Common Reporting Standard**

The Inland Revenue (Amendment) (No.3) Ordinance (the "Ordinance") (as amended from time to time) came into force on 30 June 2016. This is the legislative framework for the implementation of the Organisation for Economic Co-operation and Development's ("OECD") Standard for Automatic Exchange of Financial Account Information (commonly known as the "CRS") in Hong Kong. The CRS requires financial institutions ("FIs") in Hong Kong to obtain information from the account holders, conduct due diligence on the account holders and file such information as it relates to reportable account holders who are tax resident in Reportable Jurisdictions (as defined below) with the Hong Kong Inland Revenue Department ("IRD") which in turn will exchange the information with the jurisdiction(s) in which that account holder is resident. Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has activated an exchange relationship ("Reportable Jurisdictions"); however, under the CRS, the relevant Sub-Fund and/or its agents are not restricted from obtaining information relating to residents of jurisdictions other than Reportable Jurisdictions.

Each Sub-Fund will be required to comply with the requirements of the Ordinance, which means that each Sub-Fund and/or its agents shall obtain and provide to the IRD the required information relating to Shareholders and prospective investors where required.

The Ordinance as implemented by Hong Kong requires each Sub-Fund to, amongst other things: (i) register as a "Reporting Financial Institution" with the IRD to the extent the Sub-Fund maintains any reportable accounts; (ii) conduct due diligence on its accounts (i.e. Shareholders) to identify whether any such accounts are considered "Reportable Accounts" under the Ordinance; and (iii) report to the IRD the required information on such Reportable Accounts on an annual basis.

The IRD is expected on an annual basis to transmit the required information reported to it to competent authorities of the relevant Reportable Jurisdiction(s). Broadly, the CRS 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 a Reportable Jurisdiction.

Under the Ordinance, details of reportable Shareholders or their controlling persons (as the case may be), including but not limited to their name, place/date of birth, address, jurisdiction of tax residence, tax identification number(s) (if any), account details, account balance/value of the interest in the Sub-Fund, and income or sale or redemption proceeds, is required to be reported to the IRD and subsequently exchanged with competent authorities in the relevant Reportable Jurisdiction(s).

By investing in a Sub-Fund and/or continuing to invest in a Sub-Fund, Shareholders acknowledge that they may be required to provide additional information to the relevant Sub-Fund, the Manager and/or the Sub-Fund's agents in order for the Sub-Fund to comply with the Ordinance. The Shareholder's information (and information on controlling persons including beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such Shareholders as appropriate), may be exchanged by the IRD to authorities in other jurisdictions.

Each Shareholder and prospective investor should consult its own professional adviser(s) on the administrative and substantive implications of the CRS on its current or proposed investment in the Sub-Funds.

#### **Certification for Compliance with FATCA, the CRS or Other Applicable Laws**

Each investor (i) shall be required to, upon demand by the Company, the Manager, the Administrator or the Custodian, provide any form, certification or other information reasonably requested by and acceptable to the Company, the Manager, the Administrator or the Custodian that is necessary for the relevant 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 relevant Sub-Fund receives payments and/or (b) to satisfy due diligence, reporting or other obligations under the IRS Code and the United States Treasury Regulations promulgated under the IRS Code, the CRS (or the Ordinance), 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 registration, due diligence and reporting obligations imposed by the United States, Hong Kong or any other jurisdiction (for the purposes of AEOI), including such obligations that may be imposed by future legislation.

For the purposes herein, "AEOI" means one or more of the following as the context requires:

- (a) FATCA;
- (b) the OECD Standard for Automatic Exchange of Financial Account Information in Tax Matters – the CRS, the Ordinance which implements the CRS in Hong Kong and any associated guidance;
- (c) any intergovernmental agreement, treaty, guidance, standard or other agreement between the Hong Kong government (or any government body in Hong Kong) and any other jurisdiction (including any government bodies in such jurisdiction), entered into in order to comply with, facilitate, supplement or implement the legislation, regulations, guidance or standards described in paragraphs (a) and (b) above; and
- (d) any legislation, regulations or guidance in Hong Kong that give effect to the matters outlined in the preceding paragraphs (a) to (c) above.

## **Power to Disclose Information to Authorities**

Subject to applicable Laws and Regulations in Hong Kong and the consents obtained from the Shareholders where required (e.g. for FATCA purposes), the Company, the Manager, the Custodian or any of their authorised person (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or competent authority in any jurisdictions (including but not limited to the IRS and the IRD), certain information in relation to a Shareholder, including but not limited to the Shareholder's name, address, date/place of birth, tax residence, tax identification number(s) (if any), social security number (if any) and certain information relating to the Shareholder's holdings, account balance/value of the interest in the Sub-Fund, and income or sale or redemption proceeds, to enable 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 AEOI).

## **Personal Data**

Pursuant to the provisions of the Personal Data (Privacy) Ordinance (Cap. 468) of Hong Kong (the "PDPO"), the Custodian, the Manager, or any of their respective delegates (each a "Data User") may collect, hold and use personal data of individual investors in the relevant Sub-Fund only for the purposes for which such data was collected and shall comply with personal data protection principles and requirements as set out in the PDPO and all other applicable regulations and rules governing personal data use in Hong Kong from time to time. Accordingly, each Data User shall take all practicable steps to ensure that personal data collected, held and processed by them are protected against unauthorised or accidental access, processing, erasure or other use.

## **Anti-Money Laundering Regulations**

As part of the Company's, the Manager's, the Administrator's, the Registrar's and the Participating Dealer's responsibility to prevent money laundering, they and/or their respective delegates or agents may require detailed verification of a prospective investor's identity and the source of the payment of application monies. Depending on the circumstances of each application, a detailed verification may not be required where: (a) the prospective investor makes payment from an account in the prospective investor's name at a recognised financial institution; (b) the prospective investor is regulated by a recognised regulatory authority; or (c) the application is made through a recognised financial intermediary. The exceptions will only apply if the financial institution, regulatory authority or intermediary referred to above is within a country recognised by Hong Kong as having sufficient anti-money laundering regulations.

The Company, the Manager, the Administrator, the Registrar, the Participating Dealers and their respective delegates and agents each 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 Company, the Administrator, the Manager, the Registrar, the Participating Dealers or any of their respective delegates or agents may refuse to accept the application and return the application monies relating to such application.

The Company, the Manager, the Administrator, the Registrar, the Participating Dealers and their respective delegates and agents each also reserves the right to refuse to make any redemption payment to a Shareholder if Company, the Manager, the Administrator, the Registrar, the Participating Dealers and/or any of their respective delegates and agents suspect or are advised that the payment of redemption proceeds to such Shareholder 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 Company or the relevant Sub-Fund(s), the Manager, the Administrator, the Registrar or the Participating Dealers with any such Laws or Regulations in any applicable jurisdiction.

None of the Company, the Manager, the Administrator, the Registrar, the Participating Dealers or their respective delegates or agents shall be liable to the prospective investor or Shareholder for

any loss suffered by such party as a result of the rejection or delay of any subscription application or payment of redemption proceeds.

### **Liquidity Risk Management**

The Manager has established a liquidity management policy which enables it to identify, monitor and manage the liquidity risks of each Sub-Fund 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 risk management tools of the Manager, also seeks to achieve fair treatment of Shareholders and safeguard the interests of remaining Shareholders 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 each Sub-Fund. 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 as stated under the section headed "Creations and Redemptions (Primary Market)", 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 each Sub-Fund under normal and exceptional market conditions.

The Manager has also established an independent committee comprising members from relevant departments where meetings will be organised regularly and on an ad hoc basis to resolve any liquidity issues and to monitor the liquidity management policy. The risk management committee of the Manager oversees the liquidity management function of the Sub-Fund(s). The risk management committee comprises members independent from the day-to-day portfolio investment function of the Manager. Any risk management control weakness and the corresponding actions plans will be reported to the committee for monitoring and tracking purpose and the committee will further escalate any significant findings to the Board of Directors of the Manager and copy the same to the audit committee of the Manager for noting purpose.

The following tool(s) may be employed by the Manager or the Sub-Fund to manage liquidity risks:

- Suspension of issue and redemption: the Manager may, after consultation with the Custodian and having regard to the best interests of Shareholders, declare a suspension of the determination of the Net Asset Value of any Sub-Fund, and/or the issue and/or switching and/or redemption of Shares of any Sub-Fund in exceptional circumstances as further detailed in the heading entitled "Suspension of Determination of Net Asset Value" in the section headed "Determination of Net Asset Value".
- Redemption gate: the Manager may limit the total number of Shares of a Sub-Fund redeemed on any Dealing Day to Shares representing 10% (or such other percentage as the Manager may determine either generally or in respect of any particular Dealing Day and as permitted by the SFC) of the latest available Net Asset Value of such Sub-Fund on the relevant Dealing Day (subject to the conditions under the heading entitled "Restrictions on redemption" in the section headed "Creations and Redemptions (Primary Market)").

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

The Manager, the Sub-Manager and the Custodian (and any of their affiliates) (each a "relevant party") may from time to time act as trustee, administrator, registrar, manager, custodian, investment manager or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of any Sub-Fund. It is, therefore, possible that any relevant party may, in the course of business, have potential conflicts of interest with the Company or any Sub-Fund. Each relevant party will, at all times, have regard in such event to its obligations to



the Company and the relevant Sub-Fund and will endeavour to ensure that such conflicts are resolved fairly. Each relevant party shall be entitled to retain for its own use and benefit all fees and other monies payable thereby and shall not be deemed to be affected with notice of or to be under any duty to disclose to the Company, any Sub-Fund, any Shareholder or any other relevant party any fact or thing which comes to the notice of the relevant party 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 Instrument. In any event, the Manager will ensure that all investment opportunities will be fairly allocated.

The Manager and/or the Sub-Manager may enter into trades for the account of any Sub-Fund with the accounts of other clients of the Manager, the Sub-Manager or their Connected Persons (“cross trades”) when the Manager and/or the Sub-Manager considers that, as part of its portfolio management, such cross-trades would be in the best interests of the Shareholders to achieve the investment objective and policy of the relevant Sub-Fund. Such cross trades will only be undertaken where (i) the sale and purchase decisions are in the best interests of both the relevant Sub-Fund and the other client and fall within the investment objective, restrictions and policies of the relevant Sub-Fund and such other client, (ii) the cross trades are executed on arm's length terms at current market value, and (iii) the reasons for such cross trades are documented prior to execution. Cross trades may also be entered into between house accounts (i.e. account owned by the Manager, the Sub-Manager or their Connected Persons over which it can exercise control and influence) and a Sub-Fund in accordance with applicable laws and regulations.

The Manager and the Sub-Manager have established policies in relation to the identification and monitoring of potential conflicts of interest situations, to ensure that clients' interests are given priority at all times. Key duties and functions must be appropriately segregated and there are strict policies and dealing procedures designed to avoid, monitor and deal with conflicts of interests situations, such as rules and procedures in relation to order allocation, best execution, receipt of gifts or benefits, retention of proper records, prohibition of certain types of transactions and handling of client complaints. The Manager and the Sub-Manager have designated staff to monitor the implementation of such trading policies and dealing procedures with clear reporting lines to and oversight by senior management. In any event, the Manager and the Sub-Manager will ensure that all investment schemes and accounts which it manages, including each Sub-Fund, are treated fairly.

It is expected that transactions for any Sub-Fund may be carried out with or through Connected Persons of the Manager and/or the Sub-Manager. The Manager and the Sub-Manager will ensure that all transactions carried out by or on behalf of each Sub-Fund will be in compliance with all applicable laws and regulations. The Manager and the Sub-Manager will use due care in the selection of such Connected Persons to ensure that they are suitably qualified in the circumstances, and will monitor and ensure that all such transactions are conducted on arm's length terms and are consistent with applicable best execution standards. The fee or commission payable to any such Connected Persons in respect of a transaction will not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature. The Manager and the Sub-Manager will monitor all such transactions to ensure compliance with their obligations. All such transactions and the total commissions and other quantifiable benefits received by such Connected Persons will be disclosed in the relevant Sub-Fund's annual report.

Neither the Manager, the Sub-Manager nor any of their Connected Persons receives any cash commissions or other rebates from brokers or dealers in respect of transactions for the account of any Sub-Fund. However, the Manager, the Sub-Manager and/or any of their Connected Persons with it reserve the right to effect transactions by or through the agency of another person with whom the Manager, the Sub-Manager and/or any of their Connected Persons has such an arrangement.

The Manager, the Sub-Manager and/or any of their Connected Persons further reserve the right to effect transactions by or through the agency of another person with whom the Manager, the Sub-Manager and/or any of their Connected Persons has an arrangement under which that party will from time to time provide to or procure for the Manager, the Sub-Manager and/or any of their

Connected Persons goods, services or other benefits (such as research and advisory services, computer hardware associated with specialised software or research services and performance measures) the nature of which is such that their provision can reasonably be expected to benefit the Company (or the relevant Sub-Fund) as a whole and may contribute to an improvement in the performance of the Company (or the relevant Sub-Fund) or of the Manager, the Sub-Manager and/or any of their Connected Persons in providing services to the Company (or the relevant Sub-Fund) and for which no direct payment is made but instead the Manager, the Sub-Manager and/or any of their Connected Persons undertakes to place business with that party. Any transactions executed through such party must be consistent with best execution standards and brokerage rates must not be in excess of customary institutional full-service brokerage rates. 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. Periodic disclosure in the form of a statement describing the soft dollar policies and practices of the Manager, the Sub-Manager or other investment delegate, including a description of the goods and services received by them, will be made in the relevant Sub-Fund's annual report.

### **Index Licence Agreements**

Please refer to the relevant Appendix for details in respect of each Index.

### **Material Changes to an Index**

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

### **Replacement of an Index**

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

- (a) the relevant Index ceasing to exist;
- (b) the licence to use the Index being terminated;
- (c) a new index becoming available that supersedes the existing Index;
- (d) a new index becoming available that is regarded as the market standard for investors in the particular market and/or would be regarded as more beneficial to the Shareholders than the existing Index;
- (e) investing in the Securities comprised within the Index becomes difficult;
- (f) the Index Provider increasing its licence fees to a level considered too high by the Manager;
- (g) the quality (including accuracy and availability of the data) of the Index having in the opinion of the Manager, deteriorated;
- (h) a significant modification of the formula or calculation method of the Index rendering that index unacceptable in the opinion of the Manager; and
- (i) the instruments and techniques used for efficient portfolio management not being available.

The Manager may change the name of a Sub-Fund if the relevant Index changes or for any other reasons including if licence to use the Index is terminated. Any change to (i) the use by the relevant Sub-Fund of the Index and/or (ii) the name of the relevant Sub-Fund will be notified to investors.

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

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

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

The near real time indicative Net Asset Value per Share (in each trading currency of the relevant Sub-Fund) referred to above is indicative and for reference only. This is updated every 15 seconds during SEHK trading hours and is calculated by Solactive AG, or other third-party data vendors.

Real time updates about the relevant Index can be obtained through other financial data vendors. It is your own responsibility to obtain additional and the latest updated information about the Index (including without limitation, a description of the way in which the Index is calculated, any change in the composition of the Index, any change in the method for compiling and calculating the Index) via the Company's website and the relevant Index Provider's website (neither of which, nor any other website referred to in this Prospectus, has been reviewed by the SFC). Please

refer to the section on “Website Information” below for the warning and the disclaimer regarding information contained in such website.

## **Notices**

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

*Company*  
Value Partners ETF Series OFC  
43/F, The Center  
99 Queen’s Road Central  
Hong Kong

*Manager*  
Sensible Asset Management Hong Kong Limited 盛寶資產管理香港有限公司  
43/F, The Center  
99 Queen’s Road Central  
Hong Kong

*Custodian*  
HSBC Institutional Trust Services (Asia) Limited  
1 Queen’s Road Central  
Hong Kong

*Administrator, Valuation Agent and Registrar*  
The Hongkong and Shanghai Banking Corporation Limited  
1 Queen’s Road Central  
Hong Kong

## **Website Information**

The offer of the Shares is made solely on the basis of information contained in this Prospectus. All references in this Prospectus to other websites and sources where further information may be obtained are merely intended to assist you to access further information relating to the subject matter indicated and such information does not form part of this Prospectus. Neither the Company, the Manager, the Sub-Manager, the Administrator nor the Custodian 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 Company, the Manager, the Sub-Manager and the Custodian 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 Sub-Manager, their respective websites <https://www.vpemqq.com> and <http://www.valuepartners-group.com> (the contents of which and of other websites referred to in this Prospectus have not been reviewed by the SFC). The information and materials included in these websites have not been reviewed by the SFC or any regulatory body. You should exercise an appropriate degree of caution when assessing the value of such information.

## TAXATION

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

### **Taxation of the Company and Sub-Fund(s)**

As the Company and each Sub-Fund have been authorised as a collective investment scheme by the SFC under Section 104 of the SFO, profits of the Company and each Sub-Fund are exempt from Hong Kong profits tax pursuant to Section 26A(1A)(a) of the Inland Revenue Ordinance.

### **Taxation of the Shareholders**

Where the Shareholders do not carry on a trade, profession or business in Hong Kong or the Shares in a Sub-Fund are held by the Shareholders as capital assets for Hong Kong profits tax purposes, gains arising from the sale or disposal or redemption of the Shares in the Sub-Fund should not be taxable. For Shareholders carrying on a trade, profession or business in Hong Kong, such gains may be subject to Hong Kong profits tax (which is currently charged at the rate of 16.5% in the case of corporations, and 15% in the case of unincorporated business; with the first HKD2 million of assessable profits, subject to certain conditions being met, to be charged at 8.25% for corporations and 7.5% for unincorporated businesses) if the gains in question arise in or are derived from such trade, profession or business and sourced in Hong Kong. Shareholders should take advice from their own professional advisers as to their particular tax position.

Distributions by the Company or a Sub-Fund should generally not be subject to Hong Kong profits tax in the hands of the Shareholders (whether by way of withholding or otherwise) according to the current law and practice of the IRD of Hong Kong (as at the date of this Prospectus).

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

### **Stamp Duty**

For a transfer effected on or after 13 February 2015 executed for a transaction by which a Share of a Sub-Fund, as an exchange traded fund is transferred, stamp duty is waived pursuant to the Stamp Duty (Amendment) Ordinance 2015.

No Hong Kong stamp duty is payable by a Sub-Fund on an issue or redemption of Shares in cash.

The sale and purchase of the "Hong Kong stocks" (as defined under the Stamp Duty Ordinance (Cap. 117) of Hong Kong) by a Sub-Fund will be subject to Hong Kong stamp duty at the current rate of 0.26% of the price or the fair market value (whichever is higher) of the Hong Kong stocks being sold and purchased. The Sub-Fund will be liable to one half of such Hong Kong stamp duty (i.e. 0.13%).

### **Taxation in Mainland China**

THE MAINLAND CHINA TAX SUMMARY IN THIS SECTION IS GENERAL IN NATURE AND

DOES NOT PROPOSE TO COVER ALL MAINLAND CHINA TAX CONSEQUENCES WITH RESPECT TO AN INVESTMENT IN THE COMPANY AND EACH SUB-FUND. THIS SUMMARY IS NOT INTENDED OR WRITTEN TO BE USED, AND MAY NOT BE USED, BY ANY TAXPAYER IN ORDER TO AVOID TAXES WHICH MAY BE IMPOSED ON THE TAXPAYER UNDER MAINLAND CHINA TAX LAW OR THE TAX LAW OF ANY OTHER COUNTRY OR JURISDICTION. THIS SUMMARY WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF IN THE COMPANY AND EACH SUB-FUND. EACH TAXPAYER SHOULD SEEK TAX ADVICE FROM AN INDEPENDENT TAX ADVISER BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES.

Under the prevailing Mainland China tax regimes, foreign investment in financial products in China securities and bond markets would normally be subject to Corporate Income Tax ("CIT"), Withholding Income Tax ("WHT"), Value Added Tax ("VAT") and Stamp Duty ("SD").

*(i) Mainland China Taxation in General*

CIT

Under the prevailing Mainland China CIT Law, a Mainland China Tax Resident Enterprise ("TRE") is subject to CIT on its worldwide income. A foreign enterprise with a "place of effective management" within Mainland China is also regarded as a Mainland China TRE.

The "place of effective management" refers to the place where the exercise, in substance, of the overall management and control of the production and business operation, personnel, accounts and assets is located.

A non-TRE with an establishment or a place of business in Mainland China shall pay CIT on income derived by such establishment or place from sources in Mainland China as well as income derived from outside Mainland China that is effectively connected with such establishment or place.

An "establishment or place" is defined under Mainland China CIT law as an establishment or place in Mainland China engaging in production and business operations, including management and business organisations, representative offices, places where natural resources are exploited, labour services are rendered, contractor projects are undertaken, and other establishments or places where production and business activities are undertaken. Business agents who regularly sign contracts, store and deliver goods, etc. on behalf of non-TREs would also be regarded as creating an establishment or place of business in Mainland China under CIT law.

Under the CIT law, the standard CIT rate is 25%.

A non-TRE that has no establishment or place in Mainland China is taxed only on its Mainland China-source income. A unilateral concessionary rate of 10% WHT will be applied on gross income derived from dividends, interest and other Mainland China-source passive income unless reduced under a tax treaty or tax arrangement.

If the Company and/or a Sub-Fund is considered as a TRE, 25% CIT will be imposed on its worldwide taxable income. If the Company and/or a Sub-Fund is considered as a non-TRE with an establishment or a place of business in Mainland China, the profits and gains attributable to that Mainland China establishment or place of business would be subject to CIT at 25%.

The Company and each Sub-Fund, together with the Manager, do not intend to operate in a way that would cause the Company or each Sub-Fund to be treated as Mainland China TREs or to have an establishment or a place in Mainland China, although this cannot be guaranteed. It is possible, however, that the Mainland Chinese tax authorities could disagree with such an assessment or that changes in Mainland China tax law could affect the Mainland China CIT status of the Company and each Sub-Fund.

If the Company and/or a Sub-Fund does not have a place of effective management, an establishment or a place of business in Mainland China, the Company and/or such Sub-Fund will normally be regarded as a non-TRE and be subject to Mainland China WHT at 10% on their gross

income from dividends and capital gains realised from the holding and disposal of the shares in the Mainland China investee companies unless reduced/waived under Mainland China tax laws and regulations or relevant tax treaties/tax arrangements.

#### VAT

General VAT payers are subject to VAT at 6% on the gains derived from trading financial products in Mainland China (including trading equity or equity-linked securities).

If VAT is applicable, an overseas entity is subject to VAT at 6% which is applicable to general payers and other surtaxes (including City Construction Tax, Educational Surcharge and Local Educational Surcharge) around 12% of VAT payable in total would be imposed separately.

#### SD

SD is levied on certain taxable documents executed or used in Mainland China. Currently, SD is levied on sellers only, at 0.1% of the total transfer value when trading A-shares and B-shares.

#### (ii) A-share Investments via Stock Connect

##### a. Capital Gains

#### WHT

According to Circular Caishui [2014] No. 81 (“Circular 81”) and Circular Caishui [2016] No. 127, overseas investors are temporarily exempt from Mainland China WHT on the gains from trading A Shares via Stock Connect. However, it is uncertain how long the temporary exemption will last, and whether it will be repealed and re-imposed retrospectively.

#### VAT

Based on the prevailing VAT regulations, capital gains derived from the transactions of trading Mainland China A-shares by overseas investors through Stock Connect are exempted from VAT.

#### SD

SD is levied on certain taxable documents executed or used in Mainland China. Currently, SD on A-Shares transactions is imposed on the transferors only, at 0.1% of the total transfer value.

##### b. Dividends

#### WHT

Dividends derived by overseas investors from Mainland China A-shares via Stock Connect are subject to WHT at 10%. Under the current Mainland China tax regulations, Mainland China A-shares listed companies are required to withhold and settle such WHT with Mainland China tax authorities.

#### VAT

Dividends from Mainland China equity investment are not subject to VAT in Mainland China.

#### (iii) B-shares and H-shares Investments

##### a. Capital Gains

#### WHT

According to current CIT law, technically, capital gains derived by overseas investors from trading B-shares and H-shares shall be subject to 10% WHT unless reduced/waived under a tax treaty/tax

arrangement.

In practice, Mainland China tax authorities have not strictly enforced the collection of WHT from overseas investors on their capital gains from trading B-shares and H-shares.

#### VAT

The prevailing VAT regulation does not provide VAT exemption on capital gains derived from trading B-shares. According to Caishui [2016] No.36, technically, capital gains derived from trading B-shares should be subject to 6% VAT and other surtaxes (including City Construction Tax, Educational Surcharge and Local Educational Surcharge) at around 12% of VAT payable in total. In practice, Mainland China tax authorities have not actively collected VAT from overseas investors on the capital gains from trading B-shares. It is more likely than not VAT is not collected by Mainland China tax authorities.

For the capital gains derived from trading H-shares, VAT would not be imposed as the purchase and disposal activities are concluded and completed outside Mainland China.

#### SD

SD is levied on certain taxable documents executed or used in Mainland China. Currently, SD on B-Shares transactions is imposed on the transferors only, at 0.1% of the total transfer value.

It is unclear whether Mainland China SD that is imposed on the transfer of shares of Mainland China companies under the SD regulations would similarly apply to the acquisition and disposal of H-Shares by non-Mainland Chinese investors outside Mainland China. That said, Mainland China SD is generally not imposed for trading of H-Shares in practice.

#### b. Dividends

##### WHT

According to current CIT law and Circular Guoshuihan [2008] No. 897, dividends derived by overseas investors from B-shares and H-shares shall be subject to 10% WHT unless reduced/waived under a tax treaty/tax arrangement.

##### VAT

Dividends from Mainland China equity investment are not subject to VAT in Mainland China.

##### General

It should be noted that there is a possibility that the Mainland China tax laws, regulations, rules, interpretation and enforcement may change in the future and may apply retrospectively. As such, any provision for taxation that may need to be made by the Manager may be excessive or inadequate to cover the Mainland China tax liabilities. Consequently, Shareholders may be disadvantaged depending upon the final tax liabilities, the level of provision, and when they subscribed and/or redeemed their Shares. If the provision for taxation made by the relevant Manager is inadequate to cover the actual Mainland China tax liabilities, the Company and each Sub-Fund may have to indemnify the Manager for any Mainland China tax suffered by the Manager in its capacity as the Manager for the Company and each Sub-Fund.

Investors should seek their own tax advice on their Mainland China tax position on their investment in the Company and each Sub-Fund.



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

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

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

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

**APPENDIX 1: VALUE PARTNERS EMQQ EMERGING MARKETS INTERNET &  
ECOMMERCE ETF**

**Key information**

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

<b>Index</b>	EMQQ The Emerging Markets Internet & Ecommerce Index™
<b>Type of Index</b>	Net total return index
<b>Initial Issue Date</b>	22 July 2022 (the Business Day immediately before the Listing Date)
<b>Listing Date (SEHK)</b>	Expected to be 25 July 2022 but may be postponed by the Manager to a date no later than 5 August 2022
<b>Issue Price during the Initial Offer Period</b>	HKD7.8
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	03030
<b>Trading Board Lot Size</b>	200 Shares
<b>Base Currency</b>	Hong Kong dollars (HKD)
<b>Trading Currency</b>	Hong Kong dollars (HKD)
<b>Distribution Policy</b>	Subject to the Manager's discretion. Currently the Manager intends to distribute income to Shareholders annually (if any) in HKD. Further, the Manager may, at its discretion, pay distributions out of capital or out of gross income while all or part of the fees and expenses are charged to capital, resulting in an increase in distributable income for the payment of distributions and therefore, distributions may be paid effectively out of capital. However, there is no guarantee of regular distribution nor the amount being distributed (if any).
<b>Creation/Redemption Policy</b>	Cash only (in HKD)
<b>Application Share Size (only by or through Participating Dealers)</b>	Minimum 400,000 Shares (or multiples thereof)
<b>Dealing Deadline (for Creation/Redemption through Participating Dealers)</b>	During the Initial Offer Period: 4:15 p.m. (Hong Kong time) on the relevant Dealing Day After Listing: 1:30 p.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager (with the approval of Custodian) may determine on any day when the trading hours of the SEHK is reduced

<b>Management Fee</b>	Currently 0.99% per year of the Net Asset Value
<b>Investment Strategy</b>	Primarily full replication. Please refer to the section on “What is the investment strategy?” below
<b>Financial Year End</b>	31 December. The first financial year of the Sub-Fund will end on 31 December 2022. The first audited annual financial reports will be published before 30 April 2023. The first half-yearly unaudited financial reports will be prepared up to 30 June 2023 and will be published before 31 August 2023.
<b>Listing Agent</b>	Altus Capital Limited
<b>Initial Market Makers*</b>	BNP Paribas Securities (Asia) Limited Flow Traders Hong Kong Limited
<b>Initial Participating Dealers*</b>	BNP Paribas Securities Services Citigroup Global Markets Asia Limited Haitong International Securities Company Limited Mirae Asset Securities (HK) Limited The Hongkong and Shanghai Banking Corporation Limited
<b>Service Agent</b>	HK Conversion Agency Services Limited
<b>Website</b>	<a href="https://www.vpemqq.com">https://www.vpemqq.com</a> (this website has not been reviewed or approved by the SFC)

\* Please refer to the Manager’s website for the latest lists of Market Makers and Participating Dealers for the Sub-Fund.

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

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

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

In seeking to achieve the Sub-Fund’s investment objective, the Manager will primarily use a full replication strategy through investing directly in constituent stocks of the Index in substantially the same weightings in which they are included in the Index. The Sub-Fund may also invest in secondary listings and foreign listings such as American Depositary Receipts (“**ADRs**”), American Depositary Shares (“**ADSs**”), Global Depositary Receipts (“**GDRs**”) and International Depositary Receipts (“**IDRs**”) which are eligible for inclusion in the Index. The Index constituents may include publicly issued common equity securities, ADRs, ADSs, GDRs and IDRs issued by companies from sectors including internet services, internet retail, internet broadcasting, internet media, online advertising, online travel, online gaming, search engines and social networks.

Where the adoption of a full replication strategy is not efficient or practicable or where the Manager considers appropriate in its absolute discretion, the Manager may also use a representative sampling strategy to invest in (i) a representative sample of the constituent securities of the Index selected by the Manager using rule-based quantitative analytical models to derive a portfolio sample; and/or (ii) a representative sample whose performance is closely correlated with the Index,

but whose constituents may or may not themselves be constituents of the Index.

As disclosed in the section entitled “Investment Prohibitions” in Part 1 of this Prospectus, the Manager may cause the Sub-Fund to deviate from the Index weighting (in pursuing a representative sampling strategy) on the condition that the maximum deviation from the Index weighting of any constituent will not exceed 3 percentage points above or below such weighting.

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

The Manager may invest no more than 20% of the Sub-Fund’s Net Asset Value in FDIs including Swaps 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. The Swaps which may be invested by the Sub-Fund will be funded total return swap transaction(s) whereby the Sub-Fund will pass on the relevant portion of cash to the Swap Counterparty(ies) and in return the Swap Counterparty(ies) will provide the Sub-Fund with an exposure to the economic gain/loss in the performance of the relevant Securities (net of indirect costs such as swap fees). The expected proportion of the Sub-Fund’s Net Asset Value subject to investments in Swaps will not exceed 20% of its Net Asset Value. The swap fees reflect a Swap Counterparty’s costs of financing the underlying hedge in order to provide the performance of the relevant securities. The swap fees will be borne by the Sub-Fund and may have a substantial adverse impact on the Net Asset Value and the performance of the Sub-Fund and may result in higher tracking error. Exposure of the Sub-Fund to the Index constituents (either through direct investment or FDIs) will be in substantially the same weightings (i.e. proportions) as these Index constituents have in the Index. No fee is payable for the unwinding or early termination of Swaps.

The Sub-Fund may have a significant exposure to companies deriving a majority of their assets or revenues from internet and ecommerce in Emerging Markets (as defined below in the section headed “General information on the Index”). The Sub-Fund may have a significant exposure to companies which are either headquartered or incorporated in Mainland China or Hong Kong depending on the composition of the Index. The Index currently does not include any A-Shares. The Sub-Fund’s means of access to companies which are either headquartered or incorporated in Mainland China or Hong Kong will include but not limited to common shares (such as H-Shares, Red chips and P-chips) and ADRs (and its secondary listing in the SEHK).

The Manager may also invest up to 10% of the Sub-Fund’s Net Asset Value in participation notes which are unleveraged instruments. For the avoidance of doubt, participation notes by nature are derivative instruments.

The Manager will not enter into securities lending transactions, sale and repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions. The Manager will seek the prior approval of the SFC (if required) and provide at least one month’s prior notice to Shareholders before the Manager engages in any such investments.

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

#### *Use of derivatives*

The Sub-Fund’s net derivative exposure may be up to 50% of the Sub-Fund’s Net Asset Value.

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

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

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

#### *Equity market risk*

The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

#### *Mainland China and Hong Kong concentration risk*

The Sub-Fund is subject to concentration risk as a result of tracking the performance of Securities that are issued by companies which are either headquartered or incorporated in Mainland China or Hong Kong. The Sub-Fund may likely be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value of the Index resulting from adverse conditions in Mainland China and Hong Kong.

#### *Emerging markets risk*

The Sub-Fund invests in emerging markets which may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk, currency devaluation, inflation and the likelihood of a high degree of volatility.

#### *Ecommerce and internet sector concentration risk*

Due to the concentration of the Index in the ecommerce and internet sector, which includes companies with selected technology themes, the performance of the Index may be more volatile when compared to other broad-based stock indices. The price volatility of the Sub-Fund may be greater than the price volatility of exchange traded funds tracking more broad-based indices.

#### *Technology risk*

Constituents of the Index have high exposure to companies in technology themes. Many of the companies with a high business exposure to technology themes have a relatively short operating history. Rapid changes could render obsolete the products and services offered by the companies in which the Sub-Fund invests and cause severe or complete declines in the prices of the securities of those companies. Additionally, companies in these sectors may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel. If the Sub-Fund invests in any of these companies, its investment may be adversely affected.

There may be substantial government intervention in the technology industry, including restrictions on investment in internet and technology companies if such companies are deemed sensitive to relevant national interests. Some governments in the world have sought, and may in the future seek, to censor content available through internet, restrict access to products and services offered by companies that the Sub-Fund invests in from their country entirely or impose other restrictions that may affect the accessibility of such products and services for an extended period of time or indefinitely. In the event that access to the internet products and services is restricted, in whole or in part, in one or more countries, the ability of such companies to retain or increase their user base and user engagement may be adversely affected, and their operating results may be harmed. This may in turn affect the value of investment of the Sub-Fund.

The technology business is subject to complex laws and regulations including privacy, data protection, content regulation, intellectual property, competition, protection of minors, consumer protection and taxation. These laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to the business practices, monetary penalties,

increased cost of operations or declines in user growth, user engagement or advertisement engagement, or otherwise harm the technology business. They may also delay or impede the development of new products and services. Compliance with these existing and new laws and regulations can be costly and may require significant time and attention of management and technical personnel. These companies are also subject to the risks of loss or impairment of intellectual property rights or licences, cyber security risks resulting in undesirable legal, financial, operational and reputational consequences. All these may have impact on the business and/or profitability of the technology companies in which the Sub-Fund invests and this may in turn adversely affect the value of investment of the Sub-Fund.

The Sub-Fund may be exposed to risks associated with different technology sectors and themes, including search, social networking, online payments, ecommerce, online games, online travel, online entertainment, cryptocurrencies and blockchain, big data, artificial intelligence, machine learning, digital advertising, cloud services and other innovative technologies. A downturn in the business for companies in these sectors or themes may have adverse effects on the Sub-Fund.

#### *Ecommerce sector risk*

Ecommerce companies typically face intense competition and are subject to fluctuating consumer demand. Many of these companies compete aggressively on price, potentially affecting their long run profitability. Ecommerce companies are dependent on internal infrastructure and on the availability, reliability and security of the internet and related systems. Critical systems and operations may be vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, terrorist attacks, cyber-attacks, acts of war, break-ins, earthquake and similar events. Any system interruption that results in the unavailability or reduced performance of its transaction platform and systems could interrupt or substantially reduce a company's ability to conduct its business. Due to the online nature of ecommerce companies and their involvement in processing, storing and transmitting large amounts of data, these companies are particularly vulnerable to cyber security risk. This includes threats to operational software and hardware, as well as theft of personal and transaction records and other customer data. In the event of a cyberattack, ecommerce companies could suffer serious adverse reputational and operational consequences, including liability and litigation. Ecommerce companies may participate in monopolistic practices that could make them subject to higher levels of regulatory scrutiny and/or potential break ups in the future, which could severely impact the viability of these companies.

A decrease in consumer spending can adversely affect the performance of companies in the ecommerce sector. There are many factors affecting the level of consumer spending, including but not limited to disposable income and wealth, interest rates, currency exchange rates, economic growth rate, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment level and general consumer confidence. Any future slowdowns or declines in the general economy or consumer spending may materially and adversely affect the business of the companies in the ecommerce sector.

All of these may affect the profitability and value of companies in the ecommerce sector and as a result the performance of the Sub-Fund.

#### *Communications sector risk*

Companies in the communications sector (such as internet broadcasting, internet media and social network companies) are particularly vulnerable to the potential obsolescence of products and services due to technological advancement and the innovation of competitors. Additionally, fluctuating consumer demands, shifting demographics and often unpredictable changes in consumer tastes can drastically affect such a company's profitability. These companies are exposed to operational risks including disruptions or delays in service caused by hardware or software failure and security breaches involving private, sensitive, proprietary or confidential information. Increasing concerns relating to privacy issues and the collection of data by social

media companies and the evolving laws and regulations on the communications industry will also affect the businesses and operations of these companies.

All of these may affect the companies in the communications sector, and may in turn affect the value of the Sub-Fund's investments in these companies.

#### *Consumer discretionary sector risk*

The performance of companies in the consumer discretionary sector (such as internet retail and online travel companies) are correlated to the growth rate of the consumer market, individual income levels and their impact on levels of domestic consumer spending, which in turn depend on the worldwide economic conditions, which have seen significant deterioration in the past. There are many factors affecting the level of consumer spending, including but not limited to interest rates, currency exchange rates, economic growth rate, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment level and general consumer confidence. Any future slowdowns or declines in the economy or consumer spending in the relevant market may materially and adversely affect the business of the companies in the consumer discretionary sector. This may adversely affect the value of investments of the Sub-Fund.

#### *Currency risk*

Underlying investments of the Sub-Fund may be denominated in currencies other than the base currency of the Sub-Fund. The Net Asset Value of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.

#### *Risks associated with ADRs, ADSs, GDRs and IDRs*

Exposure to ADRs/GDRs/IDRs may generate additional risks compared to a direct exposure to the corresponding underlying stocks, in particular, the risk of non-segregation under applicable law of the depositary bank who hold the underlying stock as collateral and its own assets. In case of bankruptcy of the depositary bank, there could be a risk that the underlying shares would not be attributed to holders of ADRs/GDRs/IDRs, although segregation is an integral part of the depositary agreement regulating the issuance of the ADRs/GDRs/IDRs. In such case, the most likely scenario would be the trading suspension and thereafter a freeze of the price of the ADRs/GDRs/IDRs impacted by such bankruptcy event. Bankruptcy events in respect of the depositary banks issuing the ADRs/GDRs/IDRs may negatively affect the performance and/or the liquidity of the Sub-Fund. There are fees related to ADRs/GDRs/IDRs, for example fees charged by banks for the custody of underlying assets of ADRs/GDRs/IDRs, which may impact the performance of the ADRs/GDRs/IDRs. Also, holders of ADRs/GDRs/IDRs are not direct shareholders of the underlying company and generally do not have voting and other shareholder rights as shareholders do. The Sub-Fund may also be subject to liquidity risk as ADRs/GDRs/IDRs are often less liquid than the corresponding underlying stocks.

In addition, there is a risk that the ADRs/ADSs/GDRs/IDRs of Mainland Chinese companies may be delisted as a result of regulatory actions by the local government and/or stock exchange. In such an event, the value of such ADRs/ADSs/GDRs/IDRs may be adversely affected as such ADRs/ADSs/GDRs/IDRs could become difficult to trade and to value, and certain investors may not be allowed to invest in such ADRs/ADSs/GDRs/IDRs. This may in turn have an adverse impact on the Net Asset Value of the Sub-Fund. Exposure to ADRs/ADSs/GDRs/IDRs may generate risks such as foreign exchange risk and foreign security risk (please refer to the section headed "RISK FACTORS - Risks Associated with Investment in Any Sub-Fund" in this Prospectus for details regarding foreign exchange risk and foreign security risk).

### *Risks Associated with Investing in FDIs*

The Manager may invest no more than 20% of the Sub-Fund's Net Asset Value in FDIs including Swaps for investment and hedging purposes. The Swaps which may be invested by the Sub-Fund will be funded total return swap transaction(s) through one or more Swap Counterparty(ies). As such, the Sub-Fund may suffer significant loss if a counterparty to the funded total return swaps fails to perform its obligations, or in case of insolvency or default of the counterparty(ies).

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.

Please refer to the risk factors under "Risk Factors" – "Collateral and FDI Risks" and "Risks Associated with Investment in Swaps" in Part 1 of this Prospectus for further details.

The Manager has put in place measures to address the risks due to investment in FDIs. For example, the Manager will ensure that counterparties to transactions of over-the-counter FDIs or their guarantors must be substantial financial institutions. Collateral accepted by the Sub-Fund will be high quality assets only, and the Manager will continuously monitor the quality of collateral to ensure no deterioration of collateral received by the Sub-Fund occurs. Please also refer to the sections "Financial Derivative Instruments" and "Collateral" under "Investment Objective, Strategy and Restrictions, Securities Lending And Borrowing" of Part 1 of this Prospectus for a description of the Manager's policy regarding FDIs and collateral.

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

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

### *Trading hours differences risk*

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



Asset Value may be higher.

#### *Risk of reliance on the Index Calculation Agent*

Pursuant to the licence agreement with the Index Provider, the Index Calculation Agent agrees to calculate and maintain the Index. In addition, to ensure sufficient expertise in operating the Index, the Index Provider also relies on the Index Calculation Agent to provide continuous ongoing support in terms of index expertise to the Index Provider.

If the Index Calculation Agent ceases to provide such ongoing support to the Index Provider or ceases acting as index calculation agent in respect of the Index (whether as a result of the early termination of the licence agreement or otherwise), the Index Provider may not be able to immediately find a successor index calculation agent with the requisite expertise or resources and any new appointment may not be on equivalent terms or of similar quality. There is a risk that the operations of the Index may be disrupted which may adversely affect the operations and performance of the Sub-Fund.

However, this risk is minimised as the Index Provider maintains a list of candidates who are eligible to act as the index calculation agent for the Index. The Index Provider has, through a thorough review of their capabilities and operational experience, selected these potential replacement index calculation agents, who are then approved by Index Provider's index oversight committee.

#### **The offering phases**

##### *Initial Offer Period*

The current Dealing Deadline during the Initial Offer Period is 4:15 p.m. (Hong Kong time) 2 Business Days prior to the Listing Date, or such other time as the Manager (with the approval of Custodian) may determine on any day when the trading hours of the SEHK, the SSE or the SZSE are reduced. Please see "Summary of timetable" below.

The Issue Price of Shares which is the subject of a Creation Application during the Initial Offer Period is HKD7.8, or such other amount determined by the Manager with the approval of the Custodian prior to the Initial Offer Period. During the Initial Offer Period, Participating Dealers (acting for themselves or for their clients) may apply for Shares (to be available for trading on the Listing Date) by means of cash Creation Application (in HKD) on each Dealing Day for themselves and/or their clients in accordance with the Operating Guidelines.

##### *After Listing*

Dealings in the Shares on the SEHK are expected to commence on 25 July 2022 but may be postponed by the Manager to a date no later than 5 August 2022.

The current Dealing Deadline After Listing is 1:30 p.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager (with the approval of Custodian) may determine on any day when the trading hours of the SEHK is reduced.

Applications for creation of Shares may be made by means of cash Creation Application (in HKD). Settlement for subscribing Shares is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

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

## Summary of timetable

The following table summarises all key events and the Manager's expected timetable:

<p>Initial Offer Period commences</p> <ul style="list-style-type: none"><li>Participating Dealers may submit Creation Applications for themselves or for their clients in a minimum number of 400,000 Shares (or multiples thereof)</li></ul>	<ul style="list-style-type: none"><li>9:00 a.m. (Hong Kong time) on 18 July 2022 or such other date or time as the Manager may determine</li></ul>
<p>The date that is 2 Business Days prior to the Listing Date</p> <ul style="list-style-type: none"><li>Latest time for Creation Applications by Participating Dealers for Shares to be available for trading on the Listing Date</li></ul>	<ul style="list-style-type: none"><li>4:15 p.m. (Hong Kong time) on 21 July 2022 or such other date or time as the Manager may determine</li></ul>
<p>After Listing (period commences on the Listing Date)</p> <ul style="list-style-type: none"><li>All investors may start trading Shares on the SEHK through any designated brokers; and</li><li>Participating Dealers may apply for creation and redemption (for themselves or for their clients) in a minimum number of 400,000 Shares (or multiples thereof) continually</li></ul>	<ul style="list-style-type: none"><li>Commence at 9:30 a.m. (Hong Kong time) on 25 July 2022, but may be postponed by the Manager to a date no later than 5 August 2022</li><li>Until 1:30 p.m. (Hong Kong time) on each Dealing Day, or such other time as the Manager (with the approval of Custodian) may determine on any day when the trading hours of the SEHK are reduced</li></ul>

## Redemptions

Shares can be redeemed directly in the primary market (through a Participating Dealer). Redemption proceeds will only be paid in cash (in HKD). Any accepted Redemption Application will be effected in accordance with the Operating Guidelines and the Instrument.

## Exchange listing and trading (secondary market)

### *General*

Application has been made to the Listing Committee of the SEHK for the listing of, and permission to deal in the Shares traded in HKD.

Shares are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made

in the future for a listing of Shares on one or more other stock exchanges. Investors' attention is drawn to the section entitled "Exchange Listing and Trading (Secondary Market)" in Part 1 of this Prospectus for further information.

Dealings on the SEHK in Shares are expected to begin on 25 July 2022. Shares will trade on the SEHK in board lots of 200 Shares.

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

### **Distribution policy**

The Manager intends to declare and distribute net dividends to Shareholders annually subject to the Manager's discretion. The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in HKD. Distributions may be made out of capital as well as income at the Manager's discretion. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. The Manager may amend the policy with respect to distribution out of capital or effectively out of capital subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to investors.

Distribution payment rates in respect of Shares will depend on factors beyond the control of the Manager 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. There can be no assurance that the Manager will pay distributions for the Sub-Fund.

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

The composition of distributions payable on Shares (i.e. the relative amounts of distributions paid and the percentages of dividends out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the website <https://www.vpemq.com> (this website has not been reviewed or approved by the SFC).

### **Fees and expenses**

The Sub-Fund employs a single management fee structure, with the Sub-Fund paying part of its fees, costs and expenses (and its due proportion of any costs and expenses of the Company allocated to it) as a single flat fee (the "**Management Fee**").

Fees and expenses taken into account in determining the Management Fee include the Manager's fee, the Custodian's fee, the Administrator's fee, the Valuation Agent's fee and the Registrar's fee only. For the avoidance of doubt, any such fees and expenses exceeding the Management Fee will be borne by the Manager and will not be charged to the Sub-Fund.

Notwithstanding the above, the Management Fee does not include the Directors' remuneration or the operating costs relating to the administration of the Sub-Fund, including but not limited to index licensing fees, fees of the Service Agent, fees and expenses of the auditors, ordinary out-of-pocket expenses incurred by the Manager or the Custodian, brokerage and transaction costs, fees and extraordinary items such as litigation expenses. Please refer to the section entitled "Fees and Expenses" in Part 1 of this Prospectus for further details.

The current Management Fee is 0.99% per year of the Net Asset Value of the Sub-Fund and is accrued daily and calculated as at each Dealing Day and payable monthly in arrears. This fee is payable out of the Sub-Fund. No fees are payable out of the Sub-Fund to the Sub-Manager.

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

The Management Fee may be increased up to the maximum of 3% per year of the Net Asset Value of the Sub-Fund, on one month's notice to the affected Shareholders (or such shorter period as may be approved under the UT Code). Any increase of the permitted maximum level will be subject to the SFC's prior approval and not less than one month's notice to the Shareholders.

## **The Index**

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

### **General information on the Index**

The Index of the Sub-Fund is the EMQQ The Emerging Markets Internet & Ecommerce Index™. The Index is a modified float-adjusted market capitalisation weighted index and an equity benchmark designed to track the performance of the internet and ecommerce industry in Emerging Markets, with the target weight of any one position limited to 8% of the Index. The Index captures publicly issued common equity securities, ADRs, ADSs, GDRs and IDRs issued by companies deriving a majority of their assets or revenues from internet and ecommerce in Emerging Markets. The constituents of the Index are from sectors including but not limited to internet services, internet retail, internet broadcasting, internet media, online advertising, online travel, online gaming, search engines and social networks.

**"Emerging Markets"** currently includes the following countries: Argentina, Bahrain, Bangladesh, Brazil, Chile, China, Colombia, Croatia, Czech Republic, Egypt, Estonia, Greece, Hungary, India, Indonesia, Jordan, Kazakhstan, Kenya, Kuwait, Lebanon, Lithuania, Malaysia, Mauritius, Mexico, Morocco, Nigeria, Oman, Pakistan, Peru, Philippines, Poland, Qatar, Romania, Russia, Saudi Arabia, Serbia, Slovenia, South Africa, South Korea, Sri Lanka, Thailand, Tunisia, Turkey, Taiwan, United Arab Emirates and Vietnam.

The Index methodology was developed by EMQQ Global LLC ("**EMQQ Global**" or the "**Index Provider**"). The Manager and the Sub-Manager (and each of their Connected Persons) are independent of the Index Provider.

EMQQ Global is responsible for validating any changes to the Index constituents to ensure that any such changes are compliant with the screening criteria in the Index methodology. Solactive AG (the "**Index Calculation Agent**") is responsible for the compilation, operation, calculation, maintenance and record keeping in respect of the Index. In the case that there are any issues with the construction, calculation, maintenance and review of the methodology or rules of the Index or any issues relating to the Index generally, the Index Calculation Agent will provide its expertise to EMQQ Global to resolve any such issues.

The Manager is not involved in the operation, calculation and maintenance of the Index. The Index Calculation Agent has sole discretion to calculate and maintain the Index.

The Index is a net total return index. A net total return index seeks to replicate the overall return from holding a portfolio consisting of the Index constituents and in the calculation of the Index considers payments such as dividends after the deduction of any withholding tax or other amounts to which an investor holding the Index constituents would typically be exposed. The Index is

denominated and quoted in USD.

As at 31 December 2021, the Index is comprised of 131 constituent stocks with total market capitalisation of approximately USD2.9 trillion.

The Index was launched on 5 November 2014 and had a base level of 28 on 1 June 2009.

### ***Index methodology***

#### *Index universe*

The Index universe of the Index ("**Index Universe**") includes Securities which fulfill all of the following criteria:

1. **Emerging Markets Internet Exposure.** The primary criteria for selecting a company for inclusion in the Index is that the company derives a majority of its assets or revenue from internet and ecommerce activities in Emerging Markets countries as defined in the section headed "General information on the Index". Constituents are from but not limited to sectors including internet services, internet retail, internet broadcasting, internet media, online advertising, online travel, online gaming, search engines and social networks.
2. **Equity Securities.** Only publicly issued common equity securities are eligible for inclusion in the Index. Debt or quasi-debt securities, such as convertible securities, are not eligible for inclusion in the Index.
3. **ADRs.** Exchange-traded ADRs, ADSs, GDRs and IDRs are eligible for inclusion in the Index.
4. **Market Capitalisation.** The Index will include equity securities of companies of all capitalisations. Constituents must have a free-float adjusted market capitalisation of USD300 million or greater for initial inclusion in the Index. A free-float adjusted USD200 million minimum is required for ongoing inclusion in the Index.
5. **Liquidity.** To ensure adequate liquidity, constituents of the Index must have three months' average daily turnover of at least USD1 million. Recent IPOs that do not have three months of trading shall be included in the Index if they have average daily turnover of at least USD5 million during the period for which trading value data is available and meet all other inclusion requirements.
6. **Foreign Ownership Restrictions.** Companies traded in markets with restrictions on foreign ownership may be excluded from the Index.

#### *Target Weight*

The target weight of any one position is limited to 8.0% of the Index. Semi-annually, all individual securities with an index weighting greater than 8.0% will be rebalanced back to 8.0%. Excess exceeding 8.0% will be applied proportionally to all remaining index constituents. Then, all positions whose float adjusted market capitalisation weights are over 5% are added together. If the total is less than 50%, no further modifications are made. If the total is equal to or greater than 50% then the highest weighted position is capped at 8%. The excess weight is then applied on a pro-rata basis to all the remaining index constituents and the process is then repeated, if necessary, with the next largest stock being capped at a weight 0.5% less than the previous constituent (examples: 7.5%, 7.0%, 6.5%, 6.0%, 5.5%, 5.0%, 4.5%) until 50% is reached. The 4.5% maximum target weight is then applied to all the remaining stocks.

Once set, either initially or at a semi-annual rebalance, target weights are free to float due to market actions. Weights are reviewed and the Index is rebalanced according to the rules under the section headed "Index Reconstitution and Semi-annual Rebalance" below.

## ***Index adjustments***

### *Index Reconstitution and Semi-annual Rebalance*

The Index is reconstituted and rebalanced semi-annually on the third Friday of June and December based on data as of the last business day in May and November respectively. Changes to the Index resulting from the index reconstitution are implemented before the market open on the first trading day following the reconstitution.

Index reconstitution includes the following:

1. **Additions to the Index.** New constituents will be added to the Index if they meet the eligibility requirements as defined above under the section entitled “Index universe”. Any additions will be funded on a pro-rata basis from the remainder of the Index, net of deletions.
2. **Deletions from the Index.** Constituents will be deleted from the Index if they no longer meet the eligibility requirements as defined above under the section entitled “Index universe” with one exception. Constituents that fall below the initial capitalisation minimum of USD300 million will be retained unless their capitalisation falls below the minimum of USD200 million. Constituents falling below the minimum of USD200 million will be deleted. Any proceeds resulting from the deletions will be applied on a pro-rata basis over the remainder of the Index, net of additions.
3. **Rebalancing.** The Index will be rebalanced to accommodate any additions or deletions to the Index as described above and to enforce the target weights as described above.

### *Ongoing review*

Constituent changes may occur between review periods due to corporate events that disqualify their eligibility for Index inclusion. Such adjustment has to be made if a corporate action (including, for example, bankruptcy, acquisition, delisting or merger of the company by or into another company, spin-offs, tender offers or other similar corporate actions etc.) in relation to an Index constituent occurs. At each quarter end, any security which has been continuously suspended or halted since the prior quarter will be deleted from the Index at zero value. In the case of such deletions, including any relisting of suspended constituents, no replacements will be made until the semi-annual rebalance. Any proceeds resulting from the deletions will be applied on a pro-rata basis over the remainder of the Index, net of any additions.

In between the review periods, new IPOs that have a market capitalisation greater than USD10 billion and satisfy all eligibility requirements other than item 5 as described under the section headed “Index universe” above will be included in the Index on a fast-entry basis three trading days following the company’s initial trading date.

Such adjustment may have to be done in relation to an Index constituent and/or may also affect the number of Index constituents and/or the weighting of certain Index constituents and will be made in compliance with the Index methodology, which is available on the Index Provider’s website (this website has not been reviewed by the SFC).

### *Index Committee*

The EMQQ Index Committee (“**Index Committee**”) solely maintains the Index methodology and is not involved in any way in the day to day maintenance or administration of the Index.

The Index Committee will meet semi-annually to review the methodology. The Index Committee, at its sole discretion, may choose to add or delete index constituents when it believes such actions are in the best interest of shareholders of products that track the Index. Any changes to the methodology will be publicly disclosed at [www.emqqindex.com](http://www.emqqindex.com) (this website has not been

reviewed or approved by the SFC) prior to implementation. At a minimum, ten days' prior notice will be given prior to the implementation of any such change by the Index Calculation Agent.

### ***Index constituents***

Constituents of the Index are listed on various stock exchanges, including but not limited to stock exchanges in Hong Kong, Korea (KOSDAQ and Korea SE), Japan, the United States (NYSE and NASDAQ), India (Natl India), South Africa (Johannesburg), Amsterdam (EN Amsterdam), Germany (Xetra), United Kingdom (London Intl), Brazil (B3 Day), Warsaw, Taiwan and Egypt (EGX). The Index composition (including the list of constituents of the Index and their respective weightings) can be found on the Index Provider's website [www.emqqindex.com](http://www.emqqindex.com) (this website has not been reviewed or approved by the SFC). The Index is also available on Bloomberg (EMQQITR Index) in real time.

Details of the index methodology of the Index can be found on [www.emqqindex.com](http://www.emqqindex.com) (this website has not been reviewed or approved by the SFC).

### ***Index codes***

The Index is disseminated under the following identifier:

Bloomberg: EMQQITR Index

### ***Index Calculation Agent disclaimer***

The Company and the Sub-Fund are not sponsored, endorsed, promoted or sold by the Index Calculation Agent in any way and the Index Calculation Agent makes no express or implied representation, guarantee or assurance with regard to the indicative Net Asset Value per Share, the Company or the Sub-Fund.

### ***Index Provider disclaimer***

The Index is the exclusive property of the Index Provider. EMQQ The Emerging Markets Internet & Ecommerce Index™ is a service mark of the Index Provider and has been licensed for use for certain purposes by the Manager. Shares of the Sub-Fund referred to herein are not sponsored, endorsed, or promoted by the Index Provider, and the Index Provider bears no liability with respect to any such Shares. No purchaser, seller or Shareholder of the Sub-Fund, or any other person or entity, should use or refer to any Index Provider trade name, trademark or service mark to sponsor, endorse, market or promote the Sub-Fund without first contacting the Index Provider to determine whether the Index Provider's permission is required. Under no circumstances may any person or entity claim any affiliation with the Index Provider without the prior written permission of the Index Provider.

### ***Index licence agreement***

The licence of the Index commenced on 30 November 2021 and should remain in full force and effect unless terminated by either party in accordance with the provisions of the licence agreement, including by serving a written notice of termination of at least 90 days at the end of the two calendar year period beginning from 22 July 2022, or any time thereafter. The licence agreement may otherwise be terminated in accordance with the provisions of the licence agreement.

### **Appendix dated 20 July 2022**