

**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.

## ***ChinaAMC Global ETF Series***

# **ChinaAMC Hang Seng Hong Kong Biotech Index ETF**

*(A sub-fund of ChinaAMC Global ETF Series, a Hong Kong umbrella unit trust, authorised under Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong)*

***Stock Code: 03069 (HKD counter) 09069 (USD counter)***

# **PROSPECTUS**

***Manager***

**China Asset Management (Hong Kong) Limited**

**華夏基金(香港)有限公司**

***Listing Agent***

**Altus Capital Limited**

**8 November 2021**

The Stock Exchange of Hong Kong Limited, Hong Kong Exchanges and Clearing Limited, Hong Kong Securities Clearing Company Limited and the Hong Kong Securities and Futures Commission (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 ChinaAMC Global ETF Series and the ChinaAMC Hang Seng Hong Kong Biotech Index ETF have been authorised as collective investment schemes by the SFC. Authorisation by the SFC is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

## IMPORTANT INFORMATION

This Prospectus relates to the offer in Hong Kong of units (the “Units”) in the ChinaAMC Hang Seng Hong Kong Biotech Index ETF (the “Sub-Fund”), a sub-fund of ChinaAMC Global ETF Series (the “Trust”), an umbrella unit trust established under Hong Kong law by a trust deed dated 17 September 2015, as amended and restated from time to time (the “Trust Deed”), between China Asset Management (Hong Kong) Limited 華夏基金(香港)有限公司 (the “Manager”) and HSBC Institutional Trust Services (Asia) Limited (the “Trustee”). The Sub-Fund is a physical exchange traded fund investing directly in underlying shares.

The information contained in this Prospectus has been prepared to assist potential investors in making an informed decision in relation to investing in the Sub-Fund. It contains important facts about the Sub-Fund whose Units are offered in accordance with this Prospectus. A product key facts statement which contains the key features and risks of the Sub-Fund is also issued by the Manager and such product key facts statement 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 confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading. The Manager also confirms that this Prospectus includes particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Code on Unit Trusts and Mutual Funds (the “Code”) and the “Overarching Principles” of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products for the purposes of giving information with regard to the Units of the Sub-Fund. The Trustee is not responsible for the preparation of this Prospectus and shall not be held liable to any person for any information disclosed in this Prospectus, except for the information regarding the Trustee itself under the paragraph headed “The Trustee and Registrar” in the section on “Management of the Trust”.

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

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

Dealings in the Units have commenced on the Stock Exchange of Hong Kong Limited (the “SEHK”). The Units of the Sub-Fund have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“HKSCC”) for deposit, clearing and settlement in the Central Clearing and Settlement System (“CCASS”). Settlement of transactions between participants on the SEHK is required to take place in CCASS on the second CCASS settlement day after the trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No action has been taken to permit an offering of Units or the distribution of this Prospectus in any jurisdiction other than Hong Kong and, accordingly, the Prospectus does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Furthermore, distribution of this Prospectus (including the Product Key Facts Statement) shall not be permitted unless it is accompanied by a copy of the latest annual financial report of the Sub-Fund (where existing) and, if later, its most recent interim report.

Neither the Trust nor the Sub-Fund is registered as an investment company with the United States Securities and Exchange Commission. Units have not been, and will not be, registered under the United States Securities Act of 1933 or any other United States Federal or State law and accordingly Units are not offered to, and may not be transferred to or acquired by, US persons (including without limitation US citizens and residents as well as business entities organised under United States’ law).

You should note that any amendment or addendum to this Prospectus will only be posted on the

Manager's website ([www.chinaamc.com.hk](http://www.chinaamc.com.hk)). This Prospectus (including the Product Key Facts Statement) may refer to information and materials included in websites. Such information and materials do not form part of the Prospectus and they have not been reviewed by the SFC or any regulatory body. Investors should note that the information provided in websites may be updated and changed periodically without any notice to any person.

### **Questions and Complaints**

Investors may raise any questions on or make any complaints about the Trust (including the Sub-Fund) by contacting the Manager at its address as set out in the Directory of this Prospectus, or by phone at its telephone number: (852) 3406 8686.

## DIRECTORY

### *Manager*

#### **China Asset Management (Hong Kong) Limited**

華夏基金(香港)有限公司

37/F, Bank of China Tower

1 Garden Road

Central, Hong Kong

### *Trustee and Registrar*

#### **HSBC Institutional Trust Services (Asia) Limited**

1 Queen's Road Central  
Hong Kong

### *Service Agent*

#### **HK Conversion Agency Services Limited**

1/F One & Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

### *Participating Dealer\**

#### **The Hongkong and Shanghai Banking Corporation Limited**

Level 18 HSBC Main Building  
1 Queens's Road  
Central  
Hong Kong

#### **Goldman Sachs (Asia) Securities Limited**

68/F  
Cheung Kong Center,  
2 Queen's Road Central  
Hong Kong

#### **Haitong International Securities Company Limited**

Suite 2801-2811 and 2814-2816  
28/F One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

#### **BNP Paribas Securities Services**

21/F, PCCW Tower  
Taikoo Place, 979 King's Road  
Hong Kong

#### **China Merchants Securities (HK) Co., Limited**

48F, One Exchange Square  
Central  
Hong Kong

#### **J.P. Morgan Broking (Hong Kong) Limited**

25/F, Chater House  
8 Connaught Road  
Central  
Hong Kong

#### **China International Capital Corporation Hong Kong Securities Limited**

29/F, One IFC  
1 Harbourview Street  
Central  
Hong Kong

#### **Credit Suisse Securities (Hong Kong) Limited**

Level 88  
International Commerce Centre  
1 Austin Road West, Kowloon  
Hong Kong

#### **Citigroup Global Markets Asia Limited**

50th Floor, Champion Tower  
Three Garden Road  
Central  
Hong Kong

#### **Guotai Junan Securities (Hong Kong) Limited**

27/F, Low Block  
Grand Millennium Plaza  
No.181 Queen's Road Central  
Hong Kong

#### **ABN AMRO Clearing Hong Kong Ltd**

Unit 7001, Level 70  
International Commerce Centre

1 Austin Road West  
Kowloon  
Hong Kong

*HKD Market Makers\**

**AP Capital Management (Hong Kong)**

**Limited**

1217 Central Building  
1-3 Pedder Street  
Central  
Hong Kong

**Flow Traders Hong Kong Limited**

Room 2803, Hysan Place  
500 Hennessy Road  
Causeway Bay  
Hong Kong

**Haitong International Securities Company**

**Limited**

22/F Li Po Chun Chambers  
189 Des Voeux Road  
Central  
Hong Kong

*USD Market Makers\**

**AP Capital Management (Hong Kong) Limited**

1217 Central Building  
1-3 Pedder Street  
Central  
Hong Kong

*Legal Adviser to the Manager*

**Simmons & Simmons**

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

*Auditor*

**Ernst & Young**

22/F, CITIC Tower  
1 Tim Mei Avenue  
Hong Kong

*Listing Agent*

**Altus Capital Limited**

21 Wing Wo Street  
Central  
Hong Kong

\* Please refer to the Sub-Fund's website for the latest list of Participating Dealers. Please refer to the Hong Kong Exchanges and Clearing Limited's website at [www.hkex.com.hk](http://www.hkex.com.hk) for the latest list of Market Makers.

## TABLE OF CONTENTS

DEFINITIONS .....	1
SUMMARY .....	7
THE OFFERING PHASES .....	11
CREATIONS AND REDEMPTIONS (PRIMARY MARKET).....	16
EXCHANGE LISTING AND TRADING (SECONDARY MARKET) .....	29
DETERMINATION OF NET ASSET VALUE .....	30
FEES AND EXPENSES .....	33
RISK FACTORS .....	36
MANAGEMENT OF THE TRUST.....	49
STATUTORY AND GENERAL INFORMATION .....	55
TAXATION.....	62
SCHEDULE 1 .....	65
INVESTMENT RESTRICTIONS, SECURITIES LENDING AND BORROWING.....	65
SCHEDULE 2 INDEX AND DISCLAIMER.....	76

## DEFINITIONS

*In this Prospectus, unless the context requires otherwise, the following expressions have the meanings set out below. Other capitalised terms used, but not defined, have the meaning given to those terms in the Trust Deed.*

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

“Application Unit Size” means such number of Units or whole multiples thereof as specified in the Prospectus as the minimum holding or any number of Units above the minimum holding from time to time determined by the Manager, approved by the Trustee and notified to Participating Dealers.

“Basket” means a portfolio of shares based on the stock weightings in the Index on the relevant Dealing Day for the purpose of an in-kind creation or an in-kind redemption of Units.

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

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

“Cash Component” means the difference (which may be a positive or negative amount) between the aggregate Net Asset Value of the Units comprising an Application Unit Size and the closing Net Asset Value of the basket on the relevant Dealing Day.

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

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

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

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

“Creation Application” means an application by a Participating Dealer for the creation and issue of Units in an Application Unit Size in accordance with the Operating Guidelines and terms of the Trust Deed.

“Dealing Day” means 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 with the written approval of the Trustee.

“Dealing Deadline” in relation to any Dealing Day, shall be such time or times as the Manager may from time to time with the written approval of the Trustee determine or any particular place for submission of Application(s) by a Participating Dealer.

“Dual-Counter” means the facility by which the Units of the Sub-Fund traded in HKD and 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 or USD) as described in this Prospectus.

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

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

“Extension Fee” means any fee payable by a Participating Dealer to the Trustee for its account and benefit on each occasion the Manager grants the request of such Participating Dealer for extended settlement in respect of a Creation or Redemption Application, as set out in the Operating Guidelines and this Prospectus.

“FDIs” means financial derivative instruments.

“Futures Exchange” means the Hong Kong Futures Exchange Limited or such other futures exchange from time to time determined by the Manager.

“Government and other Public Securities” has the meaning as set out in the Code which at the date of this Prospectus means any investment issued by, or the payment of principal and interest on, which is guaranteed by a government, or any fixed-interest investment issued by its public or local authorities or other multilateral agencies.

“HKD” means Hong Kong dollars, the lawful currency for the time being and from time to time of Hong Kong.

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

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

“IFRS” means International Financial Reporting Standards.

“Index” means the Hang Seng Hong Kong-Listed Biotech Index.

“Index Provider” means Hang Seng Indexes Company Limited.

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

“Initial Offer Period” means the period from 9:00 a.m. (Hong Kong time) on 15 March 2021 until 4:30 p.m. (Hong Kong time) on 16 March 2021, as stated in the timetable under the section “Offering Phases” of the Prospectus.

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

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

“Listing Date” means the date on which date the Units are first listed and from which dealings therein are permitted to take place on SEHK, as set out under the section “Summary” of the Prospectus.

“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: any Futures Exchange,

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 with the approval of the Trustee.

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

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

“Operating Guidelines” means the guidelines for the creation and redemption of Units as set out in the schedule to the Participation Agreement as amended from time to time by the Manager with the approval of the Trustee and following consultation, to the extent reasonably practicable, with

the Participating Dealers, including without limitation, the procedures for creation and redemption of Units 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 Participating Dealer. Unless otherwise specified, references to the Operating Guidelines shall be to the Operating Guidelines for the relevant class applicable at the time of the relevant Application.

“Participant” means a person admitted for the time being by HKSCC as a participant of CCASS.

“Participating Dealer” means a broker or dealer who is (or who has appointed an agent or delegate who is) a Participant and who has entered into a Participation Agreement in form and substance acceptable to the Manager and Trustee, 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 Trustee, the Manager and a Participating Dealer, setting out (amongst other things) the arrangements in respect of the Applications as may be amended from time to time. References to the Participation Agreement shall, where appropriate, mean the Participation Agreement, read together with the Operating Guidelines.

“PRC” means The People’s Republic of China which, for the purpose of this Prospectus only, excludes Hong Kong and the Macau Special Administrative Region.

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

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

“Redemption Application” means an application by a Participating Dealer for the redemption of Units in Application Unit Size in accordance with the Operating Guidelines and terms of the Trust Deed.

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

“Registrar” means HSBC Institutional Trust Services (Asia) Limited or such other person or persons for the time being duly appointed registrar of the Sub-Fund in succession thereto under the provisions of the Trust Deed.

“Reverse Repurchase Transactions” means transactions whereby the 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 the PRC.

“Sale and Repurchase Transactions” means transactions whereby the 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.

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

“Security” means any share, stock, debenture, loan stock, bond, security, commercial paper, acceptance, trade bill, warrant, participation note, certificate, structured product, treasury bill, instrument or note 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;
- (d) any receipt or other certificate or document evidencing the deposit of a sum of money, or any rights or interests arising under any such receipt, certificate or document; and
- (e) any bill of exchange and any promissory note.

“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 the Sub-Fund.

“Service Agreement” means the agreement by which the Service Agent agrees with the Manager to provide its services entered amongst the Manager, the Service Agent and Hong Kong Securities Clearing Company Limited.

“Settlement Day” means the Business Day which is two Business Days immediately after the relevant Dealing Day (or such other Business Day as is permitted in relation to such Dealing Day (including the Dealing Day itself) pursuant to the Operating Guidelines) or such other number of Business Days after the relevant Dealing Day as determined by the Manager in consultation with the Trustee from time to time and notified to the relevant Participating Dealers.

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

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

“Sub-Fund” means ChinaAMC Hang Seng Hong Kong Biotech Index ETF, a sub-fund of the Trust.

“Substantial Financial Institution” has the meaning as set out in the Code.

“Transaction Fee” means the fee which may be charged for the benefit of the Trustee, the Registrar and/or the Service Agent to each Participating Dealer on each Creation or Redemption Application by the relevant Participating Dealer, the maximum level of which shall be determined by the Trustee with the consent of the Manager and/or the Service Agent from time to time and set out in this Prospectus.

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

“Trust Deed” means the trust deed dated 17 September 2015 between the Manager and the Trustee constituting the Trust (as amended and restated from time to time).

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

“Trustee” means HSBC Institutional Trust Services (Asia) Limited or such other person or persons for the time being duly appointed trustee or trustees hereof in succession thereto under the provisions of the Trust Deed.

“Unit” means one undivided share in the Sub-Fund.

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

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

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

## SUMMARY

### Key Information

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

<b>Index</b>	Hang Seng Hong Kong-Listed Biotech Index
<b>Type of Index</b>	Total return, i.e. the performance of the Index is calculated on the basis that any dividends or distributions are reinvested.
<b>Initial Issue Date</b>	17 March 2021
<b>Listing Date (SEHK)</b>	18 March 2021 – HKD counter 30 June 2021 – USD counter
<b>Exchange Listing</b>	SEHK – Main Board
<b>Short Stock Name</b>	CAM HSBIOTECH – HKD counter CAM HSBIOTECH-U – USD counter
<b>Stock Code</b>	03069 – HKD counter 09069 – USD counter
<b>Trading Board Lot Size</b>	100 Units – HKD counter 100 Units – USD counter
<b>Base Currency</b>	Hong Kong dollars (HKD)
<b>Trading Currency</b>	Hong Kong dollars (HKD) – HKD counter US dollars (USD) – USD counter
<b>Distribution Policy</b>	The Manager intends to distribute income to Unitholders at least annually (usually in December), subject to the Manager's discretion, having regard to the Sub-Fund's net income after fees and costs. Distributions will only be paid from net income after deduction of all fees and costs and no distributions will be paid out of or effectively out of the capital of the Sub-Fund. <b>All Units (whether USD or HKD traded Units) will receive distributions in HKD only.*</b>
<b>Creation Policy</b>	Cash (HKD) or in-kind
<b>Redemption Policy</b>	Cash (HKD) or in-kind
<b>Application Unit size (only by or through Participating Dealers)</b>	Minimum 200,000 Units (or multiples thereof)
<b>Management Fee</b>	Currently 0.50% per year of the Net Asset Value
<b>Investment Strategy</b>	Primarily full replication and may switch between full replication and representative sampling in its absolute discretion as it considers appropriate. Please refer to the section on "What is the

	investment strategy?” below.
<b>Financial Year End</b>	31 December
<b>Website</b>	<a href="https://www.chinaamc.com.hk/en/index.html">https://www.chinaamc.com.hk/en/index.html</a>

\* HKD traded Units and USD traded Units will all receive distributions in HKD only. In the event that the relevant Unitholder has no HKD account, the Unitholder may have to bear the fees and charges associated with the conversion of such dividend from HKD into USD or any other currency. Unitholders are advised to check with their brokers for arrangements concerning distributions and to consider the risk factor “HKD Distributions Risk”.

### **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.

The Index of the Sub-Fund may be changed by prior approval of the SFC and notice to Unitholders.

### **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 Securities included in the Index in substantially the same weightings in which they are included in the Index.

The Manager may also use a representative sampling strategy where it is not possible to acquire certain Securities which are constituents of the Index due to restrictions or limited availability or where the Manager considers appropriate in its absolute discretion. This means that the Sub-Fund will invest directly in a representative sample of Securities that collectively has an investment profile that aims to reflect the profile of the Index. The Securities constituting the representative sample may or may not themselves be constituents of the Index, provided that the sample closely reflects the overall characteristics of the Index and meets the selection criteria of the Manager based on its sector (whether the sector falls into the following: industrials, consumer discretionary, healthcare, financials and information technology), liquidity profile, market capitalisation and contribution to tracking error. In pursuing a representative sampling strategy, the Manager may cause the Sub-Fund to deviate from the index weighting on condition that the maximum deviation from the index weighting of any constituent will not exceed 4% or such other percentage as determined by the Manager after consultation with the SFC.

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.

As a result of corporate actions of constituent companies of the Index, securities that are not constituents of the Index, including but not limited to equity securities, debt securities, convertible bonds and other FDIs, such as rights and options, may be held by the Sub-Fund. Holdings of such securities will not exceed 10% of the Net Asset Value.

Apart from those received in corporate actions as described above, the Sub-Fund may invest in FDIs including but not limited to total return index swaps for hedging or non-hedging (i.e. investment) purposes. The Sub-Fund’s holdings of FDIs for non-hedging (i.e. investment) purposes will not exceed 10% of its Net Asset Value.

The Manager may, on behalf of the Sub-Fund, enter into securities lending transactions, with a maximum level of up to 50% and expected level of up to 20% of the Sub-Fund's Net Asset Value. The Manager will be able to recall the securities lent out at any time. All securities lending transactions will only be carried out in the best interest of the Sub-Fund and as set out in the relevant securities lending agreement. Such transactions may be terminated at any time by the Manager at its absolute discretion. Please refer to the sub-section "Securities Financing Transactions" of Schedule 1 of this Prospectus for the details of the arrangements.

Taking into consideration the cash collateral which may be received in respect of the securities lending transactions, the Sub-Fund may hold not more than 30% of its Net Asset Value in money market instruments and cash deposits for cash management purpose.

As part of the securities lending transactions, the Sub-Fund must receive cash and/or non-cash collateral of at least 100% of the value of the securities lent (interests, dividends and other eventual rights included). The collateral will be marked-to-market on a daily basis and be safekept by the Trustee or an agent appointed by the Trustee. Please refer to the section the paragraph headed "The Trustee" in the section "Management of the Trust" in regard to the extent of the Trustee's responsibility for the safekeeping of the assets of the Trust and the appointment of agents. The valuation of the collateral generally takes place on trading day T. If the value of the collateral falls below 100% of the value of the securities lent on any trading day T, the Manager will call for additional collateral on trading day T, and the borrower will have to deliver additional collateral to make up for the difference in securities value on or before trading day T+2.

Non-cash collateral received may not be sold, re-invested or pledged. Any reinvestment of cash collateral received shall be subject to the requirements as set out in the sub-section "Collateral" of Schedule 1 of this Prospectus.

Information as required under the Code will be disclosed in the annual and interim financial reports and on the Manager's website (as the case may be).

To the extent Sub-Fund undertakes securities lending transactions, all revenues (net of direct and indirect expenses as reasonable and normal compensation for the services rendered by the Manager, a securities lending agent and/or other service providers in the context of such transactions to the extent permitted by applicable legal and regulatory requirements) shall be returned to the Sub-Fund. The cost relating to securities lending transactions will be borne by the borrower.

Securities lending transactions nonetheless give rise to certain risks including counterparty risk, collateral risk and operational risk. Please refer to paragraph "Securities Lending Transactions Risks" in the section "Risk Factors" for further details.

Currently, the Sub-Fund will not enter into sale and repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions, but this may change in light of market circumstances. The Manager will seek the prior approval of the SFC (if required) and provide at least one month's prior notice to Unitholders before the Manager engages in any such investments.

The investment strategy of the Sub-Fund is subject to the investment and borrowing restrictions and its policy regarding securities financing transactions as set out in Schedule 1.

For the avoidance of doubt (and in addition to the investment and borrowing restrictions and policy regarding securities financing transactions as set out in Schedule 1):

- (a) the value of a Sub-Fund's cash deposits made with the same entity or entities within the same group may not exceed 20% of the total Net Asset Value of the Sub-Fund under any circumstances;

- (b) borrowing against the assets of the Sub-Fund is allowed up to a maximum of 10% of its total Net Asset Value on a temporary basis only; and
- (c) the Sub-Fund will not make any short sales.

### **What are the Index's characteristics?**

The Index is a free float adjusted market capitalisation weighted index with a 10% cap on individual stocks. It reflects the overall performance of the biotech companies that are listed on the Main Board of the SEHK, including stocks listed through the Listing Rules Chapter 18A, that are classified as "Biotechnology", "Pharmaceuticals" and "Medical Devices" in the Hang Seng Industry Classification System.

It is a total return index, meaning that the performance of the Index is calculated on the basis that any dividends or distributions are reinvested. It is denominated and quoted in HKD.

The Index was launched on 16 December 2019 and had a base level of 1,000 on 31 December 2013. As of 4 June 2021, it had a total free-float index market capitalisation of HKD 1,424.4 billion and 51 constituents.

Please see Schedule 2 for information regarding the Index and the Index Provider's disclaimer.

### **Umbrella fund**

The Trust is an umbrella unit trust created by the Trust Deed made under Hong Kong law between the Manager and the Trustee. The Manager and the Trustee shall create and establish separate and distinct sub-trusts within the Trust, each of which is a sub-fund, and units relating to any sub-fund may be issued in one or more classes.

The Sub-Fund is the fourth sub-fund of the Trust.

The Manager and the Trustee reserve the right to establish other sub-funds and/or issue further classes of units relating to any of the sub-funds in the future in accordance with the provisions of the Trust Deed.

## THE OFFERING PHASES

### After Listing

The After Listing phase commences on the Listing Date and continues until the Sub-Fund is terminated. Dealings in the Units on the SEHK commenced on 18 March 2021 (for HKD traded Units) and on 30 June 2021 (for USD traded Units).

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

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

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

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

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

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

#### *Creations and Redemptions through Participating Dealers*

Units will continue to be created and redeemed at the Issue Price and Redemption Value respectively through Participating Dealers in Application Unit Size. As at the date of this Prospectus, both cash creations and in-kind creations, and both cash redemptions and in-kind redemptions are permitted by the Manager. The Application Unit Size is set out in the “Summary” section.

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

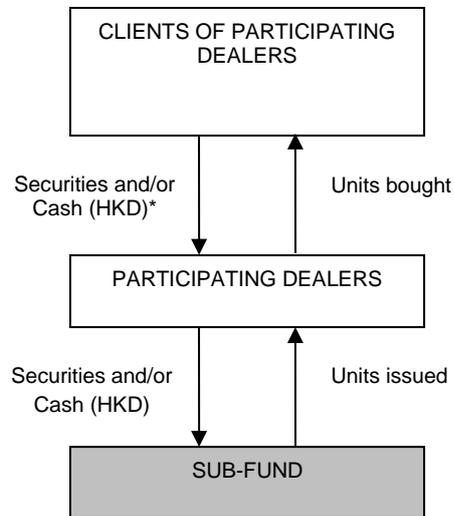
Settlement for subscribing Units is due by such time as agreed in the Operating Guidelines on the relevant Dealing Day or for redeeming of Units is due 2 Business Days after the Dealing Day, unless the Manager and Trustee agree with the relevant Participating Dealer to accept later settlement generally or in any particular case.

After Listing, all Units will be registered in the name of HKSCC Nominees Limited on the register of the Trust. The register of the Trust is the evidence of ownership of Units. The beneficial interests in Units of any client of the Participating Dealers shall be established through such client’s account with the relevant Participating Dealer or with any other CCASS participants if the client is buying from the secondary market.

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

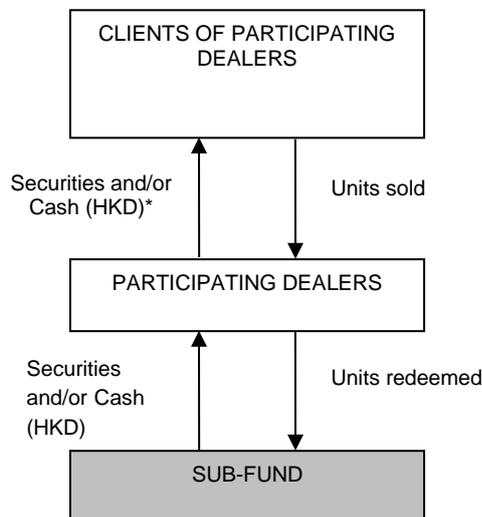
The diagrams below illustrate the issue or redemption and the buying or selling of Units:

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



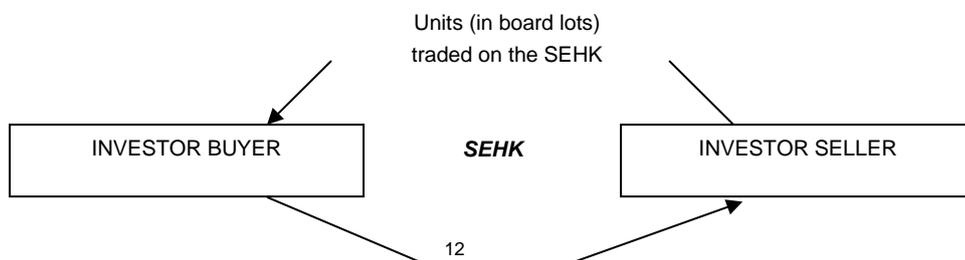
\*Clients of the Participating Dealers may agree with the Participating Dealers settlement in another currency.

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



\*Clients of the Participating Dealers may agree with the Participating Dealers settlement in another currency.

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



Cash  
(HKD or USD) settled through CCASS

**Summary of Offering Methods and Related fees**

**Initial Offer Period**

Method of Offering	Minimum Number of Units (or such other number of Units as determined by the Manager, approved by the Trustee and notified to the Participating Dealers)	Channel	Available to	Consideration, Fees and Charges*
Cash creation (in HKD)	200,000 Unit (Application Size)	Through Participating Dealers only	Any person acceptable to the Participating Dealer as its client	<p>Cash based on the Initial Issue Price and the number of Units applied (payable in HKD only unless the Participating Dealer otherwise agrees)</p> <p>Brokerage fees and/or any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it)</p> <p>Transaction Fee (payable in HKD)</p> <p>Duties and Charges (payable in HKD)</p>
In-kind creation	200,000 Unit (Application Size)	Through Participating Dealers only	Any person acceptable to the Participating Dealer as its client	<p>Basket(s)</p> <p>Cash Component (if any)</p> <p>Brokerage fees and/or any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it)</p> <p>Transaction fee (payable in HKD)</p> <p>Duties and Charges (payable in HKD)</p>

**After Listing**

<b>Method of Acquisition or Disposal of Units</b>	<b>Minimum Number of Units (or such other number of Units as determined by the Manager, approved by the Trustee and notified to the Participating Dealers)</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) in HKD or USD	Board lot of 100 Units	On the SEHK	Any investor	Market price of Units on SEHK (in HKD for HKD traded Units and in USD for USD traded Units)  Brokerage fees (in such currency as determined by individual brokers), Transaction Levy and Trading Fee (in HKD)
Cash creation and redemption (in HKD)	200,000 (Application Unit Size)	Through Participating Dealers only	Any person acceptable to the Participating Dealer as its client	Cash based on the Issue Price/ Redemption Value and the number of Units applied (payable in HKD only unless the Participating Dealer otherwise agrees)  Any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it)  Transaction Fee (payable in HKD)  Duties and Charges (payable in HKD)
In-kind creation and redemption	200,000 (Application Unit Size)	Through Participating Dealers only	Any person acceptable to the Participating Dealer as its client	Basket(s)  Cash Component (if any)  Brokerage fees and/or any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it)

				Transaction fee (payable in HKD)
				Duties and Charges (payable in HKD)

\* Please refer to "Fees and Expenses" for further details

## **CREATIONS AND REDEMPTIONS (PRIMARY MARKET)**

### **Creation by Participating Dealers**

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

The first method is to create or to redeem Units at Net Asset 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 Sub-Fund. Although a Participating Dealer may, subject to arrangement with the Manager, elect to have Units which it creates deposited in CCASS in the HKD counter or the USD counter, all creation and redemption for all Units must be in HKD. Because of the size of the capital investment (i.e. Application Unit Size) required either to create or redeem Units through the Participating Dealer in the primary market, this method of investment is more suitable for institutional investors and market professionals. Participating Dealers are under no obligations to create or redeem Units for their clients and may impose terms, including charges, for handling creation or redemption orders as they determine appropriate, as described in more detail in this section.

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

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

### **Creation of Units through a Participating Dealer**

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

Units in the Sub-Fund are continuously offered through a Participating Dealer, who may apply for them during the Initial Offer Period and thereafter following the Listing Date 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 Registrar (with a copy to the Manager).

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

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

- (a) any period during which (i) the creation or issue of Units of the Sub-Fund, (ii) the redemption of Units of the Sub-Fund, and/or (iii) the determination of Net Asset Value of the Sub-Fund is suspended;

- (b) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to any of the Securities in the Index;
- (c) where acceptance of the 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;
- (d) circumstances outside the control of the Participating Dealer make it for all practicable purposes impossible to process the creation request; or
- (e) during any period when the business operations of the Participating Dealer are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riot, strikes or acts of God.

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

As at the date of this Prospectus, both in-kind (i.e. creation of Units in exchange for transfer of Securities) and cash creations are available to the Participating Dealers in respect of the Sub-Fund. 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.

Notwithstanding the Dual-Counter, any cash payable by a Participating Dealer in a cash Creation Application must be in HKD regardless of whether the Units are deposited into CCASS as HKD traded Units or as USD traded Units. The process for creation of Units deposited under the HKD counter and USD counter is the same.

A Participating Dealer may impose fees and charges in handling any creation request which would increase the cost of investment. 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 the Sub-Fund closely, neither the Manager nor the Trustee is empowered to compel a Participating Dealer to disclose its fees agreed with specific clients or other proprietary or confidential information to the Manager or the Trustee or to accept any such creation requests received from clients. In addition, neither the Trustee nor the Manager can ensure effective arbitrage by a Participating Dealer.

A Participating Dealer may also impose timing deadlines for the submission by its clients of any 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 the Sub-Fund can be submitted by it to the Registrar with a copy to the Manager. You are advised to check with the Participating Dealer as to the relevant timing deadlines and the client acceptance procedures and requirements.

The Application Unit Size for the Sub-Fund is 200,000 Units (or multiples thereof). Creation Applications submitted in respect of Units other than in Application Unit Size will not be accepted.

#### *Creation Process*

A Participating Dealer may from time to time submit Creation Applications in respect of the Sub-Fund to the Registrar, with a copy to the Manager, following receipt of creation requests from clients or where it wishes to create Units of the 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 following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Creation Application. The current Dealing Deadline

After Listing is 3:00 p.m. (Hong Kong time) for cash creation and 4:30 p.m. (Hong Kong time) for in-kind creation on the relevant Dealing Day, or such other time as the Manager (with the written approval of Trustee) may determine on any day when the trading hours of the SEHK are reduced.

To be effective, a Creation Application must:

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

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

- (a) any period during which (i) the creation or issue of Units of the Sub-Fund, (ii) the redemption of Units of the Sub-Fund, and/or (iii) the determination of Net Asset Value of the Sub-Fund is suspended;
- (b) where in the opinion of the Manager, acceptance of the Creation Application would have an adverse effect on the Sub-Fund;
- (c) where in the opinion of the Manager, acceptance of the Creation Application would have a material impact on the market on which a Security (that is a component of the Index) 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 Index;
- (e) where acceptance of the Creation Application would render the Manager in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Manager necessary for compliance with applicable legal and regulatory requirements;
- (f) circumstances outside the control of the Manager make it for all practicable purposes impossible to process the Creation Application;
- (g) during any period when the business operations of the Manager, the Trustee or any delegate of the Manager or the Trustee in respect of the 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 Manager shall notify the relevant Participating Dealer and the Trustee of its decision to reject such Creation Application in accordance with the Operating Guidelines. Where for any reason there is a limit to the number of Units which can be created, priority will be given to Participating Dealers and the relevant Creation Applications as set out in the Operating Guidelines.

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

Where the Manager accepts a Creation Application from a Participating Dealer, it shall instruct the Trustee to effect (a) for the account of the Sub-Fund, the creation of Units in Application Unit Size in exchange for (i) a transfer of Basket(s) and if applicable, Cash Component (including Duties and Charges); or (ii) cash (including Duties and Charges); and (b) the issue of Units to the Participating Dealer, both in accordance with the Operating Guidelines and the Trust Deed.

Following an in-kind Creation Application from the Participating Dealer, if the Manager (i) determines in its discretion that any part of the Basket(s) is likely to be unavailable for delivery or available in insufficient quantity for a Creation Application; or (ii) is satisfied that the Participating Dealer in question is prevented by regulation or otherwise from investing or engaging in a transaction in any Security, then the Manager shall have the right, in its discretion to:

- (a) accept cash equal to or in excess of the market value at the Valuation Point on the relevant Dealing Day of such part of the Basket(s) in lieu of accepting the relevant Securities in the Basket(s); or
- (b) accept cash collateral based on such terms as it determines.

The acceptance of cash or cash collateral in lieu of Securities must both be made in accordance with the terms of the Operating Guidelines, provided that the Manager shall be entitled in its discretion to charge the relevant Participating Dealer in respect of any Units for which cash is paid or cash collateral is accepted in lieu of delivery of any part of the Basket(s) an additional sum representing the appropriate Duties and Charges and any incidental costs associated with the creation of Units.

#### *Issue of Units*

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

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

No Fractions of a Unit shall be Created or Issued by the Trustee.

The creation and issue of Units pursuant to a Creation Application shall be effected on the Settlement Day following the relevant Dealing Day on which the Creation Application is received (or deemed received) and accepted in accordance with the Operating Guidelines but (i) for valuation purposes only, Units shall be deemed created and issued after the Valuation Point on the Dealing Day on which the relevant Creation Application was received or deemed received, and (ii) the register will be updated on the 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 following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Creation Application. An Extension Fee may be payable in relation to such an extension. See the section on "Fees and Expenses" for further details.

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

#### *Fees Relating to Creation Applications*

The Trustee, the Registrar and/or the Service Agent 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 Sub-Fund). The Transaction Fee shall be paid by or on behalf of the Participating Dealer applying for such Units and may be set off and deducted against any cash amount due to the Participating Dealer in respect of such Creation Applications for the benefit of the Trustee, the Registrar and/or the Service Agent. See the section on "Fees and Expenses" for further details.

In relation to cash creation of Units, the Manager reserves the right to require the Participating Dealer to pay an additional sum for the purpose of compensating or reimbursing the Sub-Fund for the difference between:

- (a) the prices used when valuing the Securities of the Sub-Fund for the purpose of such issue of Units; and
- (b) 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 Units.

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

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

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

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

The Trustee, in consultation with the Manager, may cancel a creation order in respect of any Units deemed created pursuant to a Creation Application if it has not received (a) all Securities in the Basket(s) and if applicable, Cash Component (including Transaction Fee, Duties and Charges) relating to the Creation Application; or (b) full amount of any cash payable in connection with the relevant Creation Application (including Transaction Fee, Duties and Charges) by the Settlement Day, provided that the Manager 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 any fees including Extension Fee or collateral to the Manager, the Trustee or their respective Connected Persons or otherwise as it may determine) as the Manager and the Trustee 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, Cash Component and/or cash have been vested in, or to the account of the Trustee, on such terms and conditions as the Manager may with the approval of the Trustee determine including terms as to any extension of the settlement period for the outstanding Securities, Cash Component and/or cash.

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

Upon the cancellation of any creation order of any Units deemed created pursuant to a Creation Application as provided for above, any Securities, Cash Component and/or any cash received by

or on behalf of the Trustee in connection with a Creation Application shall be redelivered to the Participating Dealer (without interest) as soon as practicable and the relevant Units shall be deemed for all purposes never to have been created and the Participating Dealer shall have no right or claim against the Manager, the Trustee, the Registrar and/or the Service Agent in respect of such cancellation provided that:

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

### **Redemption of Units through a Participating Dealer**

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

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

In relation to cash redemption of Units as described above, the Manager reserves the right to require the Participating Dealer to pay an additional sum for the purpose of compensating or reimbursing the Sub-Fund for the difference between:

- (a) the prices used when valuing the Securities of the Sub-Fund for the purpose of such redemption of Units; and
- (b) 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 Units.

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

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

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

- (a) any period during which (i) the creation or issue of Units of the Sub-Fund, (ii) the redemption of Units of the Sub-Fund, and/or (iii) the determination of Net Asset Value of the Sub-Fund is suspended;
- (b) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to any of the Securities in the Index;
- (c) where acceptance of the redemption request would render the Participating Dealer in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Participating Dealer necessary for compliance with applicable legal and regulatory requirements;
- (d) circumstances outside the control of the Participating Dealer make it for all practicable purposes impossible to process the redemption request; or
- (e) during any period when the business operations of the Participating Dealer are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riot, strikes or acts of God.

#### *Requirements Relating to Redemption Requests by Unitholders*

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

Notwithstanding the Dual-Counter, any cash proceeds received by a Participating Dealer in a cash Redemption Application shall be paid only in HKD. HKD traded Units and USD traded Units may be redeemed by way of a Redemption Application (through a Participating Dealer). Where a Participating Dealer wishes to redeem USD traded Units, the redemption process is the same as for HKD traded Units.

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 the Sub-Fund closely, neither the Manager nor the Trustee is empowered to compel a Participating Dealer to disclose its fees agreed with specific clients or other proprietary or confidential information to the Manager or the Trustee or to accept any such redemption requests received from clients. In addition, neither the Trustee nor the Manager can ensure effective arbitrage by a Participating Dealer.

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

copy to the Manager). 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 the Sub-Fund to the Registrar (with a copy to the Manager), following receipt of redemption requests from clients or where it wishes to redeem Units of the 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 is 3:00 p.m. (Hong Kong time) for cash redemption and 4:30 p.m. (Hong Kong time) for in-kind redemption on the relevant Dealing Day, or such other time as the Manager (with the written approval of Trustee) may determine on any day when the trading hours of the SEHK are reduced.

To be effective, a Redemption Application must:

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

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

- (a) any period during which (i) the creation or issue of Units of the Sub-Fund, (ii) the redemption of Units of the Sub-Fund, and/or (iii) the determination of Net Asset Value of the Sub-Fund is suspended;
- (b) where in the opinion of the Manager, acceptance of the Redemption Application would have an adverse effect on the 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 Index;
- (d) where acceptance of the Redemption Application would render the Manager in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Manager necessary for compliance with applicable legal and regulatory requirements;
- (e) circumstances outside the control of the Manager make it for all practicable purposes impossible to process the Redemption Application; or
- (f) during any period when the business operations of the Manager, the Trustee or any delegate of the Manager or the Trustee in relation to the 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 Manager shall notify the relevant Participating Dealer and the Trustee of its decision to reject such Redemption Application in accordance with the Operating Guidelines.

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

Where the Manager accepts a Redemption Application from a Participating Dealer, it shall (a) effect the redemption and cancellation of the relevant Units; and (b) require the Trustee to transfer to the Participating Dealer Securities constituting the Basket(s) and if applicable, Cash Component, both in accordance with the Operating Guidelines and the Trust Deed.

The Participating Dealer will then transfer the Securities constituting the Basket(s) and if applicable, Cash Component to the relevant client if the Redemption Application was submitted by the Participating Dealer for the account of its client.

#### *Redemption of Units*

Any accepted Redemption Application will be effected on the Settlement Day provided that a Redemption Application duly signed by a Participating Dealer (to the satisfaction of the Manager and the Trustee) has been received and provided further that the Trustee shall have received (unless otherwise provided in the Operating Guidelines) the original (and not a faxed copy) of the certificates (if any) representing the Units to be cancelled (or an indemnity in terms acceptable to the Trustee) and the full amount of any amount payable by the Participating Dealer including the Transaction Fee and any other Duties and Charges have been either deducted or otherwise paid in full.

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

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

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

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

#### *Fees relating to Redemption Applications*

The Trustee, the Registrar and/or the Service Agent 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 Sub-Fund). The Transaction Fee

shall be paid by or on behalf of the Participating Dealer submitting the Redemption Application(s) (and may be set off and deducted against any amount due to the Participating Dealer in respect of such Redemption Application(s)) for the benefit of the Trustee, the Registrar and/or the Service Agent. See the section on “Fees and Expenses” for further details.

The Trustee (on instructions of the Manager) 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.

### **Cancellation of Redemption Applications**

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

No Security shall be transferred and no cash amount shall be paid in respect of any Redemption Application unless Units, which are the subject of the Redemption Application, have been delivered to the Trustee free and clear of any Encumbrance for redemption by such time on the Settlement Day as the Trustee and the Manager shall for the time being prescribe for Redemption Applications generally.

In the event that Units, which are the subject of a Redemption Application, are not delivered to the Trustee for redemption in accordance with the foregoing or are not free and clear of any Encumbrance:

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

### **Deferred Redemption**

In the event that redemption requests are received for the redemption of Units representing in aggregate more than 10% (or such higher percentage as the Manager may determine in respect of the Sub-Fund and as permitted by the SFC) of the total number of Units in the Sub-Fund then in issue, the Manager may direct the Trustee to reduce the requests rateably and pro rata amongst all Unitholders seeking to redeem Units on the relevant Dealing Day and carry out only sufficient redemptions which, in aggregate, amount to 10% (or such higher percentage as the Manager may determine in respect of the Sub-Fund) of the Units in the Sub-Fund then in issue. Units which are not redeemed but which would otherwise have been redeemed will be redeemed on the next Dealing Day (subject to further deferral if the deferred requests in respect of the Sub-Fund themselves exceed 10% (or such higher percentage as the Manager may determine in respect of

that Sub-Fund) of the Units in the Sub-Fund then in issue) in priority to any other Units in the Sub-Fund for which redemption requests have been received. Units will be redeemed at the Redemption Value prevailing on the Dealing Day on which they are redeemed.

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

The Manager may, at its discretion, after consultation with the Trustee (and where practicable, after consultation with Participating Dealers), having regard to the best interests of the Unitholders, suspend the creation or issue of Units of the Sub-Fund, suspend the redemption of Units of the Sub-Fund and/or (subject to the relevant requirements of the Code 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 or Redemption Application in the following circumstances:

- (a) during any period when trading on the SEHK or any other Recognised Stock Exchange or Recognised Futures Exchange is restricted or suspended;
- (b) during any period when a market on which a Security (that is a 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 Sub-Fund cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Unitholders of the Sub-Fund;
- (f) during any period when the Index is not compiled or published;
- (g) during any breakdown in any of the means normally employed in determining the Net Asset Value of the Sub-Fund or when for any other reason the value of any Securities or other property for the time being comprised in the 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 Sub-Fund is suspended or if any circumstance specified in the section on "Suspension of Net Asset Value" below arises; or
- (i) during any period when the business operations of the Manager, the Trustee or any delegate of the Manager or the Trustee in respect of the Sub-Fund are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riot, strikes or acts of God.

The Manager will, after consultation with the Trustee, having regard to the best interests of the Unitholders, suspend the right to subscribe for Units of the Sub-Fund if, or if as a result of the investment of the proceeds of issue of such Units in accordance with its investment objective, the Trust collectively holds or would hold in aggregate more than 10% of the ordinary shares issued by any single issuer or such other percentage permitted under Schedule 1. In addition, where the sub-funds under the Trust hold in aggregate more than the limit of 10% of the ordinary shares issued by any single issuer and the SFC has not agreed to waive this prohibition under the Code, the Manager will make it a priority objective to take all other necessary steps within a reasonable period to remedy such breach, taking into account the interests of the Unitholders.

The Manager shall notify the SFC and publish a notice of suspension following the suspension, and at least once a month during the suspension, on its website at [www.chinaamc.com.hk](http://www.chinaamc.com.hk) or in such other publications as it decides.

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

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

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

### **Evidence of Unitholding**

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

### **Restrictions on Unitholders**

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

- (a) a breach of the law or requirements of any country or governmental authority or any stock exchange on which the Units are listed in circumstances which, in the Manager's opinion, might result in the Trust or the Sub-Fund suffering any adverse effect which the Trust or the Sub-Fund might not otherwise have suffered; or
- (b) in the circumstances which, in the Manager's opinion, might result in the Trust or any Sub-Fund, the Trustee or the Manager incurring any liability to taxation or suffering any other potential or actual pecuniary disadvantage or might result in the Trust or any Sub-Fund, the Trustee or the Manager being subject to any additional regulatory compliance which the Trust or the relevant Sub-Fund, the Trustee or the Manager might not otherwise have incurred, suffered or been subject to; or
- (c) in breach of, or deemed by the Manager to be in breach of, any applicable anti-money laundering or identification verification or national status or residency requirements imposed on him (whether under the terms of any underlying investment arrangement or otherwise) including without limitation the issue of any warranty or supporting document required to be given to the Trustee and the Manager.

Upon notice that any Units are so held, the Manager may require such Unitholders to redeem or transfer such Units in accordance with the provisions of the Trust Deed. A person who becomes aware that he is holding or owning Units in breach of any of the above restrictions is required either to redeem his Units in accordance with the Trust Deed or to transfer his Units to a person whose

holding would be permissible under this Prospectus and the Trust Deed in a manner that would result in such Unitholder no longer being in breach of the restrictions above.

### **Transfer of Units**

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

## EXCHANGE LISTING AND TRADING (SECONDARY MARKET)

### General

Units are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Units on 1 or more other stock exchanges.

Dealings on the SEHK began on 18 March 2021 (for HKD traded Units) and on 30 June 2021 (for USD traded Units).

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

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

The Manager will use its best endeavours to put in place arrangements so that at least one Market Maker will maintain a market for the Units traded in each of the HKD counter and USD counter (although the Market Maker for both counters 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 will make available to a Market Maker the portfolio composition information which is made available to a Participating Dealer.

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

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

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

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

## DETERMINATION OF NET ASSET VALUE

The Net Asset Value of the Sub-Fund will be calculated by the Trustee as at each Valuation Point, which may be different from the close of any Market, by calculating the value of the assets of the Sub-Fund and deducting the liabilities of the Sub-Fund, in accordance with the terms of the Trust Deed.

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

- (a) Securities that are quoted, listed, traded or dealt in on any Market shall unless the Manager (in consultation with the Trustee) determines that some other method is more appropriate, be valued by reference to the price appearing to the Manager to be the official closing price, or if unavailable, the last traded price on the Market as the Manager may consider in the circumstances to provide fair criterion, provided that (i) if a Security is quoted or listed on more than one Market, the Manager shall adopt the price quoted on the Market which in its opinion provides the principal market for such Security; (ii) if prices on that Market are not available at the relevant time, the value of the Securities shall be certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager or, if the Trustee so requires, by the Manager after consultation with the Trustee, (iii) interest accrued on any interest-bearing Securities shall be taken into account, unless such interest is included in the quoted or listed price; (iv) the Manager, the Trustee or its delegates may accept as sufficient evidence of the value of any asset of the Sub-Fund or the cost price or sale price thereof, any market quotation or certification by a calculation agent, broker, any professional person, firm or association qualified in the opinion of the Trustee or its delegates or the Manager to provide such a quotation; and (v) the Manager, the Trustee or its delegates may rely upon the established practice and rulings of any market and any committees and officials thereof on which any dealing in any assets of the Sub-Fund or other property is from time to time effected in determining what shall constitute a good delivery and any similar matters;
- (b) the value of each interest in any unlisted mutual fund corporation or unit trust shall be the latest available net asset value per share or unit in such mutual fund corporation or unit trust or if not available or appropriate, the last available bid price or offer price for such unit, share or other interest;
- (c) futures contracts will be valued based on the formulae set out in the Trust Deed;
- (d) except as provided for in paragraph (a)(iii) or (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 out of the 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 Trustee and shall at such times or at such intervals as the Trust shall request, cause a revaluation to be made by a professional person approved by the Trustee as qualified to value such investments (which may, if the Trustee agrees, be the Manager);
- (e) cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager in consultation with the Trustee, any adjustment should be made to reflect the value thereof; and
- (f) notwithstanding the foregoing, the Manager in consultation with the Trustee may adjust the value of any investment or permit some other method of valuation to be used if, having regard to relevant circumstances, it considers that such adjustment is required to fairly reflect the value of the investment.

The Trustee will perform any currency conversion at the rates which the Trustee and the Manager deem appropriate from time to time.

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

To the extent that the valuation or accounting basis adopted by the Sub-Fund deviates from IFRS, the Manager may make necessary adjustments in the annual financial statements to comply with IFRS. Any such adjustments will be disclosed in the annual financial reports, including a reconciliation note to reconcile values arrived at by applying the Trust's valuation rules.

### **Suspension of the Determinations of Net Asset Value**

The Manager may, after consultation with the Trustee, having regard to the best interests of the Unitholders, declare a suspension of the determination of the Net Asset Value of the Sub-Fund for the whole or any part of any period during which:

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

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

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

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

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

The Initial Issue Price which is the subject of a Creation Application during the Initial Offer Period shall be equal to one-hundredth (1/100th) of the closing level of the Underlying Index on the trading

day immediately preceding the Listing Date in HKD, or such other amount from time to time determined by the Manager and approved by the Trustee.

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

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

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

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

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

## FEES AND EXPENSES

There are different levels of fees and expenses applicable to investing in the Sub-Fund as set out below, current as at this date of the Prospectus.

<b>(a) Fees and expenses payable by Participating Dealers on creations and redemptions (as applicable) of Units (applicable both during the Initial Offer Period and After Listing)</b>	<b>Amount</b>
Transaction Fee <sup>1</sup>	HKD4,000 per Application
	<u>Plus</u>
	Service Agent's Fee
Application cancellation fee	HKD6,000 <sup>2</sup> per Application
Extension Fee	HKD6,000 per Application
Stamp duty	Nil
All other Duties and Charges incurred by the Trustee or the Manager in connection with the creation or redemption	As applicable
 <b>(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>3</sup>	Such amounts as determined by the relevant Participating Dealer
 <b><i>(ii) Fees payable by all investors in respect of dealings in the Units on SEHK (applicable After Listing)</i></b>	
Brokerage	Market rates
Transaction levy	0.0027% <sup>4</sup>

<sup>1</sup> The Transaction Fee comprises two components: (a) HKD4,000 per Application payable for the benefit of the Trustee and/or Registrar; and (b) a Service Agent's Fee of HKD1,000 payable by a Participating Dealer to the Service Agent for each book-entry deposit or book-entry withdrawal transaction plus a monthly reconciliation fee payable by the Manager. A Participating Dealer may pass on to the relevant investor such Transaction Fee.

<sup>2</sup> An application cancellation fee is payable to the Trustee for the account of the Registrar in respect of either a withdrawn or failed Creation Application or Redemption Application. A Participating Dealer may also be required to pay a Cancellation Compensation to the Trustee, for the account of the Sub-Fund, pursuant to the terms of the Operating Guidelines.

<sup>3</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>4</sup> Transaction levy, presently 0.0027% of the trading price of the Units, is payable by the buyer and the seller.

SEHK trading fee	0.005% <sup>5</sup>
Stamp duty	Nil
Inter-counter transfer	HKD5 <sup>6</sup>
<b>(c) Fees and expenses payable by the Sub-Fund</b>	(See further disclosure below)

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 Securities and Futures Ordinance.

### **Fees and expenses payable by the Sub-Fund**

#### *Manager's fee*

The Manager is entitled to receive out of the Trust Fund a management fee of up to 1% per year of the Net Asset Value of the Sub-Fund. The current management fee is 0.50% 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.

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

#### *Trustee's and Registrar's fee*

The Trustee is entitled to receive out of the Trust Fund a trustee fee of up to 1% per year of the Net Asset Value of the Sub-Fund. The current Trustee's fee is calculated as a percentage per annum of the Net Asset Value of the Fund at a rate of 0.10% per annum for the first HKD200,000,000 of the Net Asset Value, 0.08% per annum for the remaining balance of the Net Asset Value, accrued daily and calculated as at each Dealing Day and payable monthly in arrears, subject to a monthly minimum of HKD23,400 which will be subject to a waiver for the first 6 months following the launch of the Sub-Fund.

The Trustee's fee may be increased by agreement with the Manager up to the maximum on giving one month's notice to Unitholders. The Trustee is also entitled to an inception fee of HKD10,000 for the establishment of the Sub-Fund. Subject to the Manager's agreement and one month's prior notice made to the Unitholders, further fees (as part of the Trustee's fee) may be payable to the Trustee in relation to the performance of its duties to the Trust, which fees will be at normal commercial terms, provided that the aggregate Trustee's fee shall not exceed the maximum level stated in the Trust Deed and this Prospectus.

The Trustee shall also be entitled to be reimbursed out assets of the Sub-Fund all out-of-pocket expenses incurred.

The Trustee (acting as the Registrar) is also entitled to a fee of HKD120 per Participating Dealer per transaction.

<sup>5</sup> Trading fee of 0.005% of the trading price of the Units, payable by the buyer and the seller.

<sup>6</sup> HKSCC will charge each CCASS participant a fee of HKD5 per instruction for effecting an inter-counter transfer from one counter to another counter. Investors should check with their brokers regarding any additional fees.

### *Performance fee*

No performance fee is chargeable to the Sub-Fund.

### *Ongoing charges*

The ongoing charges figure of the Sub-Fund is the sum of anticipated charges to the Sub-Fund expressed as a percentage of the Net Asset Value of the Sub-Fund.

### *Promotional expenses*

The 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 Trust Fund.

### *Other expenses*

The 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 Units on the SEHK and maintaining the Trust's and the Sub-Fund's authorisation under the Securities and Futures Ordinance, 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 Trustee, the Manager or the Registrar or any of its service providers, the expenses incurred in convening meetings of Unitholders, printing and distributing annual and half-yearly financial reports and other circulars relating to the Sub-Fund and the expenses of publishing Unit prices.

### **Establishment costs**

The cost of establishing the Sub-Fund including the preparation of this Prospectus, inception fees, the costs of seeking and obtaining the listing and authorisation by the SFC and all initial legal and printing costs will be borne by the Sub-Fund (unless otherwise determined by the Manager) and will be amortised over the first 5 financial years of the Sub-Fund or such other period as determined by the Manager after consulting the Auditor. Such establishment costs were approximately HKD 705,000. The attention of investors is drawn to the risk factor entitled "Valuation and accounting risk".

### **Increase in fees**

The current fees payable to the Manager and the Trustee as described above may be increased on one month's notice to Unitholders (or such shorter period as approved by the SFC), subject to the maximum rates set out in the Trust Deed.

## **RISK FACTORS**

*An investment in the Sub-Fund carries various risks. Each of these risks may affect the Net Asset Value, yield, total return and trading price of the Units. There can be no assurance that the investment objective of the Sub-Fund will be achieved. Prospective investors should carefully evaluate the merits and risks of an investment in the Sub-Fund in the context of their 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 the Sub-Fund.*

### **Investment risks**

#### *Securities risk*

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

#### *Equity risk*

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

#### *Investment objective risk*

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

#### *Market risk*

The Net Asset Value of the Sub-Fund will change with changes in the market value of the Securities it holds. The price of Units and the income from them may go down as well as up. There can be no assurance that an investor will achieve profits or avoid losses, significant or otherwise. The capital return and income of the Sub-Fund is based on the capital appreciation and income on the Securities it holds, less expenses incurred. The Sub-Fund's return may fluctuate in response to changes in such capital appreciation or income. Furthermore, the Sub-Fund may experience volatility and decline in a manner that broadly corresponds with the Index. Investors in the Sub-Fund are exposed to the same risks that investors who invest directly in the underlying Securities would face. These risks include, for example, interest rate risks (risks of falling portfolio values in a rising interest rate market); income risks (risks of falling incomes from a portfolio in a falling interest rate market); and credit risk (risk of a default by the underlying issuer of a Security that forms part of the Index).

#### *Asset class risk*

Although the Manager is responsible for the continuous supervision of the investment portfolio of the Sub-Fund, the returns from the types of Securities in which the Sub-Fund invests may underperform or outperform returns from other Securities markets or from investment in other

assets. Different types of securities tend to go through cycles of out-performance and underperformance when compared with other general Securities markets.

#### *Passive investment risk*

The Sub-Fund is not actively managed. Accordingly, the Sub-Fund may be affected by a decline in the market segments relating to the Index. The Sub-Fund invests directly in the constituent stocks included in the Index regardless of their investment merit. The Manager does not attempt to select stocks individually or to take defensive positions in declining markets. Investors should note that the lack of discretion on the part of the Manager to adapt to market changes due to the inherent investment nature of the Sub-Fund will mean that falls in the Index are expected to result in corresponding falls in the value of the Sub-Fund and investors may lose a significant part of their respective investments if the Index falls.

#### *Possible business failure risk*

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

#### *Management risk*

Because there can be no guarantee that the Sub-Fund will fully replicate the Index, it is subject to management risk. This is the risk that the Manager's strategy, the implementation of which is subject to a number of constraints, may not produce the intended results. In addition, the Manager has absolute discretion to exercise Unitholders' rights with respect to Securities comprising the Sub-Fund. There can be no guarantee that the exercise of such discretion will result in the investment objective of the Sub-Fund being achieved.

#### *Tracking error risk*

Although the Manager will adopt a primarily full replication strategy to reduce tracking error, the Manager may use representative sampling (for example where it is not possible to acquire certain Securities which are constituents of the Index due to restrictions or limited availability), and there can be no assurance of exact or identical replication at any time of the performance of the Index. Because the Manager has no other strategy to minimise tracking error and representative sampling may not provide identical performance, the Net Asset Value of the Sub-Fund may not correlate exactly with the Index. Factors such as the fees and expenses of the Sub-Fund, imperfect correlation between the Sub-Fund's assets and the Securities constituting the Index, inability to rebalance the Sub-Fund's holdings of Securities in response to changes in the constituents of the Index, rounding of Security prices, and changes to the regulatory policies may affect the Manager's ability to achieve close correlation with the Index. These factors may cause the Sub-Fund's returns to deviate from the Index.

#### *Concentration risk*

Due to the concentration of the Index in biotech companies, which is characterised by relatively higher volatility in price performance when compared to other economic sectors, the performance of the Index may be more volatile when compared to other broad-based stock indices.

The Index is subject to concentration risk as a result of tracking the performance of companies listed on the SEHK. Although the Index does not have a particular geographical concentration by virtue of its methodology and constituents selection criteria, the Index constituents may from time to time be concentrated in Hong Kong and PRC companies. The Net Asset Value of the Sub-Fund is therefore likely to be more volatile than a more broad-based fund, such as a global or regional fund, as the Underlying Index is more susceptible to fluctuations in value resulting from adverse conditions in a single market and sector.

### *Risks associated with biotech companies*

Biotech companies invest heavily in research and development which may not necessarily lead to commercially successful products. The costs associated with and time needed for developing new products can be significant, and the results are unpredictable. Any failure in research and development may have a material adverse impact on a biotech company's ongoing prospect.

Biotech companies can be significantly affected by technological change and newly developed products may be susceptible to product obsolescence due to intense competition from new products and less costly generic products.

Moreover, the process for obtaining regulatory approval (for example, product approval) is long, time consuming and costly and there can be no assurance that the necessary approvals will be obtained or maintained. These companies are also subject to increased governmental regulations which may delay or inhibit the release of new products.

A biotech company's valuation can also be greatly affected if one of its products is proven or alleged to be unsafe, ineffective or unprofitable. Many biotech companies are dependent upon their ability to use and enforce intellectual property rights and patents. Any impairment of such rights may have adverse financial consequences.

A biotech company may incur net current liabilities. A net current liabilities position may expose a biotech company to the risk of shortfalls in liquidity. This in turn would require a biotech company to seek adequate financing such as external debt, which may not be available on favourable or commercially reasonable terms. Any difficulty or failure of a biotech company to meet its liquidity needs as and when needed may have a material adverse effect on its business, financial condition, results of operations and prospects.

The stocks of a biotech company especially those of smaller, less-seasoned companies, tend to be less liquid and their price may be more volatile than the overall market.

The biotech companies invested by the Sub-Fund may be pre-revenue companies with limited track record or operating history, unlike other listed companies with longer track record or operating history. Pre-revenue companies refer to companies which have yet to generate any sales revenue typically because they do not have any products on the market yet. Pre-revenue companies are subject to a higher degree of risk generally and they have a higher risk of failure when compared to other companies. Valuations of pre-revenue companies are also subject to a high risk of being inaccurate. The Sub-Fund's investments in these companies will accordingly be subject to higher investment risks.

A biotech company may not be able to generate any profits during the development stage of its products or at all. The ability of a biotech company to become and remain profitable depends on its ability to generate revenue. Even if a biotech company is able to generate revenue in a short run, it may not become profitable on a sustainable basis or at all.

All these may have impact on the business and/or profitability of the biotech companies in which the Sub-Fund invests and therefore may adversely affect the Net Asset Value of the Sub-Fund.

### *Risks associated with pharmaceutical and medical devices companies*

Pharmaceutical and medical devices companies are heavily dependent on patent protection. The expiration of patents may adversely affect the profitability of the companies. Many new products are subject to regulatory approval, the process of which can be long and costly and approved products are susceptible to obsolescence. Certain pharmaceutical and medical devices companies may allocate greater than usual financial resources to research and product development and experience above-average price movements associated with the perceived prospects of success of the research and development programs. Pharmaceutical and medical devices companies are

also subject to heavy competitive forces that may make it difficult to raise prices. All these may have impact on the business and/or profitability of pharmaceutical and medical devices companies in which the Sub-Fund invests and therefore may adversely affect the Net Asset Value of the Sub-Fund.

#### *Trading risk*

While the creation/redemption feature of the Sub-Fund is designed to make it likely that Units will trade close to their Net Asset Value, disruptions to creations and redemptions may result in trading prices that differ significantly from the Net Asset Value. The secondary market prices of Units will fluctuate in accordance with changes in the Net Asset Value and supply and demand on any exchange on which Units are listed. The Manager cannot predict whether Units will trade below, at, or above their Net Asset Value. Since, however, Units must be created and redeemed in Application Unit size (unlike shares of many closed-end funds, which frequently trade at appreciable discounts from, and sometimes at premiums to, their Net Asset Value) the Manager believes that ordinarily large discounts or premiums to the Net Asset Value of Units should not be sustained. If the Manager suspends creations and/or redemptions of Units, the Manager anticipates that there may be larger discounts or premiums as between the secondary market price of Units and the Net Asset Value.

#### *Loss of capital risk*

There is no guarantee that the Sub-Fund's investments will be successful. In addition, trading errors are an intrinsic factor in any complex investment process, and will occur, notwithstanding the execution of due care and special procedures designed to prevent such errors.

#### *No trading market in the Units risk*

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

#### *Liquidity risk*

Following listing on the SEHK, it is unlikely that the Units will initially be widely held. Accordingly, any investor buying Units in small numbers may not necessarily be able to find other buyers should that investor wish to sell. To address this risk, one or more Market Makers have been appointed.

#### *Operating Issues*

There is no assurance that the performance of the Sub-Fund will be identical to the performance of the Index. The level of fees, taxes and expenses payable by the Sub-Fund will fluctuate in relation to the Net Asset Value. Although the amounts of certain ordinary expenses of the Sub-Fund can be estimated, the growth rate of the Sub-Fund, and hence its Net Asset Value, cannot be anticipated. Accordingly, no assurance can be given as to the performance of the Sub-Fund or the actual level of its expenses.

#### *Credit risk of custodian or depositary*

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

### *Indemnity risk*

Under the Trust Deed, the Trustee and the Manager have the right to be indemnified against any liability in performing their respective duties except as a result of their respective own breach of trust through fraud or negligence or any liability to Unitholders which by virtue of any Hong Kong rule of law would attach to them in relation to their duties. Any reliance by the Trustee or the Manager on the right of indemnity would reduce the assets of the Sub-Fund and the value of the Units.

### *Distributions may not be paid risk*

It is the Manager's intention that the Sub-Fund will pay distributions on Units but this will mainly depend on dividends or distributions declared and paid in respect of the Securities of the Index. Such dividends or distributions received by the Sub-Fund may be applied towards meeting the costs and expenses of the Sub-Fund. Dividend or distribution payment rates in respect of such Securities will depend on factors beyond the control of the Manager or Trustee including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions. As such the Sub-Fund may not make distributions.

### *Possible early termination of the Sub-Fund risk*

The Sub-Fund may be terminated early under certain circumstances, including but not limited to (i) the aggregate Net Asset Value of all the Units is less than HKD150 million or (ii) any law is passed or amended or regulatory directive or order is imposed which renders it illegal or in the opinion of the Manager, impracticable or inadvisable to continue the Sub-Fund or (iii) within a reasonable time and using commercially reasonable endeavours, the Manager is unable to find a person acceptable to act as the new trustee after deciding to remove the Trustee in accordance with the Trust Deed or (iv) the Index is no longer available for benchmarking or if the Units are no longer listed on the SEHK or any other Recognised Stock Exchange or (v) at any time, the Sub-Fund ceases to have any Participating Dealer or (vi) the Manager is unable to implement its investment strategy in respect of the Sub-Fund. Upon the Sub-Fund being terminated, the Trustee will distribute the net cash proceeds (if any) derived from the realisation of the investments comprised in the Sub-Fund to the Unitholders in accordance with the Trust Deed. Any such amount distributed may be less than the capital invested by the Unitholder. In that event, a Unitholder may suffer a loss.

### *Restrictions on creation and redemption of Units risk*

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

### *Borrowing risks*

The Trustee, at the request of the Manager, may borrow for the account of the Sub-Fund (up to 10% of the total Net Asset Value of the Sub-Fund) 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 the Sub-Fund to factors such as rising interest rates, downturns in the economy or deterioration in the conditions of the assets underlying its investments. There can be no assurance that the Sub-Fund will be able to borrow on favourable terms, or that the Sub-Fund's indebtedness will be accessible or be able to be refinanced by the Sub-Fund at any time.

#### *Securities lending transactions risk*

Counterparty risk – The borrower may fail to return the securities in a timely manner or at all. The Sub-Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Sub-Fund's ability in meeting delivery or payment obligations from redemption requests.

Collateral risk – As part of the securities lending transactions, the Sub-Fund must receive at least 100% of the valuation of the securities lent as collateral marked-to-market on a daily basis. However, there is a risk of shortfall of collateral value due to inaccurate pricing of the collateral, adverse market movements in the collateral value, change of value of securities lent. This may cause significant losses to the Sub-Fund if the borrower fails to return the securities lent out. The Sub-Fund may also be subject to liquidity and custody risk of the collateral, as well as legal risk of enforcement.

Operational risk – By undertaking securities lending transactions, the Sub-Fund is exposed to operational risks such as delay or failure of settlement. Such delays and failure may restrict the Sub-Fund's ability in meeting delivery or payment obligations from redemption requests.

#### *Risks associated with FDIs and collateral*

A FDI is a financial contract or instrument the value of which depends on, or is derived from, the value of an underlying asset such as a Security or an index and may have a high degree of price variability and are subject to occasional rapid and substantial changes. Compared to conventional Securities, FDIs can be more sensitive to changes in interest rates or to sudden fluctuations in market prices due to both the low margin deposits required, and the extremely high degree of leverage involved in their pricing. As a result, a relatively small price movement in a FDI may result in immediate and substantial loss (or gain) to the Sub-Fund. The Sub-Fund's losses may be greater if it invests in FDIs than if it invests only in conventional Securities.

There may also be no active market in FDIs and therefore investment in FDIs can be illiquid. In order to meet redemption requests, the Sub-Fund may rely upon the issuer of the FDIs to quote a price to unwind any part of the FDIs that will reflect the market liquidity conditions and the size of the transaction.

In addition, many FDIs are not traded on exchanges. As a result, if the Sub-Fund engages in transactions involving FDIs, it will be subject to the risk of the inability or refusal to perform such contracts by the counterparties with which the Sub-Fund trades, and as such the Sub-Fund may suffer a total loss of the Sub-Fund interest in the FDI. This risk is also aggregated by the fact that over-the-counter derivatives markets are generally not regulated by government authorities and participants in these markets are not required to make continuous markets in the contracts they trade.

An investment in the FDIs does not entitle the FDIs holder to the beneficial interest in the shares nor to make any claim against the company issuing the shares. There can be no assurance that the price of the FDIs will equal the underlying value of the company or securities market that it may seek to replicate or obtain exposure.

There are risks associated with management of collateral and re-investment of collateral. The value of any collateral received 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 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.

#### *Government intervention and restriction risk*

Governments and regulators may intervene in the financial markets, such as by the imposition of trading restrictions, a ban on short selling or the suspension of short selling for certain stocks. This may affect the operation and market making activities of the Sub-Fund, and may have an unpredictable impact on the Sub-Fund, including increasing or decreasing the level of premium or discount of the Unit price to Net Asset Value or the ability of the Sub-Fund to track the Index. Furthermore, such market interventions may have a negative impact on the market sentiment which may in turn affect the performance of the Index and as a result the performance of the Sub-Fund.

#### *No right to control the Sub-Fund's operation risk*

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

#### *Reliance on the Manager risk*

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

#### *Large redemptions risk*

If significant redemptions of Units are requested by the Participating Dealers, it may not be possible to liquidate the Sub-Fund's investments at the time such redemptions are requested or the Manager may be able to do so only at prices which the Manager believes does not reflect the true value of such investments, resulting in an adverse effect on the return to investors. Where significant redemptions of Units are requested by the Participating Dealers, the right of Participating Dealers to require redemptions in excess of 10% of the total number of Units in the Sub-Fund then in issue (or such higher percentage as the Manager may determine) may be deferred, or the period for the payment of redemption proceeds may be extended. In addition, the Manager may also in certain circumstances suspend the determination of the Net Asset Value of the Sub-Fund for the whole or any part of any period. Please see the section on "Determination of Net Asset Value" for further details.

### **Risks associated with Dual-Counter**

#### *HKD distributions risk*

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

#### *Dual-Counter risks*

The Sub-Fund has Dual-Counter traded Units, which means that Units are traded and settled in

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

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

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

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

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

## **Market trading risks associated with the Sub-Fund**

### *Absence of active market and liquidity risks*

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

### *Suspension of trading risk*

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

### *Effect of redemptions risk*

If significant redemptions of Units are requested by the Participating Dealers, it may not be possible to liquidate the Sub-Fund's investments at the time such redemptions are requested or

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

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

#### *Units may trade at prices other than Net Asset Value risk*

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

#### *Cost of trading Units risk*

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

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

#### *Secondary market trading risk*

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

#### *Reliance on Market Makers risk*

Although the Manager will use its best endeavours to put in place arrangements so that at least one HKD Counter Market Maker for the HKD counter and at least one USD Counter Market Maker for the USD counter will maintain a market for the Units traded in each counter, it should be noted that liquidity in the market for the Units may be adversely affected if there is no Market Maker for the HKD traded Units or USD traded Units. The Manager will seek to mitigate this risk by using its

best endeavours to put in place arrangements so at least one Market Maker for the Units for each counter gives not less than 3 months' notice prior to terminating market making arrangement under the relevant market making agreements. It is possible that there is only one SEHK Market Maker to a counter (USD or HKD) or to the Sub-Fund or the Manager may not be able to engage a substitute Market Maker within the termination notice period of a Market Maker, and there is also no guarantee that any market making activity will be effective.

#### *Reliance on Participating Dealers risk*

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

### **Risks associated with the Index**

#### *New index risk*

The Index is a new index. The Sub-Fund may be riskier than other exchange traded funds tracking more established indices with longer operating history.

#### *Index is subject to fluctuations risk*

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

#### *Licence to use Index may be terminated risk*

The Manager is granted a licence by the Index Provider to use the Index to create the Sub-Fund based on the Index and to use certain trade marks and any copyright in the Index. The Sub-Fund may not be able to fulfil its objective and may be terminated if the licence agreement is terminated. The term of the licence agreement continues until termination in accordance with the provisions of the licence agreement. There can be no guarantee that the licence agreement will be perpetually extended. For further information on the grounds for terminating the licence agreement, please refer to the section on "Index Licence Agreement". The Sub-Fund may also be terminated if the 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 the Index are determined and composed by the Index Provider without regard to the performance of the Sub-Fund. The Sub-Fund is not sponsored, endorsed, sold or promoted by the Index Provider. The Index Provider makes no representation or warranty, express or implied, to investors in the Sub-Fund or other persons regarding the advisability of investing in Securities generally or in the Sub-Fund particularly. The Index Provider has no obligation to take the needs of the Manager or investors in the Sub-Fund into consideration in determining, composing or calculating the Index. There is no assurance that the Index Provider will compile the 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 the Index Provider will not prejudice the interests of the Sub-Fund, the Manager or investors.

#### *Composition of the Index may change risk*

The Securities constituting the 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. In addition, the computation basis of the Index may change. When this happens the weightings or composition of the Securities owned by the Sub-Fund will change as considered appropriate by the Manager to achieve the investment objective. Thus, an investment in Units will generally reflect the Index as its constituents change and not necessarily the way it is comprised at the time of an investment in Units. However, there can be no guarantee that the Sub-Fund will, at any given time accurately reflect the composition of the Index (refer to the section on “Tracking error risk”).

#### *Difficulties in valuation of investments risk*

Securities acquired on behalf of the 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 the Sub-Fund’s portfolio securities is available (for example, when the secondary markets on which a security is traded have become illiquid) the Manager may apply valuation methods to ascertain the fair value of such securities, pursuant to the Trust Deed.

### **Regulatory risks**

#### *Withdrawal of SFC authorisation risk*

The Trust and the Sub-Fund have been authorised as a collective investment scheme under the Code by the SFC under Section 104 of the Securities and Futures Ordinance. SFC authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. This does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. The SFC reserves the right to withdraw the authorisation of the Trust or the Sub-Fund or impose such conditions as it considers appropriate. If the Manager does not wish the Trust or the Sub-Fund to continue to be authorised by the SFC, the Manager will give Unitholders at least three months’ notice of the intention to seek SFC’s withdrawal of such authorisation. In addition, any authorisation granted by the SFC may be subject to certain conditions which may be withdrawn or varied by the SFC. If, as a result of such withdrawal or variation of conditions, it becomes illegal, impractical or inadvisable to continue the Trust or the Sub-Fund, the Trust or the Sub-Fund (as applicable) will be terminated.

#### *Legal and regulatory risk*

The 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 the Index and as a result, the performance of the 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 Unitholder may lose a material part of its investments in the Sub-Fund.

#### *Units may be delisted from the SEHK risk*

The SEHK imposes certain requirements for the continued listing of securities, including the Units, on the SEHK. Investors cannot be assured that the Sub-Fund will continue to meet the requirements necessary to maintain the listing of Units on the SEHK or that the SEHK will not

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

#### *Taxation risk*

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

#### *Valuation and accounting risk*

The Manager intends to adopt IFRS in drawing up the annual financial reports of the 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. Under IFRS, investments should be valued at fair value (valuations within the bid and offer pricings are considered to be representative of fair value for listed investments) rather than last traded price, and establishment costs should be expensed as incurred rather than amortised over a period of time. Accordingly, the Net Asset Value as described in this Prospectus will not necessarily be the same as the net asset value to be reported in the annual accounts as the Manager will make necessary adjustments in the annual accounts to comply with IFRS (although the Manager does not consider the differences between IFRS and the calculation of Net Asset Value are material). Any such adjustments will be disclosed in the annual financial reports, including a reconciliation. Otherwise, non-compliance with IFRS may result in the auditors issuing a qualified or an adverse opinion on the annual financial reports depending on the nature and level of materiality of the non-compliance.

#### *Contagion risk*

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

#### *Cross Sub-Fund liability risk*

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

#### *FATCA related risks*

The US Foreign Account Tax Compliance Act (“FATCA”) provides that a 30% withholding tax will be imposed on certain payments to foreign financial institutions, such as the Sub-Fund, including interests and dividends from securities of US issuers and gross proceeds from the sale of such securities, unless the Sub-Fund agrees to disclose to the US Internal Revenue Service (the “IRS”) the name, address and taxpayer identification number of certain US persons that own, directly or indirectly, an interest in the Sub-Fund, as well as certain other information relating to any such interest. The IRS has released regulations and other guidance that provide for the phased implementation of the foregoing withholding and reporting requirements. The United States and Hong Kong have entered into an intergovernmental agreement based on the “Model 2” format (“Model 2 IGA”). The Model 2 IGA modifies the foregoing requirements but generally requires similar information to be disclosed to the IRS. The Sub-Fund has completed its FATCA registration with the IRS. Although the Manager and the Sub-Fund will endeavor to satisfy any obligations imposed on the Sub-Fund to avoid the imposition of FATCA withholding tax, no assurance can be given that the Sub-Fund will be able to fully satisfy these obligations. If the Sub-Fund becomes subject to a withholding tax as a result of FATCA, the Net Asset Value of the Sub-Fund may be adversely affected and the Sub-Fund and its Unitholders may suffer material loss.

The Sub-Fund’s ability to comply with FATCA will depend on each Unitholder providing the Sub-Fund with information that the Sub-Fund requests concerning the Unitholder or its direct and indirect owners. As at the date of this Prospectus, all Units are registered in the name of HKSCC Nominees Limited. It is the Manager’s understanding that HKSCC Nominees Limited has registered as a participating foreign financial institution under a Model 2 IGA.

Please also refer to the sub-section entitled “FATCA and compliance with US withholding requirements” under the section headed “Taxation” in this Prospectus for further details on FATCA and related risks.

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

## MANAGEMENT OF THE TRUST

### The Manager

The Manager of the Trust is China Asset Management (Hong Kong) Limited 華夏基金(香港)有限公司, which is a fully-owned subsidiary of China Asset Management Co., Ltd. (“ChinaAMC”). Established on 9 April 1998 with approval from the China Securities Regulatory Commission (the “CSRC”), ChinaAMC is one of the first nation-wide fund management firms in the PRC and is currently one of the largest fund management company in the PRC in terms of assets under management (RMB1.59 trillion as of 31 December 2020).

The Manager was established in 2008 as ChinaAMC’s first venture in expanding its overseas activities. The Manager is now an integral part and extension of ChinaAMC’s overseas investment and research team, providing international clients with investment products and discretionary investment management services.

The Manager was incorporated in Hong Kong with limited liability on 30 September 2008 and is licensed by the SFC to conduct types 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance with CE number ARS988.

Under the Trust Deed, the monies forming part of the Sub-Fund are invested, at the direction of the Manager, in accordance with the Trust Deed. The Manager is responsible for placing purchase and sale orders and providing continuous supervision of the investment portfolio of the Trust.

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

The Manager has sufficient human and technical resources and capability plus adequate infrastructure systems, operational processes, controls and procedures in place in order to ensure the smooth and efficient management and operation of the Sub-Fund, including creation and redemptions, general operation of the Sub-Fund, cash management, procedures of handling corporate and other special events, portfolio composition file generation and checking, reference underlying portfolio value or estimated net asset value checking and monitoring and tracking error management.

### The directors of the Manager

The directors of the Manager are:

**Mr. YANG Minghui** is currently the Party Secretary and Chairman of ChinaAMC. He is also the Chairman of the Manager. He currently also serves as the Party Deputy Secretary, General Manager, a member of Executive Committee and an executive director of CITIC Securities Co. Ltd. Mr. Yang’s previous experiences include Vice General Manager of CITIC Securities Beijing Branch; Director, Assistant General Manager, Vice President of CITIC Securities Ltd; Director and Executive Vice President of CITIC Holdings Ltd.; Director of CITIC Trust Co., Ltd.; Chairman of CITIC-Prudential Fund Management Co., Ltd.; and Executive Director and President of China Jianyin Investment Securities Co., Ltd. Mr. Yang received a Master’s degree from East China Institute of Textile Science and Technology.

**Mr. GAN Tian** is currently a Managing Director and the Chief Executive Officer of the Manager. Mr. Gan joined ChinaAMC in 2008 as a portfolio manager. Before joining ChinaAMC, Mr Gan has worked in Guotai Junan Securities and Guotai Junan Assets (Asia) Ltd. Mr. Gan holds Master degrees from University of Reading and University of Leicester, United Kingdom. He also holds a Bachelor’s degree from Sichuan University, PRC.

**Ms. LI Yimei** is currently a Director and the General Manager of China Asset Management Co., Ltd. and a Director of the Manager. Ms. Li previously worked as the Deputy General Manager, General Manager of Fund Marketing Department, Director of Sales and Director of Marketing of China Asset Management Co., Ltd., Executive Director and General Manager of Shanghai China Wealth Management Company Limited and Director of E-Capital Transfer Co., Ltd. Ms. Li holds a Bachelor of Economics from Renmin University of China, a Master of Economics from Renmin University of China and a Master in Public Policy from Harvard University.

**Mr. LI Fung Ming** is currently a Managing Director and the Chairman of Investment Committee of the Manager. He has close to 25 years of working experience in China securities industry. Before joining the Manager in 2012, Mr. Li worked as a Managing Director, Head of China Research, Chief China Strategist and Head of Asian Autos and Auto Parts Research of JP Morgan Securities (Asia Pacific) Limited. Prior to that, he has also worked for Indosuez W. I. Carr Securities and China Guotai Securities. Mr. Li holds a Master of Arts degree from Shanghai University of International Business and Economics, and a Bachelor degree in Economics from Jiangsu University of Technology.

### **The Trustee and Registrar**

The Trustee of the Trust is HSBC Institutional Trust Services (Asia) Limited. The Trustee also acts as the Registrar of the Sub-Fund, and provides services in respect of the establishment and maintenance of the register of the Unitholders.

The Trustee was incorporated with limited liability in Hong Kong in 1974 and is registered as a trust company under the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) and approved by the Mandatory Provident Funds Scheme Authority as trustee of registered MPF Schemes under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The Trustee is an indirectly wholly owned subsidiary of HSBC Holdings plc, a public company incorporated in England and Wales.

Under the Trust Deed, the Trustee is responsible for the safe-keeping of the assets of the Trust and the Sub-Fund, subject to the provisions of the Trust Deed.

The Trustee may from time to time appoint or (where the appointment of a local custodian is required by the applicable laws and regulations of the relevant jurisdiction to be made by the Manager) agree in writing to the appointment by the Manager of, such person or persons as it thinks fit (including, without limitation, any of its Connected Persons) to hold as custodian, nominee, agent or delegate, all or any of the investments, assets or other property comprised in the Trust Fund or any of the sub-funds and may empower any such custodian, nominee, agent or delegate to appoint, with the prior consent in writing of the Trustee, co-custodians and/or sub-custodians (each such custodian, nominee, agent, delegate, co-custodian and sub-custodian a "Correspondent"). The Trustee is required to (a) exercise reasonable care, skill and diligence in the selection, appointment and on-going monitoring of Correspondents and (b) be satisfied that Correspondents retained remain suitably qualified and competent on an ongoing basis to provide the relevant custodial services to the Sub-Fund(s). The Trustee shall be responsible for the acts and omissions of any Correspondent which is a Connected Person of the Trustee as if the same were the acts or omissions of the Trustee but provided that the Trustee has discharged its obligations set out in (a) and (b) as set out in this paragraph, the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any Correspondent which is not a Connected Person of the Trustee.

The Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of Euro-clear Clearing System Limited or Clearstream Banking S.A. or any other recognised depositary or clearing system which may from time to time be approved by the Trustee and the Manager.

Subject as provided in the Trust Deed, the Trustee shall not be liable for losses caused by the performance of investments made by the Trust and/or the Sub-Fund.

Subject as provided in the Trust Deed, the Trustee is entitled to be indemnified from the assets of the Trust and/or the Sub-Fund from and against any and all actions, proceedings, liabilities, costs, claims, damages, expenses, including all reasonable legal, professional and other similar expenses (other than any liability to Unitholders imposed under Hong Kong law or resulting from breaches of trust through fraud or negligence on the part of the Trustee), which may be incurred by or asserted against the Trustee in performing its obligations or duties in connection with the Trust or the Sub-Fund. Subject to applicable law and the provisions of the Trust Deed, the Trustee shall not, in the absence of breaches of trust through fraud or negligence on the part of the Trustee, be liable for any losses, costs or damage to the Trust, the Sub-Fund or any Unitholder.

The Trustee in no way acts as guarantor or offeror of the Units or any underlying investment. The Trustee has no responsibility or authority to make investment decisions, or render investment advice with respect to the Trust or the Sub-Fund, which is the sole responsibility of the Manager.

The Trustee will not participate in transactions and activities, or make any payments denominated in US dollars, which, if carried out by a US person, would be subject to sanctions by The Office of Foreign Assets Control (the "OFAC") of the US Department of the Treasury. The OFAC administers and enforces economic sanction programs primarily against countries and groups of individuals, such as terrorists and narcotics traffickers by using the blocking of assets and trade restrictions to accomplish foreign policy and national security goals. In enforcing economic sanctions, OFAC acts to prevent "prohibited transactions," which are described by OFAC as trade or financial transactions and other dealings in which US persons may not engage unless authorised by OFAC or expressly exempted by statute. OFAC has the authority to grant exemptions to prohibitions on such transactions, either by issuing a general licence for certain categories of transactions, or by specific licences issued on a case-by-case basis. HSBC group of companies has adopted a policy of compliance with the sanctions issued by OFAC. As part of its policy, the Trustee may request for additional information if deemed necessary.

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

The Trustee is entitled to the fees set out in "Fees and expenses payable by the Sub-Fund" in the "Fees and Expenses" section and to be reimbursed for all costs and expenses in accordance with the provisions of the Trust Deed.

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

### **The Service Agent**

HK Conversion Agency Services Limited acts as Service Agent under the terms of the Service Agreement entered into among the Manager, the Service Agent and HKSCC. The Service Agent performs, through HKSCC, certain of its services in connection with the creation and redemption of Units in the Sub-Fund by Participating Dealers.

### **The Auditor**

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

## **The Participating Dealers**

A Participating Dealer may act for its own account or for your account as its clients in making Creation Applications and Redemption Applications. The latest list of the Participating Dealers is available [www.chinaamc.com.hk](http://www.chinaamc.com.hk).

## **The Market Makers**

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

Subject to applicable regulatory requirements, the Manager will use its best endeavours to put in place arrangements so that there is at least one Market Maker for the Units traded in each counter on the listing date on the SEHK and after listing. If the SEHK withdraws its permit to the existing Market Maker(s), the Manager will use its best endeavours to put in place arrangements so that there is at least one other Market Maker to facilitate the efficient trading of Units traded in each counter. The Manager will use its best endeavours to put in place arrangements so that at least one Market Maker is required to give not less than three months' prior notice to terminate market making under the relevant market making agreement (although the Market Maker for both counters may be the same entity). The latest list of Market Makers is available at [www.hkex.com.hk](http://www.hkex.com.hk).

## **The Listing Agent**

Altus Capital Limited has been appointed by the Manager as the Listing Agent for the Sub-Fund in accordance with The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited in respect of the relevant Sub-Fund's listing on the SEHK. The Listing Agent is a licensed corporation which holds, amongst others, a Type 6 (advising on corporate finance) regulated activity license under the Securities and Futures Ordinance with CE Number AGH102.

## **Conflicts of interest and soft dollars**

The Manager and the Trustee may, from time to time, act as manager, sub-investment manager, investment delegate, trustee or custodian or in such other capacity in connection with any collective investment scheme separate and distinct from the Trust and the Sub-Fund and retain any profit or benefit made in connection therewith.

In addition:

- (a) The Manager or any of its Connected Persons may purchase and sell investments for the account of the Sub-Fund as agent for the Sub-Fund.
- (b) The Trustee, the Manager and any of their Connected Persons may contract or enter into any financial, banking or other transaction with one another or with any Unitholder or any company or body any of whose shares or securities form part of the Sub-Fund's assets.
- (c) The Trustee or the Manager or any Connected Person may become the owner of Units and hold, dispose or otherwise deal with them with the same rights which it would have had if it had not been the Trustee or the Manager or any of their Connected Persons.
- (d) The Trustee, the Manager and any of their Connected Persons may buy, hold and deal in any securities, commodities or other property for their own account or for the account of their other customers notwithstanding that similar securities, commodities or other property may be held by the Sub-Fund.

- (e) Any arrangements for the borrowing or deposit of any monies for the account of the Sub-Fund may be made with any of the Trustee, the Manager, any investment delegate or any of their Connected Persons being a banker or other financial institution provided that such person shall charge or pay (as the case may be) interest or fees at a rate or amount no higher (in the case of a borrowing) or lower (in the case of a deposit) than the prevailing rates or amounts for transactions of a similar size and duration, in the same currency and with institutions of similar standing.
- (f) Neither the Trustee nor the Manager nor any of their Connected Persons shall be liable to account to each other or to the Sub-Fund or to the Unitholders for any profits or benefits made or derived from or in connection with any such transaction mentioned above.

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

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

None of the Manager, its investment delegate nor any Connected Person of any of them shall, retain any cash commission rebates or other payment or benefit (except as otherwise provided for in this Prospectus or in the Trust Deed) received from a third party (either directly or indirectly) arising out of the sale or purchase or loan of investments for the Sub-Fund, and any such rebates or payments or benefits which are received shall be credited to the account of the Sub-Fund.

The Manager, its investment delegate or Connected Person of any of them may receive, and are entitled to retain, research products and services (known as soft dollar benefits) which are of demonstrable benefit to the Sub-Fund (as may be permitted under the Code, applicable rules and regulations) from brokers and other persons through whom investment transactions are carried out ("brokers") provided that the quality of transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary full service brokerage rates adequate prior disclosure is made in this Prospectus that the Unitholders have consented and periodic disclosure is made in the Sub-Fund's annual financial report in the form of a statement describing the soft dollar policies and practices of the Manager or the investment delegate, including a description of the goods and services retained by them, and the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer. Such goods and services may not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries, or direct money payments.

The services of the Trustee provided to the Trust and the Sub-Fund are not deemed to be exclusive and the Trustee shall be free to render similar services to others so long as its services hereunder are not impaired thereby and to retain for its own use and benefit all fees and other monies payable thereby and the Trustee shall not be deemed to be affected with notice of or to be under any duty to disclose to the Sub-Fund any fact or thing which comes to the notice of the Trustee in the course

of the Trustee rendering similar services to others or in the course of its business in any other capacity or in any manner whatsoever otherwise than in the course of carrying out its duties under the Trust Deed.

Conflicts of interest may also arise due to the widespread business operations of the Trustee, the Manager, the Registrar and the Service Agent and their respective holding companies, subsidiaries and affiliates. The foregoing parties may effect transactions where those conflicts arise and shall not, subject to the terms of the Trust Deed, be liable to account for any profit, commission or other remuneration arising. However, all transactions carried out by or on behalf of the Sub-Fund will be on arm's length terms and in the best interests of Unitholders. In particular, any transactions between the Sub-Fund and the Manager, its investment delegate or any of their Connected Person(s) as principal may only be made with the prior written consent of the Trustee. All such transactions must be disclosed in the Sub-Fund's annual report.

For so long as the Sub-Fund is authorised by the SFC and it is an applicable requirement of the Code, the Manager, if transacting with brokers or dealers connected to the Manager, its investment delegate or any of their respective Connected Persons, must ensure it complies with the following obligations:

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

## **STATUTORY AND GENERAL INFORMATION**

### **Reports and Accounts**

The financial year-end of the Trust and the Sub-Fund is 31 December every year. The first financial year-end of the Sub-Fund will be 31 December 2021. Audited financial reports are to be prepared (according to IFRS) and published on the Manager's website within 4 months of each financial year-end. Half-yearly unaudited reports are also to be prepared up to the last Dealing Day in June of each year and published on the Manager's website within two months of such date. Once these financial reports are made available on the Manager's website, investors will be notified within the relevant timeframe.

The first audited financial reports and the first half-yearly unaudited financial reports of the Sub-Fund will be for the period ending 31 December 2021 and 30 June 2022 respectively.

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

### **Trust Deed**

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

### **Indemnities of the Trustee and Manager**

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

### **Modification of the Trust Deed**

The Trustee and the Manager may agree to modify, alter or add to the provisions of the Trust Deed by supplemental deed provided that in the opinion of the Trustee and the Manager such proposed modification, alteration or addition (i) does not materially prejudice the interests of Unitholders, does not operate to release to any material extent the Trustee or the Manager or any other person from any responsibility to the Unitholders and (with the exception of the costs incurred in connection with the relevant supplemental deed) does not increase the costs and charges payable out of the assets of the Sub-Fund; (ii) is necessary in order to make possible compliance with any fiscal, statutory,

regulatory or official requirement (whether or not having the force of law); or (iii) is made to correct a manifest error. In all other cases, modifications, alterations and additions involving material changes require the sanction of an extraordinary resolution of the Unitholders affected. The SFC must, where applicable, also give its prior approval to such amendments to the Trust Deed.

The Manager will notify affected Unitholders of the amendments as soon as practicable in advance of such amendments having effect or after they are made if such notification is required under the Code.

### **Name of the Trust and Sub-Fund**

Under the Trust Deed the Manager may, on notice to the Trustee, change the name of the Trust and the Sub-Fund.

### **Meetings of Unitholders**

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

### **Voting Rights**

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

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

Other matters that require an ordinary resolution being passed would be considered by Unitholders of at least 10% of the Units in issue and passed by a simple majority (i.e. more than 50%) of the votes cast.

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

### **Termination**

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

The Manager may terminate the Trust if: (i) after one year from the date of the Trust Deed, the aggregate Net Asset Value of all the units in the sub-fund(s) of the Trust is less than HKD150 million; (ii) any law or regulation is passed or amended or any regulatory directive or order is imposed that affects the Trust and which renders the Trust illegal or in the good faith opinion of the Manager, makes it impracticable or inadvisable to continue the Trust; or (iii) within a reasonable time and using commercially reasonable endeavours, the Manager is unable to find a person acceptable to act as the new trustee after deciding to remove the Trustee in accordance with the Trust Deed.

The Manager may, in its absolute discretion, by notice in writing to the Trustee, terminate the Sub-Fund if: (i) after one year from the date of establishment of the Sub-Fund, the aggregate Net Asset Value of all the Units is less than HKD150 million; (ii) any law or regulation is passed or amended or any regulatory directive or order is imposed that affects the Sub-Fund and which renders the Sub-Fund illegal or in the good faith opinion of the Manager makes it impracticable or inadvisable to continue the Sub-Fund; (iii) its Index is no longer available for benchmarking or if the Units of the Sub-Fund are no longer listed on the SEHK or any such other stock exchange from time to time determined by the Manager; (iv) at any time, the Sub-Fund ceases to have any Participating Dealer; or (v) the Manager is unable to implement its investment strategy. Further, the Unitholders may at any time authorise termination of the Trust or the Sub-Fund by extraordinary resolution.

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

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

## **Distribution Policy**

The Manager intends to distribute income to Unitholders at least annually (usually in December), subject to the Manager's discretion, having regard to the Sub-Fund's net income after fees and costs. The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in HKD only. In the event that the relevant Unitholder has no HKD account, the Unitholder may have to bear the fees and charges associated with the conversion of such dividend from HKD into USD or any other currency. Unitholders are advised to check with their brokers for arrangements concerning distributions and to consider the risk factor "HKD Distributions Risk". Distribution payment rates in respect of Units will depend on factors beyond the control of the Manager or Trustee including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions. Accordingly although it is the Manager's intention to make distributions, there can be no assurance that the Manager will pay distributions for the Sub-Fund. No distribution will be paid out of capital and/or effectively out of capital of the Sub-Fund. The Manager may amend the Sub-Fund's distribution policy with respect to the distribution out of capital of the Sub-Fund subject to the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

## **Inspection of Documents**

Copies of the following documents are available for inspection free of charge at the offices of the Manager and copies thereof (other than (d)) may be purchased from the Manager at a reasonable price:

- (a) Trust Deed;
- (b) Service Agreements;
- (c) Participation Agreements; and
- (d) The most recent annual financial report of the Trust and the Sub-Fund (if any) and the most recent interim financial report of the Trust and the Sub-Fund (if any).

## **Part XV of the SFO**

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

## **Anti-Money Laundering Regulations**

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

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

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

## **Liquidity Risk Management**

The Manager has established a liquidity management policy which enables it to identify, monitor and manage the liquidity risks of the Sub-Fund and to ensure that the liquidity profile of the investments of the Sub-Fund will facilitate compliance with the Sub-Fund's obligation to meet redemption requests. Such policy, combined with the liquidity management tools of the Manager, also seeks to achieve fair treatment of Unitholders and safeguard the interests of remaining Unitholders in case of sizeable redemptions.

The Manager's liquidity policy takes into account the investment strategy, the liquidity profile, the redemption policy, the dealing frequency, the ability to enforce redemption limitations and the fair valuation policies of the Sub-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 "Redemption of Units through Participating Dealers", and will facilitate compliance with Sub-Fund's obligation to meet redemption requests. Further, the liquidity management policy includes details on periodic stress testing carried out by the Manager to manage the liquidity risk of the Sub-Fund under normal and exceptional market conditions. The Manager's

risk management committee with oversight over liquidity risk management of the Sub-Fund will on a regular basis review results of the periodic stress tests and determine whether further action is warranted.

As a liquidity risk management tool, the Manager may limit the number of Units of the Sub-Fund redeemed on any Dealing Day to Units representing 10% (or such higher percentage as the Manager may determine in respect of the Sub-Fund) of the total number of Units in the Sub-Fund then in issue (subject to the conditions under the section headed “Deferred Redemption”).

### **Index Licence Agreement**

The Manager was granted a licence by Hang Seng Indexes Company Limited (the “Index Provider”) to use the Index and Index data in connection with the Sub-Fund, commencing as at 29 January 2021. The licence agreement shall continue until termination in accordance with the provisions of the licence agreement. The Index Provider or the Manager may terminate the agreement by giving to the other party three months’ prior notice. The Index Provider may also terminate the agreement forthwith by notice in writing to the Manager if (amongst others) (i) the Manager is in breach of any provisions of the agreement and has not, in the case of a remediable breach, remedied the breach within 15 days of receiving notice from the Index Provider; or (ii) the Manager is found by any governmental or other regulatory authority or organisation to be in breach of any law or any of the material rules of that authority or organisation.

Investors’ attention is drawn to “Risks Associated with the Index”.

### **Material Changes to the Index**

The SFC should be consulted on any events that may affect the acceptability of the Index. Significant events relating to the Index will be notified to the Unitholders 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 the Index**

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

- (a) the Index ceasing to exist;
- (b) the licence to use the Index being terminated;
- (c) a new index becoming available that supersedes the existing Index;
- (d) a new index becoming available that is regarded as the market standard for investors in the particular market and/or would be regarded as more beneficial to the Unitholders than the existing Index;
- (e) investing in the Securities comprised within the Index becomes difficult;
- (f) the Index Provider increasing its licence fees to a level considered too high by the Manager;
- (g) the quality (including accuracy and availability of the data) of the Index having in the opinion of the Manager, deteriorated; and
- (h) a significant modification of the formula or calculation method of the Index rendering that index unacceptable in the opinion of the Manager.

The Manager may change the name of the Sub-Fund if the Index changes or for any other reasons including if licence to use the Index is terminated. Any change to (i) the use by the Sub-Fund of the Index and/or (ii) the name of the Sub-Fund will be notified to investors.

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

The Manager will publish important news and information with respect to the Sub-Fund (including in respect of the Index), both in the English and in the Chinese languages, on the Manager's website at [www.chinaamc.com.hk](http://www.chinaamc.com.hk) including:

- (a) this Prospectus and the product key fact statement in respect of the Sub-Fund (as revised from time to time);
- (b) the latest annual and semi-annual financial reports (in English only);
- (c) any notices for material alterations or additions to this Prospectus or the Sub-Fund's constitutive documents;
- (d) any public announcements made by the Sub-Fund, including information with regard to the Sub-Fund and Index, notices of the suspension of the calculation of the Net Asset Value, changes in fees and the suspension and resumption of trading;
- (e) the near real time indicative Net Asset Value per Unit in HKD and USD updated every 15 seconds throughout each Dealing Day;
- (f) the last Net Asset Value of the Sub-Fund in HKD and the last Net Asset Value per Unit of the Sub-Fund in HKD and USD;
- (g) the composition of the Sub-Fund (updated on a daily basis);
- (h) the latest list of the Participating Dealers and Market Makers; and
- (i) the tracking difference and tracking error of the Sub-Fund.

The near real time indicative Net Asset Value per Unit in USD is for reference only. This is updated every 15 seconds during SEHK trading hours and is calculated by ICE Data Services with ICE's real time FX rate.

The last Net Asset Value per Unit in USD is indicative and for reference purposes only and is calculated using the last Net Asset Value per Unit in HKD multiplied by an assumed foreign exchange rate to HKD quoted by Thomson Reuters at 3:00 p.m. (Hong Kong time) as of the same Dealing Day.

The official last Net Asset Value per Unit in HKD and the indicative last Net Asset Value per Unit in USD will be updated on days when the SEHK is open for trading.

### **Notices**

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

the following addresses:

***Manager***

China Asset Management (Hong Kong) Limited  
37/F, Bank of China Tower  
1 Garden Road  
Central, Hong Kong

***Trustee***

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

**Website Information**

The offer of the Units is made solely on the basis of information contained in this Prospectus. All references in this Prospectus to other websites and sources where further information may be obtained are merely intended to assist you to access further information relating to the subject matter indicated and such information does not form part of this Prospectus. None of the Listing Agent, the Manager or the Trustee accepts any responsibility for ensuring that the information contained in such other websites and sources, if available, is accurate, complete and/or up-to-date, and no liability is accepted by the Listing Agent, the Manager and the Trustee in relation to any person's use of or reliance on the information contained in these other websites and sources save, in respect of the Manager, its website [www.chinaamc.com.hk](http://www.chinaamc.com.hk). 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 Hong Kong taxation is of a general nature, for information purposes only, and is not intended to be an exhaustive list of all of the tax considerations that may be relevant to a decision to purchase, own, redeem or otherwise dispose of Units. This summary does not constitute legal or tax advice and does not purport to deal with the tax consequences applicable to all categories of investors. Prospective investors should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, redeeming or disposing of Units both under the laws and practice of Hong Kong and the laws and practice of their respective jurisdictions. The information below is based on the law and practice in force in Hong Kong 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.*

### **Hong Kong taxation**

#### *The Trust and Sub-Fund*

*Profits Tax:* Gains/profits arising from the disposal/redemption of an investment in the Units will only be subject to Hong Kong profits tax for Unitholders who carry on a trade or business of investing in Securities in Hong Kong where such gains/profits, not being regarded as capital in nature, arise from such trade or business and are sourced in Hong Kong. In accordance with the practice of the Inland Revenue Department of Hong Kong (as at the date of this Prospectus), tax should not be payable in Hong Kong in respect of distributions payable to Unitholders.

*Stamp Duty:* Stamp duty payable in respect of any contract notes or instruments of transfer relating to the transfer in the shares or units of an exchange traded fund (as defined in Part 1 to Schedule 8 of the Stamp Duty Ordinance) on the SEHK is not payable. Accordingly transfers of Units do not attract stamp duty and no stamp duty is payable by Unitholders on any transfer.

No Hong Kong stamp duty is payable by the Sub-Fund on an issue or a redemption of Units.

#### *The Unitholders*

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

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

Investors pay no Hong Kong ad valorem stamp duty when the Sub-Fund issues or redeems Units.

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

The Inland Revenue (Amendment) (No.3) Ordinance (the "Ordinance") came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information ("AEOI"). The Ordinance requires Financial Institutions ("FI") in Hong Kong to collect Unitholders' information from 1 January 2017 and to file such information of Unitholders residing in jurisdictions which signed a Competent Authority

Agreement (“CAA”) with Hong Kong (collectively “Reportable Jurisdictions”) with the Hong Kong Inland Revenue Department (“IRD”) annually commencing from the year 2018. Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has a CAA; however, the Sub-Fund and/or its agents may further collect information and/or documentation relating to the tax residents of other jurisdictions.

The Trust is a collective investment scheme within the definition set out in the Securities and Futures Ordinance that is resident in Hong Kong, and is accordingly an investment entity with obligations to comply with the requirements of the Ordinance. This means that the Trust and/or its agents shall collect and provide to the IRD tax information relating to Unitholders and prospective investors.

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

By investing in the Sub-Fund and/or continuing to invest in the Sub-Fund, Unitholders acknowledge that they may be required to provide additional information to the Trust, the Manager and/or the Trust’s agents in order for the Trust to comply with the Ordinance. The Unitholder’s information (and information on beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such Unitholders that are not natural persons), may be communicated by the IRD to government authorities of the reportable Reportable Jurisdictions. The failure of a Unitholder to provide any requested information, may result in the Trust, the Manager and/or other agents of the Trust taking any action and/or pursue remedies at their disposal including, without limitation, mandatory redemption or withdrawal of the Unitholder concerned.

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

### **FATCA and compliance with US withholding requirements**

The US Foreign Account Tax Compliance Act (“FATCA”) imposes a new reporting and withholding regime with respect to certain payments to foreign financial institutions, such as each sub-fund. Under FATCA, investment income such as dividends and interest and gross proceeds from U.S. securities (“Withholdable Payments”) may be subject to withholding at a rate of 30% (currently applicable with respect to US source dividends and interest, and beginning on or after 1 January 2017 with respect to gross proceeds), unless the recipient of the payment satisfies certain requirements intended to enable the IRS to identify United States persons (as defined under US tax law) (“US persons”) with interests in such payments. To avoid such withholding on payments made to it, foreign financial institutions (an “FFI”), such as each sub-fund (and, generally, other investment funds organised outside the US) generally will be required to enter into an agreement (an “FFI Agreement”) with the IRS to be treated as a participating FFI. Participating FFIs are required to identify all investors that are US persons and report certain information concerning such US persons to the IRS. The FFI Agreement will also generally require that a participating FFI deduct and withhold 30% from certain payments made by the participating FFI to investors who fail to cooperate with certain information requests made by the participating FFI. Moreover, participating FFIs are required to deduct and withhold such payments made to investors that are themselves FFIs but that have not entered into an FFI Agreement with the IRS or that are not otherwise deemed compliant with FATCA.

The United States and Hong Kong have entered into an intergovernmental agreement based on the "Model 2" format ("Model 2 IGA") on 13 November 2014. The Model 2 IGA modifies the foregoing requirements but generally requires Hong Kong FFIs register as Participating FFIs, enter into an FFI Agreement, and disclose similar information regarding certain Unitholders to the IRS. As a result of the Model 2 IGA, FFIs in Hong Kong (such as the Sub-Fund) complying with the FFI Agreement (i) will generally not be subject to the above described 30% withholding tax on Withholdable Payments they receive; and (ii) will not be required to withhold tax on Withholdable Payments made to recalcitrant accounts (i.e. accounts of which the holders do not consent to FATCA reporting and disclosure to the IRS) or close those recalcitrant accounts (provided that information regarding such recalcitrant account is reported to the IRS pursuant to the provisions of the Model 2 IGA). Such FFIs, however, may be required to withhold tax on payments made to non-compliant FFIs.

The Sub-Fund has been registered with the IRS as a participating FFI (including a reporting Model 2 FFI) with a Global Intermediary Identification Number DGZJQL.99999.SL.344. In order to protect Unitholders and avoid being subject to withholding under FATCA, it is the Manager's intention to endeavour to satisfy the requirements imposed under FATCA. Hence it is possible that this may require the Sub-Fund (through its agents or service providers) as far as legally permitted, to report information on the holdings or investment returns of any Unitholder to the IRS or the local authorities pursuant to the terms of an applicable IGA (as the case may be), including certain Unitholders who fail to provide the information and documents required to identify their status, or who are non-FATCA compliant financial institutions or who fall within other categories specified in the FATCA provisions and regulations. In any event, the Manager shall comply with personal data protection principles, and requirements as set out in the Personal Data (Privacy) Ordinance (Chapter 468 of the Laws of Hong Kong) and all other applicable regulations and rules governing personal data use in Hong Kong from time to time. As at the date of this Prospectus, all Units are registered in the name of HKSCC Nominees Limited. It is the Manager's understanding that HKSCC Nominees Limited has registered as a participating foreign financial institution under the Model 2 IGA.

The Manager has obtained competent tax advice confirming that the Trust does not need to be registered with the IRS and that the registration of the Sub-Fund with the IRS satisfies the FATCA requirements.

Although the Manager and the Sub-Fund will endeavour to satisfy any obligations imposed on the Sub-Fund to avoid the imposition of FATCA withholding tax, no assurance can be given that the Sub-Fund will be able to fully satisfy these obligations. If the Sub-Fund becomes subject to a withholding tax as a result of FATCA, the Net Asset Value of the Sub-Fund may be adversely affected and the Sub-Fund and its Unitholders may suffer material loss.

The FATCA provisions are complex and continue to evolve. As such, the effects which the FATCA provisions may have on the Trust and each sub-fund are still uncertain. Withholding may apply to withholdable payments covered by FATCA if the Trust and each sub-fund cannot satisfy the applicable requirements and is determined to be non-FATCA compliant or if the Hong Kong government is found in breach of the terms of the agreed IGA. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Nothing in this section constitutes or purports to constitute tax advice and Unitholders should not rely on any information set out in this section for the purposes of making any investment decision, tax decision or otherwise. All Unitholders should therefore consult their own tax and professional advisors regarding the FATCA requirements, possible implications and related tax consequences with respect to their own situation. In particular, Unitholders who hold their Units through intermediaries should confirm the FATCA compliance status of those intermediaries to ensure that they do not suffer the above mentioned withholding tax on their investment returns.

## SCHEDULE 1

### INVESTMENT RESTRICTIONS, SECURITIES LENDING AND BORROWING

#### General

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

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

#### Investment Restrictions

The investment restrictions applicable to the Sub-Fund that are included in the Trust Deed are as summarised below:

- (a) the aggregate value of the 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 total Net Asset Value of such Sub-Fund, save as permitted by Chapter 8.6(h) and as varied by Chapter 8.6(h)(a) of the Code:
  - (1) investments in Securities issued by such entity;
  - (2) exposure to such entity through underlying assets of FDIs; and
  - (3) net counterparty exposure to such entity arising from transactions of over-the-counter FDIs;
- (b) subject to (a) above and Chapter 7.28(c) of the Code and unless otherwise approved by the SFC, the aggregate value of the Sub-Fund's investments in, or exposure to, entities within the same group through the following may not exceed 20% of the total Net Asset Value of the Sub-Fund:
  - (1) investments in Securities issued by such entities;
  - (2) exposure to such entities through underlying assets of FDIs; and
  - (3) net counterparty exposure to such entities arising from transactions of over-the-counter FDIs;
- (c) unless otherwise approved by the 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 total Net Asset Value of the Sub-Fund, unless:
  - (1) the cash is held before the launch of the Sub-Fund and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested; or
  - (2) the cash is proceeds from liquidation of investments prior to the merger or termination of the Sub-Fund, whereby the placing of cash deposits with various financial institutions may not be in the best interest of investors; or
  - (3) the cash is proceeds received from subscriptions pending investments and held for the settlement of redemption and other payment obligations, whereby the placing of cash deposits with various financial institutions is unduly burdensome and the cash deposits arrangement would not compromise investors' interests;

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

- (d) ordinary shares issued by any single entity (other than Government and other Public Securities) held for the account of the Sub-Fund, when aggregated with other ordinary shares of the same entity held for the account of all other Sub-Funds under the Trust collectively may not exceed 10% of the nominal amount of the ordinary shares issued by a single entity;
- (e) not more than 15% of the total Net Asset Value of the 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 the 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 Code;
  - (2) any increase in the overall fees and charges directly or indirectly borne by the Unitholders or the Sub-Fund as a result must be clearly disclosed in the Prospectus; and
  - (3) the Sub-Fund must produce the reports required by the Code in a consolidated form to include the assets (including investment portfolio) and liabilities of the subsidiary company as part of those of the Sub-Fund;
- (g) notwithstanding (a), (b) and (d), not more than 30% of the total Net Asset Value of the Sub-Fund may be invested in Government and other Public Securities of the same issue, except for a Sub-Fund which has been authorized by the SFC as an index fund, this limit may be exceeded with the approval of the SFC;
- (h) subject to (g), the Sub-Fund may fully invest in Government and other Public Securities in at least six different issues. Subject to the approval of the SFC, a Sub-Fund which has been authorised by the SFC as an index fund may invest all of its assets in Government and other Public Securities in any number of different issues;
- (i) unless otherwise approved by the SFC, the Sub-Fund may not invest in physical commodities;
- (j) for the avoidance of doubt, exchange traded funds that are:
  - (1) authorised by the SFC under Chapter 8.6 or 8.10 of the Code; or
  - (2) listed and regularly traded on internationally recognised stock exchanges open to the public (nominal listing not accepted) and (i) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under Chapter 8.6 of the Code; or (ii) the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under Chapter 8.10 of the Code,

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

(k) where the 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 total Net Asset Value of the Sub-Fund; and

(2) such Sub-Fund may invest in one or more underlying schemes which are either schemes authorised by the 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 total Net Asset Value of the Sub-Fund, unless the underlying scheme is authorised by the SFC and its name and key investment information are disclosed in the Prospectus of the Sub-Fund,

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

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

(ii) where the underlying schemes are managed by the Manager, or by other companies within the same group that the Manager belongs to, then paragraphs (a), (b), (d) and (e) above are also applicable to the investments of the underlying scheme;

(iii) the objective of the underlying schemes may not be to invest primarily in other collective investment scheme(s);

(3) where an investment is made in any underlying scheme(s) managed by the Manager or any of its Connected Persons, all initial charges and redemption charges on the underlying scheme(s) must be waived; and

(4) the Manager or any person acting on behalf of the Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or the manager of an underlying scheme, or quantifiable monetary benefits in connection with investments in any underlying scheme;

(l) the Sub-Fund may invest 90% or more of its total Net Asset Value in a single collective investment scheme and will 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 Prospectus must state that:
- (i) the Sub-Fund is a feeder fund into the master fund;
  - (ii) for the purpose of complying with the investment restrictions, the Sub-Fund (i.e. feeder fund) and its master fund will be deemed a single entity;
  - (iii) the Sub-Fund (i.e. feeder fund)'s annual financial report must include the investment portfolio of the master fund as at the financial year end date; and
  - (iv) the aggregate amount of all the fees and charges of the Sub-Fund (i.e. feeder fund) and its master fund must be clearly disclosed;
- (3) unless otherwise approved by the SFC, no increase in the overall total of initial charges, redemption charges, Manager's annual fee, or any other costs and charges payable to the Manager or any of its Connected Persons borne by the Holders or by the Sub-Fund (i.e. feeder fund) may result, if the master fund in which the Sub-Fund (i.e. feeder fund) invests is managed by the Manager or by its Connected Person; and
- (4) notwithstanding paragraph (j)(iii) above, the master fund may invest in other collective investment scheme(s) subject to the investment restrictions as set out in paragraph (j); and
- (m) if the name of the Sub-Fund indicates a particular objective, investment strategy, geographic region or market, the Sub-Fund should, under normal market circumstances, invest at least 70% of its total Net Asset Value in securities and other investments to reflect the particular objective, investment strategy or geographic region or market which the Sub-Fund represents.

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

- (i) invest in a security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5% of the total nominal amount of all the issued securities of that class or the directors and officers of the Manager collectively own more than 5% of those securities;
- (ii) invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in real estate investment trusts (REITs)). In the case of investments in such shares and REITs, they shall comply with the relevant investment restrictions and limitations set out in Chapter 7.1, 7.1A, 7.2, 7.3 and 7.11 of the Code, where applicable. For the avoidance of doubt, where investments are made in listed REITs, Chapters 7.1, 7.1A and 7.2, apply and where investments are made in unlisted REITs, which are either companies or collective investment schemes, then Chapters 7.3 and 7.11 apply respectively;
- (iii) make short sales if as a result such Sub-Fund would be required to deliver Securities exceeding 10% of the total Net Asset Value of such Sub-Fund (and for this purpose Securities sold short must be actively traded on a market where short selling is permitted). For the avoidance of doubt, the Sub-Fund is prohibited to carry out any naked or uncovered short sale of securities and short selling should be carried out in accordance with all applicable laws and regulations;
- (iv) subject to Chapter 7.3 of the Code, lend or make a loan out of the assets of such Sub-Fund, except to the extent that the acquisition of bonds or the making of a deposit (within the applicable investment restrictions) might constitute a loan;

- (v) subject to Chapter 7.3 of the Code, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person, save and except for Reverse Repurchase Transactions in compliance with the Code;
- (vi) enter into any obligation on behalf of such Sub-Fund or acquire any asset or engage in any transaction for the account of such Sub-Fund which involves the assumption of any liability which is unlimited. For the avoidance of doubt, the liability of Unitholders is limited to their investment in the relevant Sub-Fund; or
- (vii) apply any part of such Sub-Fund in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call is due to be made for any sum unpaid on such investments unless such call could be met in full out of cash or near cash forming part of such Sub-Fund whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transactions in FDIs) for the purposes of Chapter 7.29 and 7.30 of the 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 Code is usually restricted under Chapter 7.1 of the Code from making investments which would result in the value of that collective investment scheme's holdings of the Securities of any single entity exceeding 10% of the collective investment scheme's net asset value. For a Sub-Fund authorised under Chapter 8.6 of the Code as an index tracking ETF, given the investment objective of the Sub-Fund and nature of the Index, the relevant Sub-Fund is allowed under Chapter 8.6(h) of the Code to, notwithstanding Chapter 7.1 of the Code, hold investments in constituent Securities of any single entity exceeding 10% of the relevant Sub-Fund's Net Asset Value if such constituent Securities account for more than 10% of the weighting of the Index and the relevant Sub-Fund's holding of any such constituent Securities does not exceed their respective weightings in the Index, except where the weightings are exceeded as a result of changes in the composition of the Index and the excess is only transitional and temporary in nature.

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

- (a) the Sub-Fund adopts a representative sampling strategy which does not involve full replication of the constituent securities of the underlying index in the exact weightings of such index;
- (b) the strategy is clearly disclosed in the Prospectus;
- (c) 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;
- (d) 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 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;
- (e) limits laid down by the Sub-Fund pursuant to the point above must be disclosed in the Prospectus;
- (f) disclosure must be made in the Sub-Fund's interim and annual financial reports as to whether the limits imposed by the Sub-Fund itself pursuant to the above point have been complied with in full. If there is non-compliance with the said limits during the relevant reporting period, this must be reported to the 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.

## **Securities Financing Transactions**

According to the Trust Deed, the Sub-Fund may enter into Securities Lending Transactions, Sale and Repurchase Transactions and Reverse Repurchase Transactions (“securities financing transactions”), provided that they are in the best interests of the Unitholders, the associated risks have been properly mitigated and addressed, and the counterparties to the securities financing transactions are financial institutions which are subject to ongoing prudential regulation and supervision.

Where the Sub-Fund engages in securities financing transactions, it is subject to the following requirements:

- it shall have at least 100% collateralisation in respect of the securities financing transactions into which it enters to ensure there is no uncollateralised counterparty risk exposure arising from these transactions;
- all the revenues arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities financing transactions, shall be returned to the Sub-Fund;
- it shall ensure that it is able to at any time to recall the securities or the full amount of cash (as the case may be) subject to the securities financing transactions or terminate the securities financing transactions into which it has entered.

Further, details of the arrangements are as follows:

- **Revenues and Expenses**

All revenues arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities financing transactions, shall be returned to the Sub-Fund. Such direct and indirect expenses shall include brokerage fees, stamp duty, and tax levies associated with securities financing transactions, as well as fees and expenses payable to securities lending agents engaged for the Sub-Fund from time to time. Such fees and expenses of any securities lending agents engaged for the Sub-Fund, will be at normal commercial rates and will be borne by the Sub-Fund in respect of which the relevant party has been engaged.

Information on the revenues generated under such transactions shall be disclosed in the annual and interim financial reports of the Sub-Fund, along with entities to whom direct and indirect operational costs and fees relating to such transactions are paid. These entities may include the Manager or its Connected Persons (if any).

- **Eligible Counterparties**

The Manager has counterparty selection policies and control measures to manage the credit risks of counterparties of securities financing transactions which shall include amongst other considerations, fundamental creditworthiness (e.g. ownership structure, financial strength) and commercial reputation of specific legal entities in conjunction with the nature and structure of proposed trading activities, external credit ratings of the counterparty, the regulatory supervision applied to the relevant counterparty, country of origin of the counterparty and legal status of the counterparty.

The counterparties of securities financing transactions will be entities with legal personality typically located in OECD jurisdictions (but may also be located outside such jurisdictions), and be subject to ongoing supervision by a regulatory authority.

The counterparty to a securities financing transaction must have a good credit rating, either assigned by an internationally recognized credit agency or assessed by the Manager according to its internal credit rating mechanism.

- Form and nature of collateral to be received

The Trustee, upon the instruction of the Manager, will take collateral, which can be cash or non-cash assets fulfilling the requirements under section “Collateral” below.

- Maximum and expected level of assets available to securities financing transactions

The maximum and expected level of the Sub-Fund’s assets available for these transactions will be as set out under section “Investment Strategy” above.

- Types of assets that may be subject to securities financing transactions

The types of assets that may be subject to securities financing transactions include equity securities, fixed income securities, collective investment schemes, money market instruments and cash. Use of such assets is subject to the Sub-Fund’s investment objective and policy.

- Connected person(s) arrangement

Where any securities financing transaction is arranged through the Trustee or a Connected Person of the Trustee (e.g. the Custodian) or the Manager, such transactions carried out by or on behalf of a Sub-Fund will be executed at arm’s length, on the best available terms and in the best interest of the Unitholders.

- Safekeeping arrangement

Assets received: Assets (including any collateral) received by the Sub-Fund under a title-transfer arrangement should be held by the Trustee.

Assets provided: Assets (including any collateral) provided to a counterparty under a title-transfer arrangement shall no longer belong to the Sub-Fund and the Trustee shall not be liable for the acts and omissions of such counterparty in whose name such collateral transferred to it. Assets (including any collateral) provided to a counterparty other than under a title-transfer arrangement shall be in the name of or to the order of the Trustee. Upon the exercise of a right of re-use by a counterparty, such assets will not be safe-kept by the Trustee or a correspondent and such counterparty may use the assets at its absolute discretion.

## **Financial Derivative Instruments**

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

According to the Trust Deed, the Sub-Fund may acquire FDIs for hedging purpose. The FDIs shall meet all of the following criteria to be considered as being acquired for hedging purposes:

- (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 of 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 should exhibit price movements with high negative correlation with the investments

being hedged under normal market conditions. Hedging arrangement should be adjusted or re-positioned, where necessary and with due consideration on the fees, expenses and costs, to enable the Sub-Fund to meet its hedging objective in stressed or extreme market conditions.

According to the Trust Deed, the Sub-Fund may acquire FDIs for non-hedging purposes (“investment purposes”), subject to the limit that the Sub-Fund’s net exposure relating to these FDIs (“net derivative exposure”) does not exceed 50% of its total Net Asset Value (unless otherwise approved by the SFC for the Sub-Fund pursuant to Chapter 8 of the Code). For the avoidance of doubt:

- (a) for the purpose of calculating net derivative exposure, the positions of FDIs acquired by the 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) FDIs acquired for hedging purposes will not be counted towards the 50% limit referred to in this paragraph so long as there is no residual derivative exposure arising from such hedging arrangement.

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

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

- (a) the underlying assets consist solely of shares in companies, debt Securities, money market instruments, units/shares of collective investment schemes, deposits with Substantial Financial Institutions, Government and other Public Securities, highly-liquid physical commodities (including gold, silver, platinum and crude oil), financial indices, interest rates, foreign exchange rates or currencies or other asset classes acceptable to the SFC, in which the Sub-Fund may invest according to its investment objectives and policies. Where a Sub-Fund invests in Index-based FDIs, the underlying assets of such financial derivative instruments are not required to be aggregated for the purposes of the investment restrictions or limitations set out in Chapters 7.1, 7.1A, 7.1B and 7.4 of the Code provided that the relevant Index is in compliance with Chapter 8.6(e) of the Code;
- (b) 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;
- (c) subject to paragraphs (a) and (b) under the section entitled “Investment Restrictions” above, the 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 Net Asset Value of the Sub-Fund. The exposure of the Sub-Fund to a counterparty of over-the-counter FDIs may be lowered by the collateral received (if applicable) by such Sub-Fund and shall be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter FDIs with that counterparty, if applicable; and
- (d) the valuation of the FDIs is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager or the Trustee or their nominee(s), agent(s) or delegate(s) independent of the issuer of the FDIs through measures such as the establishment of a valuation committee or engagement of third party services . The FDIs

can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the initiative of the Sub-Fund. Further, the calculation agent/fund administrator should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the FDIs on a regular basis.

The Sub-Fund shall at all times be capable of meeting all its payment and delivery obligations incurred under transactions in FDIs (whether for hedging or for investment purposes). The Manager shall, as part of its risk management process, monitor to ensure that the transactions in FDIs are adequately covered on an ongoing basis.

For the purposes herein, assets that are used to cover the Sub-Fund's payment and delivery obligations incurred under transactions in FDIs should be free from any liens and encumbrances, exclude any cash or near cash for the purpose of meeting a call on any sum unpaid on a security, and cannot be applied for any other purposes. A transaction in FDIs which gives rise to a future commitment or contingent commitment of the 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, the Sub-Fund should apply safeguard measures such as to apply haircut where appropriate to ensure that such alternative assets held are sufficient to meet its future obligations.

The above policies relating to FDIs apply to financial instruments which embeds a financial derivative as well. For the purposes herein, an "embedded financial derivative" is a financial derivative instrument that is embedded in another security.

## **Collateral**

Collateral received from counterparties shall comply with the following requirements:

- Liquidity – collateral must be sufficiently liquid and tradable in order that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing;
- Valuation – collateral should be marked-to-market daily by using independent pricing source;
- Credit quality – asset used as collateral must be of high credit quality and should be replaced immediately as soon as the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral;
- Haircut - collateral should be subject to prudent haircut policy which should be based on the market risks of the assets used as collateral in order to cover potential maximum expected decline in collateral values during liquidation before a transaction can be closed out with due consideration on stress period and volatile markets. The price volatility of the asset used as collateral should be taken into account when devising the haircut policy;
- Diversification – collateral must be appropriately diversified to avoid concentrated exposure to any single entity and/or entities within the same group and the Sub-Fund's exposure to issuer(s) of the collateral should be taken into account in compliance with the investment

restrictions and limitations set out in Chapters 7.1, 7.1A, 7.1B, 7.4, 7.5, 7.11, 7.11A, 7.11B and 7.14 of the Code;

- Correlation – the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty or the issuer of the FDIs in such a way that it would undermine the effectiveness of the collateral. As such, securities issued by the counterparty or the issuer of the FDIs, or 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 must have appropriate systems, operational capabilities and legal expertise for proper collateral management;
- Independent custody – collateral must be held by the Trustee;
- Enforceability – collateral must be readily accessible/enforceable by the Trustee without further recourse to the issuer of the FDIs or the counterparty of the securities financing transactions;
- Re-investment – cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorised under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the Code.

For the purpose herein, “money market instruments” refer to securities normally dealt in on the money markets, including government bills, certificates of deposit, commercial papers, short-term notes and bankers’ acceptances, etc. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments must be taken into account. Any re-investment of collateral shall be subject to the following further restrictions and limitations:

- 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 Chapter 8.2(f) and Chapter 8.2(n) of the Code;
- cash collateral received is not allowed to be further engaged in any securities financing transactions; and
- when the cash collateral received is reinvested into other investment(s), such investment(s) is/are not allowed to be engaged in any securities financing transactions;
- Encumbrances - collateral should be free of prior encumbrances; and
- Collateral generally should not include (i) structured products whose payouts rely on embedded FDIs or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitised products; or (iv) unlisted collective investment schemes.

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

- eligible collateral include cash, cash equivalents, government bonds, supranational bonds, corporate bonds, stocks, funds and money market instruments;
- there is no criteria on maturity of eligible collateral;

- the issuer of collateral must be of high quality, good reputation, solid financial status and the rating by a recognised credit rating agency shall be taken into account in the credit assessment process; debt securities must be rated investment grade or above to be eligible;
- regular stress tests are carried out under normal and exceptional liquidity conditions to enable an adequate assessment of the liquidity risks attached to the collateral;
- the haircut policy takes account of market volatility, the foreign exchange volatility between collateral asset and underlying agreement, liquidity and credit risk of the collateral assets, and the counterparty's credit risk (for each eligible security type). Haircuts shall be set to cover the maximum expected decline in the market price of the collateral asset (over a conservative liquidation horizon) before a transaction can be closed out;
- the non-cash collateral would be sufficiently diversified in terms of different parameter such as countries, markets and issuers;
- the collateral received would be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty;
- collateral must be readily enforceable by the Trustee and may be subject to netting or set-off; and
- cash collateral may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorised by the SFC or regulated in a manner generally comparable with the requirements of the SFC. The maximum available for cash collateral re-investment is 100% of the cash value.

Where the Sub-Fund received collateral, 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 as required under Appendix E of the Code.

### **Borrowing Policy**

Borrowing against the assets of the Sub-Fund is allowed up to a maximum of 10% of its total Net Asset Value. For this purpose, back-to-back loans do not count as borrowing. Securities Lending Transactions and Sale and Repurchase Transactions in compliance with the requirements as set under the section entitled "Securities Financing Transactions" above are also not borrowings for the purpose of, and are not subject to the borrowing restrictions under this section. The Trustee may at the request of the Manager borrow for the account of the Sub-Fund any currency, and charge or pledge assets of the Sub-Fund, for the following purposes:

- (a) facilitating the creation or redemption of Units or defraying operating expenses;
- (b) enabling the Manager to acquire Securities for the account of the Sub-Fund; or
- (c) for any other proper purpose as may be agreed by the Manager and the Trustee from time to time, except to enhance the performance of any Sub-Fund.

## SCHEDULE 2

### INDEX AND DISCLAIMER

*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 at 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 is a free float adjusted market capitalisation weighted index with a 10% cap on individual stocks. It reflects the overall performance of the biotech companies that are listed on the Main Board of the SEHK, including stocks listed through the Listing Rules Chapter 18A, that are classified as “Biotechnology”, “Pharmaceuticals” and “Medical Devices” in the Hang Seng Industry Classification System.

The 10% cap on individual constituent weightings applied on the date of rebalancing. The Index rebalancing happens on a quarterly basis during index review. Between index reviews, the weighting of a constituent may exceed 10% based on its price performance.

The Index is a total return index, i.e. the performance of the Index is calculated on the basis that any dividends or distributions are reinvested.

As of 4 June 2021, it had a total free-float index market capitalisation of HKD 1,424.4 billion and 51 constituents.

The Index was launched on 16 December 2019 and had a base level of 1,000 on 31 December 2013.

The Index is denominated and quoted in HKD.

#### **Index Provider**

The Index is compiled and managed by Hang Seng Indexes Company Limited (“HSIL”), a wholly-owned subsidiary of Hang Seng Bank Limited.

The Manager (and each of its Connected Persons) is independent of HSIL, the Index Provider.

The Index is calculated on a 2-second basis during trading hours of the SEHK.

#### **Constituent Eligibility**

The universe of stocks (the “Universe”) for the Index consist of Main Board listed securities on the SEHK, including those listed through Chapter 18A, that are classified as “Biotechnology”, “Pharmaceuticals”, and “Medical Devices” in the Hang Seng Industry Classification System.

A security is eligible for constituent selection if it fulfils each of the following eligibility criterion:

(A) Market value (“MV”) requirement

The MV of each individual security refers to the average of the month-end MVs of the past 12 months (“12-month-average MV”) of any review period. For a security with a listing history of less than 12 months, the MV refers to the average of month-end MVs since listing.

Securities in the Universe are sorted in descending order of MV and the cumulative MV coverage is calculated at each security. Securities among those that constitute the cumulative MV coverage of top 95% are eligible.

and

- (B) Turnover requirement

Securities with 3-month average daily trading turnover over HKD 5 million are eligible.

### **Constituent Selection**

All eligible securities will be included as constituents of the Index. The number of constituent securities is variable and there should be at least 30 constituents.

### **Calculation of Index**

The formula is set out below:

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

$P_t$	:	<i>Current Price at Day t</i>
$P_{t-1}$	:	<i>Closing Price at Day (t-1)</i>
$IS$	:	<i>Issued Shares</i>
$FAF$	:	<i>Freefloat-adjusted Factor, which is between 0 and 1</i>
$CF$	:	<i>Capping Factor, which is between 0 and 1</i>

### **Index Reviews**

HSIL undertakes regular quarterly reviews of the Index constituents with data cut-off dates of end of March, June, September and December each year. Quarterly reviews are normally completed within eight weeks after the data cut-off dates. Constituent changes, after the quarterly reviews, will be effective on the next trading day after the first Friday of June, September, December and March for the quarterly reviews conducted with the data cut-off dates at the end of March, June, September and December respectively. If the Friday falls on a public holiday, the effective date will be postponed to the next Friday (subject to the Index Provider's final decision). Under normal circumstances, five trading days' notice will be given for any constituent changes before the effective date.

Existing constituents ranked below the top 96% of the cumulative MV coverage of the Universe will be removed from the Index while non-constituent stocks ranked within the top 94% will be included.

### **Trading Suspension**

Any constituent that has been suspended from trading 1) due to bankruptcy / regulatory investigation, OR 2) for three months will be removed from the Index. Such constituent may be retained in the Index only in exceptional circumstances if it is believed that its shares are highly likely to resume trading in the near future. If the trading of a company is suspended on the SEHK, HSIL will review on a case-by-case basis to determine if the implementation of the constituent removal should proceed or be postponed. HSIL will at its best effort check the company's announcement and/or on the SEHK to confirm whether the implementation of the constituent removal should be deferred. Determination will be made according to the expected date for

resumption of trading specified in the announcement and the likelihood of resumption based on the reason for the suspension. For controversial cases, HSIL may refer the case to its Index Governance Committee for discussion. In case a suspended constituent is removed, generally, five trading days' notice will be given for any constituent changes before the effective date of the removal. If the constituent remains in the Index, no additional notice will be made.

### ***High Shareholding Concentration***

Companies with high shareholding concentration (based on the "High Shareholding Concentration Announcements" posted on the SFC's website) will not be eligible for inclusion.

### ***Index Securities of the Index***

You can obtain the most updated list of the Index constituents with their respective weightings, latest information and other important news of the Index from the website <https://www.hsi.com.hk/eng/indexes/all-indexes/hshkbio>.

### ***Index Codes***

Bloomberg: HSHKBION

Refinitiv: .HSHKBIOT

### ***Index Provider Disclaimer***

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