

If you are in any doubt about this prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

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



TRACKER FUND OF HONG KONG
a Hong Kong unit trust authorised under
Section 104 of the Securities and Futures Ordinance (Cap 571) of Hong Kong
Stock Code: 2800

Prospectus

IMPORTANT

- THE TRACKER FUND OF HONG KONG (“TRAHK”) IS A COLLECTIVE INVESTMENT FUND WHICH IS LISTED ON THE STOCK EXCHANGE. ITS INVESTMENT OBJECTIVE IS TO PROVIDE INVESTMENT RESULTS THAT CLOSELY CORRESPOND TO THE PERFORMANCE OF THE HANG SENG INDEX.
- INVESTMENT INVOLVES RISK. THE HANG SENG INDEX MAY EXPERIENCE PERIODS OF VOLATILITY AND DECLINE AND THE PRICE OF UNITS OF TRAHK WILL VARY OR DECLINE ACCORDINGLY. YOU MAY LOSE PART OR ALL OF YOUR INVESTMENT. IN ADDITION, THE NET ASSET VALUE OF TRAHK MAY NOT TRACK THE HANG SENG INDEX EXACTLY.
- UNITS CAN ONLY BE REDEEMED IN-KIND THROUGH PARTICIPATING DEALERS IN LARGE MULTIPLES. THERE CAN BE NO ASSURANCE THAT ACTIVE TRADING FOR UNITS WILL CONTINUE TO DEVELOP ON THE STOCK EXCHANGE, AND THE TRADING PRICE OF UNITS ON THE STOCK EXCHANGE MAY DIFFER FROM THE NET ASSET VALUE PER UNIT.
- INVESTMENT IN TRAHK IS SUBJECT TO THE TRADING MARKET FOR SHARES OF THE CONSTITUENT COMPANIES OF THE HANG SENG INDEX, PERFORMANCE OF THE HANG SENG INDEX, ECONOMIC, POLITICAL AND SOCIAL DEVELOPMENT, AND RISKS IN HONG KONG AND ELSEWHERE IN THE ASIA REGION.
- INVESTMENT IS A PERSONAL DECISION. INVESTORS SHOULD CONSIDER THE PRODUCT FEATURES, THEIR OWN INVESTMENT OBJECTIVES, RISK TOLERANCE LEVEL AND OTHER CIRCUMSTANCES AND SEEK INDEPENDENT FINANCIAL AND PROFESSIONAL ADVICE AS APPROPRIATE BEFORE MAKING ANY INVESTMENT DECISION.
- THE PERFORMANCE OF TRAHK AND THE NET ASSET VALUE PER UNIT AND THE PERFORMANCE BY THE MANAGER AND THE TRUSTEE OF THEIR RESPECTIVE OBLIGATIONS ARE NOT GUARANTEED BY THE HKSAR GOVERNMENT. THE HKSAR GOVERNMENT HAS GIVEN NO GUARANTEE OR ASSURANCE THAT THE INVESTMENT OBJECTIVE OF TRAHK WILL BE MET.

IMPORTANT INFORMATION

This prospectus includes particulars given in compliance with the Hong Kong Securities and Futures Commission (the “SFC”) Code on Unit Trusts and Mutual Funds (the “SFC Code”) and the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) for the purpose of providing information to the public with regard to the Tracker Fund of Hong Kong (“TraHK”). TraHK has been authorized by the SFC under section 104 of the Securities and Futures Ordinance (Cap 571) of Hong Kong (the “SFO”). The SFC does not take any responsibility for the financial soundness of TraHK or the correctness of any statement made or opinion expressed in this prospectus. Further, the SFC’s authorisation does not imply official recommendation.

See “Risk Factors” beginning on page 1 for a discussion of certain factors to be considered in connection with an investment in the Units of TraHK (the “Units”). **Investors should note that the Net Asset Value per Unit is subject to market fluctuation and may go down as well as up.**

Each of the Stock Exchange, HKSCC and the SFC takes no responsibility for the contents of this prospectus, makes no representation as to its accuracy or completeness and expressly disclaims 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 directors of State Street Global Advisors Asia Limited (the “Manager”) (whose names appear in the section entitled “TraHK – Management and Administration”) accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

The Units are offered for subscription solely on the basis of the information contained and representations made in this prospectus. The latest available annual report and accounts and semi-annual report and accounts of TraHK will accompany this prospectus and form an integral part of this prospectus. Although every effort has been taken to ensure the accuracy of the facts and matters set out in this prospectus, in the event of any inconsistency between the information contained in this prospectus and any of the Trust Deed (the “Trust Deed”) constituting TraHK and made between State Street Bank and Trust Company (the “Trustee”), the Manager and Exchange Fund Investment Limited (the “Promoter”) dated 23 October 1999, or the form of the Participation Agreement (as defined in Appendix I – “Definitions”), the relevant deed or agreement shall prevail. No person is authorised in connection with the issue of Units to give any information, or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by either of the Manager or any of its directors or any other persons involved in the issue of Units pursuant to the offer contained in this prospectus.

Neither the delivery of this prospectus nor any sale made under or pursuant to this prospectus shall, under any circumstances, create any implication that there has been no change in the affairs of TraHK or in any of the statistical or economic data contained in this prospectus since the date of this prospectus or that the information contained in this prospectus is correct as of any time subsequent to its date.

No action has been taken to permit the public offer of the Units or the distribution, possession or circulation of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution, possession or circulation of this prospectus and the offering of Units in certain jurisdictions may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. No offer of Units can be made in any jurisdiction in which such offer is illegal. No public offer of Units is intended in any jurisdiction (other than Hong Kong) which distinguishes between public offers and private placings of securities.

The Trust Deed permits the Manager to require the redemption or transfer of Units which are held by any individual under 18 years of age (or such other age as the Manager may determine) or held by any US Person (other than a US Person who is both a “qualified institutional buyer” and a “qualified purchaser”, as described below) or by any person in breach of any law, regulation or other requirement of any country or governmental authority or by any person or persons in circumstances which, in the opinion of the Manager, may result in the Trustee, the Manager, the Promoter, the Supervisory Committee or TraHK incurring any liability to taxation or suffering any other pecuniary disadvantage or becoming subject to any law or regulation which the Trustee, the Manager, the Promoter, the Supervisory Committee or TraHK may not otherwise have incurred, suffered or become subject to.

Applicants for Units are recommended to consult their professional advisers if they are in any doubt as to the taxation or regulatory implications of subscribing for, purchasing, holding, disposing of or otherwise dealing in Units.

Additional Restrictions on US Persons

The Units in TraHK are being offered outside the United States in reliance on Regulation S under the United States Securities Act of 1933 (the “US Securities Act”). The Units will not be offered in the United States but may be offered and sold to US Persons outside the United States. The Units have not been and will not be registered under the US Securities Act. The Units are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the US Securities Act and applicable State securities laws, pursuant to registration or exemption therefrom. Please see the section entitled “General – Selling Restrictions – United States” of this prospectus for more information.

TraHK has not registered, and does not intend to register, as an investment company under the United States Investment Company Act of 1940, as amended (the “US Investment Company Act”). TraHK intends to rely upon an exemption from the registration requirements of the US Investment Company Act which requires TraHK to limit the US persons (as defined in Regulation S) who purchase the Units to “qualified purchasers”, as defined in Section 2(a)(51) of the US Investment Company Act. Accordingly, the Manager has deemed it advisable to require each person who applies for Creation Units (see “TraHK – The Continuous Offering: Creation of Units”) to provide a written certification to the relevant Participating Dealer in substantially the form of Annex A to this prospectus,

pursuant to which such person will make certain representations, warranties, acknowledgments and agreements and will further agree to certain additional restrictions on the transfer of such Units.

The Units have not been recommended by any United States federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this prospectus. Any representation to the contrary is a criminal offence.

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SUMMARY

Set out below is a summary of TraHK. The following information is derived from, and should be read in conjunction with, the full text of this prospectus. Investors' attention is drawn to the section entitled "Risk Factors".

TraHK

TraHK is a collective investment fund which is listed on the Stock Exchange. TraHK was established, and made an initial offer of Units to the public in Hong Kong and to institutional investors in Hong Kong and overseas, in October 1999. TraHK is designed to provide investment results that closely correspond to the performance of the Hang Seng Index (see "Investment Objective" below).

TraHK holds shares in the constituent companies of the Hang Seng Index ("Index Shares") in substantially similar composition and weighting as they appear in the Hang Seng Index (an "Index Basket").

The Hang Seng Index is a widely quoted indicator for the performance of the Hong Kong stock market. It is currently composed of shares in 42 companies which generally have high market value and liquidity in the Hong Kong stock market. The Hang Seng Index adopts a freefloat-adjusted market capitalization weighted methodology with a 15% cap on each constituent weighting.

The list of constituents in the Hang Seng Index is published on TraHK's website (www.TraHK.com.hk) and will be updated from time to time to reflect the current composition.

TraHK is a unit trust authorised under section 104 of the SFO and is established under the terms of the Trust Deed. The SFC reserves the right to withdraw TraHK's authorisation if the Hang Seng Index is no longer considered acceptable by the SFC.

Investment Objective

TraHK's investment objective is to provide investment results that closely correspond to the performance of the Hang Seng Index (the "Investment Objective"). The Manager seeks to achieve the Investment Objective by investing all, or substantially all, of TraHK's assets in Index Shares in substantially the same weightings as they appear in the Hang Seng Index. The Manager may also invest in certain other permitted investments in seeking to meet the Investment Objective. The Manager will rebalance TraHK's portfolio of investments from time to time to reflect any changes to the composition of, or the weighting of shares in, the Hang Seng Index.

Manager

The Manager is an indirect wholly-owned subsidiary of State Street Corporation, and is a part of State Street Global Advisors ("SSgA"), the investment division of State Street Corporation. SSgA is one of the largest investment managers in the world, having US\$1.44 trillion of assets under management as of 31 December 2008. SSgA has 25 offices worldwide and 10 global investment centres.

Trustee

The Trustee is a wholly-owned subsidiary of State Street Corporation. State Street Bank and Trust Company has been providing trustee, custody and other administration services to collective investment funds since 1924 when it was appointed as custodian to the first mutual fund launched in the United States. The Trustee is a full-licensed bank in Hong Kong.

Supervisory Committee

The Supervisory Committee has the power to direct and the duty to oversee the Trustee and the Manager on matters relating to the management and administration of TraHK. The Supervisory Committee currently consists of five members. See the section entitled “TraHK – Administrative Provisions of the Trust Deed”.

Listing and Dealing

The Stock Exchange has granted the listing of, and permission to deal in, the Units. Units trade on the Stock Exchange in board lots of 500 Units.

Unitholders may buy Units, and sell their Units, on the Stock Exchange through brokers in the same way as they may trade shares in companies listed on the Stock Exchange.

Distribution Policy

The Manager intends to distribute all or substantially all of the net income received by TraHK for each distribution period to Unitholders in May and November of each year. The income of TraHK primarily consists of dividends received on the Index Shares held in TraHK’s portfolio. Distributions will be made net of TraHK’s expenses.

Unitholders, other than HKSCC Nominees Limited (“HKSCC Nominees”), holding Units registered in their name are subject to a maximum charge of HK\$80 per year per Unitholder, which will be deducted on a half-yearly basis from their distributions. This charge will primarily be used to offset certain registrar’s charges (see the section entitled “TraHK – Fees, Costs and Expenses Payable by TraHK – Registrar”).

Net Asset Value

The Net Asset Value of TraHK is calculated in Hong Kong dollars as at the close of trading on the Stock Exchange (the “Valuation Point”) on each Dealing Day (as defined in Appendix I – “Definitions”). The Net Asset Value of each Unit is calculated by dividing the total Net Asset Value of TraHK by the number of Units outstanding. The listed shares held by TraHK are valued at their closing price quoted by the Stock Exchange (“Nominal Closing Price”).

The Net Asset Value per Unit on each Dealing Day is published through the Stock Exchange and on TraHK’s website (www.TraHK.com.hk) on the following Dealing Day.

Creation and Redemption of Units

Investors may request Participating Dealers (defined below under “General Requirements for Creation and Redemption”) to apply to HKSCC for the creation of Units on any Dealing Day (the “Continuous Offering”) by tendering a basket of Index Shares comprising an Index

Basket plus or minus (in which case TraHK will make a payment to the relevant investor) a cash payment as determined by the Manager. In certain limited circumstances, the Manager may permit Participating Dealers to pay cash in lieu of delivering certain Index Shares where it is fair and reasonable to do so. Units may only be created and issued in aggregate lots of one million Units (that is, in “Creation Unit” size) and whole multiples thereof.

Investors may request Participating Dealers to apply to HKSCC for the redemption of their Units on any Dealing Day for the underlying Index Shares, comprising an Index Basket, plus or minus (in which case the relevant investor will be required to make a payment to TraHK) a cash payment as determined by the Manager. In certain limited circumstances, the Manager may permit payment of cash in lieu of delivering certain Index Shares to Participating Dealers where it is fair and reasonable to do so. Units may only be redeemed in aggregate lots of one million Units (that is, in “Redemption Unit” size) and whole multiples thereof. There will be no cash redemptions.

The Manager may from time to time set larger or smaller Creation Unit sizes and Redemption Unit sizes.

General Requirements for Creation and Redemption

Applications to create or redeem Units may only be made through brokers or dealers (acting either as principal or on behalf of clients) (“Participating Dealers”) which have executed a Participation Agreement with the Manager, the Trustee, HK Conversion Agency Services Limited (the “Conversion Agent”) and HKSCC. At any given time, there may be only a limited number of Participating Dealers. A list of the Participating Dealers is available on TraHK’s website (www.TraHK.com.hk) or from the Manager. Applications to create or redeem Units must be submitted by the Participating Dealer to HKSCC, who will accept or reject them on behalf of the Manager. Acceptance of an application for creation or redemption of Units will only occur on the issue of a confirmation of acceptance by HKSCC on behalf of the Manager.

Applications from Participating Dealers to create or to redeem Units will only be accepted by HKSCC in whole multiples of Creation Unit sizes or Redemption Unit sizes. Participating Dealers may, but are not obliged to, aggregate orders from investors to satisfy the minimum Creation Unit and Redemption Unit size. Therefore, to the extent that an investor wishes to apply for the creation or redemption of fewer than one million Units, there is no assurance that such order would be executed by a Participating Dealer.

Each Participating Dealer is required to pay TraHK a Transaction Fee (currently HK\$15,000) for the total aggregate creation and redemption applications per day. This cost may be passed on in full or in part to the investor wishing to create or redeem Units. Creation and redemption orders are also subject to other conditions, which are described below in detail in the section entitled “TraHK – The Continuous Offering”.

Taxation

Hong Kong Profits Tax

TraHK is exempt from Hong Kong profits tax arising in relation to the sale or disposal of shares. Hong Kong profits tax will not be payable by a Unitholder on any gains or profits made on the sale, redemption or other disposal of Units unless that Unitholder carries on a trade, profession or business of investing in securities in Hong Kong.

Hong Kong Stamp Duty

Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, stamp duty on the transfer of Index Shares by an investor to TraHK on a creation of Units in exchange for an Index Basket and on the transfer of Index Shares by TraHK to an investor on a redemption of Units will be remitted or refunded.

Stamp duty is payable by TraHK on its purchase and sale of shares on the Stock Exchange (for example, when rebalancing its portfolio to reflect changes in the Hang Seng Index).

Investors must pay stamp duty on the sale and purchase of any Units in the secondary market, whether that sale or purchase is on or off the Stock Exchange.

For further information on Hong Kong stamp duty, see the section entitled “General – Taxation”.

Considerations for US Investors

Units will not be offered and sold in the United States but may be offered and sold to US Persons outside the United States. No US Person, as defined in Regulation S under the US Securities Act, may apply for or hold any Units unless that person is both a “qualified institutional buyer” as defined in Rule 144A under the US Securities Act and a “qualified purchaser” as defined in Section 2(a)(51) of the US Investment Company Act. See the section below entitled “General – Selling Restrictions – United States”.

ERISA Considerations

In order to avoid prohibited transactions under the United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the United States Internal Revenue Code of 1986, as amended (the “US Internal Revenue Code”), which could be deemed to occur in connection with the purchase of Units, an employee benefit plan subject to ERISA (an “ERISA Plan”), an individual retirement account or employee benefit plan subject to Section 4975 of the US Internal Revenue Code, and an entity whose underlying assets include or are deemed to include “plan assets” within the meaning of ERISA (collectively, “Plans”) may only purchase Units if the purchase is eligible for the exemptive relief available under (i) ERISA Prohibited Transaction Class Exemption 84-14, 90-1, 91-38, 95-60 or 96-23 or (ii) the statutory exemption available under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the US Internal Revenue Code to a party in interest that is a service provider to a Plan investing in the Units. In order for the statutory exemption to be applicable, the purchase of Units must be for adequate consideration, provided such service provider is not (i) the fiduciary with respect to the Plan’s assets used to acquire the Units or an affiliate of such fiduciary or (ii) an affiliate of the employer sponsoring the Plan (the “Service Provider Exemption”). Adequate consideration means fair market as determined in good faith by the Plan fiduciary pursuant to regulations to be promulgated by the US Department of Labour.

In addition, if 25% or more of the Units are held in the aggregate by Plans, the assets of TraHK would be considered to be plan assets of Plans which hold Units. The Manager intends to operate TraHK in a manner designed to avoid prohibited transactions under ERISA and the US Internal Revenue Code with respect to the activities of TraHK which

could occur if TraHK's assets were treated as plan assets of Plans which hold Units. ERISA Plans considering purchasing Units should consult their counsel before making a purchase. See the section below entitled "General – ERISA Considerations" for further discussion.

There are risks associated with any investment. Please see the section entitled "Risk Factors" which should be considered carefully before deciding to invest in TraHK.

RISK FACTORS

Investors can lose money by investing in Units. Investors should carefully consider the risk factors described below together with all of the other information included in this prospectus before deciding whether to invest in Units.

Risk Factors Specific to TraHK

No HKSAR Government guarantee

The performance of TraHK and the Net Asset Value per Unit and the performance by the Manager and the Trustee of their respective obligations are not guaranteed by the HKSAR Government. The HKSAR Government has given no guarantee or assurance that the Investment Objective of TraHK will be met.

No cash redemption

Units will not be redeemed for cash. Units may normally only be redeemed in kind by investors in Redemption Unit size (currently one million Units) or whole multiples thereof through Participating Dealers. Redeeming investors will receive Index Shares (plus or minus a cash payment). Redeeming investors may not be able to realise the value of Index Shares received on a redemption of Units in a timely manner or at any particular price if there is no liquid trading market for the Index Shares.

Trading market in the Units

Although the Units are listed on the Stock Exchange, investors should be aware that there may be no liquid trading market for the Units. There can be no assurance that active trading markets for Units will continue to develop, nor is there a certain basis for predicting the actual price levels at, or sizes in, which Units may trade. Further, there can be no assurance that Units will experience trading or pricing patterns similar to those since inception of TraHK or to those of market-traded shares which are issued by investment companies in other jurisdictions or which are based upon indices other than the Hang Seng Index.

Minimum creation and redemption size

Units will normally only be issued or redeemed in Creation Unit or Redemption Unit size aggregates (currently one million Units), or whole multiples thereof. Investors who do not hold Redemption Unit size aggregates may only be able to realise the value of their Units by selling their Units on the Stock Exchange (see also “Trading market in the Units” above).

Units may trade at a discount or premium to Net Asset Value

The nature of TraHK is such that the Net Asset Value of TraHK may differ from the trading price of the Units on the Stock Exchange. Whilst the Net Asset Value of Units will reflect the market value of TraHK’s portfolio of Index Shares, trading prices of the Units on the Stock Exchange may be lower or higher than the Net Asset Value per Unit. Trading prices will be dependent on a number of factors. These may include economic conditions in Hong Kong, investor confidence in the Hong Kong stock market and the level of supply and

demand for Units. Creations or redemptions of Units may reduce any significant discount or premium of the Units' traded price to TraHK's Net Asset Value (see the section entitled "TraHK – The Continuous Offering" for further information on creations and redemptions).

Net Asset Value will not track Hang Seng Index exactly

Changes in the Net Asset Value of TraHK are unlikely to replicate exactly changes in the Hang Seng Index. This is due to, among other things, the fees and expenses payable by TraHK and transaction fees and stamp duty incurred in adjusting the composition of TraHK's portfolio because of changes in the Hang Seng Index and dividends received, but not distributed, by TraHK. In addition, as a result of the unavailability of Index Shares, the transaction costs in making an adjustment outweighing the anticipated benefits of such adjustment or for certain other reasons, there may be timing differences between changes in the Hang Seng Index and the corresponding adjustment to the shares which comprise TraHK's portfolio. During times when Index Shares are unavailable or when the Manager determines it is in the best interests of TraHK to do so, TraHK may maintain a small cash position or invest in other permitted contracts or investments until Index Shares become available. TraHK may also hold Future Index Shares and/or Former Index Shares (as those terms are defined in Appendix I – "Definitions"). Such costs, expenses, cash balances, timing differences or holdings could cause TraHK's Net Asset Value to be lower or higher than the relative level of the Hang Seng Index.

Automatic termination if average daily Net Asset Value falls below HK\$3 billion

Under the terms of the Trust Deed, TraHK will automatically terminate if the average of the daily Net Asset Value of TraHK is less than HK\$3 billion over any rolling three month period, unless each of the Supervisory Committee, the Promoter, the Trustee and the Manager otherwise agree. On the termination of TraHK, TraHK will be liquidated and certain investors may receive distributions of Index Shares in kind. Please see the section entitled "TraHK – Administrative Provisions of the Trust Deed – Termination".

Dividends are contingent on dividends paid on Index Shares

The ability of TraHK to pay dividends on the Units depends on the dividends declared and paid by the companies whose shares are held by TraHK and the level of fees and expenses payable by TraHK. Dividend payment rates of these companies are based on numerous factors, including their current financial condition, general economic conditions and their dividend policies. There can be no assurance that such companies will declare dividends or make other distributions. In addition, changes to the composition of the Hang Seng Index (for example, the substitution of one constituent stock in the Hang Seng Index with another paying higher or lower dividends) will affect the level of dividends received by TraHK. To the extent possible, TraHK's fees and expenses will be paid out of the dividends it receives. To the extent dividends received by TraHK are insufficient to meet its fees and expenses, the excess will be met by disposing of part of TraHK's portfolio of Index Shares or by borrowing. Any such disposition of Index Shares or borrowing may cause TraHK's Net Asset Value to fall, and may adversely affect the trading price of the Units. Investors may not therefore receive any distributions. Investors will not receive any dividends or other distributions directly from the companies in which TraHK invests.

Dependence upon trading market for Index Shares

All of the Index Shares are listed on the Stock Exchange. The existence of a liquid trading market for the Index Shares may depend on whether there is supply of, and demand for, such Index Shares. There can be no assurance that there will be active trading in any of the Index Shares. The price at which the Index Shares may be purchased or sold by TraHK upon any rebalancing activities or otherwise and the Net Asset Value of TraHK may be adversely affected if trading markets for the Index Shares are limited or absent.

Lack of discretion by Manager to adapt to market changes

The Index Shares held by TraHK will reflect the distribution of companies whose shares comprise the Hang Seng Index. Therefore, adverse changes in the financial condition or share performance of any company included in the Hang Seng Index will be likely to affect adversely TraHK's Net Asset Value and the trading price of the Units. The Manager will have no discretion to remove the shares of such company from TraHK.

Trading in Units on the Stock Exchange may be suspended

Investors will not be able to purchase or sell Units on the Stock Exchange during any period that the Stock Exchange suspends trading in the Units. The Stock Exchange may suspend the trading of Units whenever the Stock Exchange determines that it is appropriate in the interests of a fair and orderly market to protect investors. The creation and redemption of Units will also be suspended in the event that the trading of Units on the Stock Exchange is suspended.

Units may be delisted from the Stock Exchange

The Stock Exchange imposes certain requirements for the continued listing of securities, including the Units, on the Stock Exchange. Investors cannot be assured that TraHK will continue to meet the requirements necessary to maintain the listing of Units on the Stock Exchange or that the Stock Exchange will not change the listing requirements. TraHK may be terminated if Units are delisted from the Stock Exchange.

Withdrawal of Authorisation by the SFC

The SFC reserves the right to withdraw the authorisation of TraHK under section 104 of the SFO if the underlying index is no longer considered acceptable. Relevant factors include whether the underlying index has a clearly defined objective, is broadly based, investible, transparent and published in an appropriate manner.

Reliance on Participating Dealers

The creation and redemption of Units can only be effected through Participating Dealers. The number of Participating Dealers at any given time may be limited. Participating Dealers are under no obligation to accept instructions to apply for or redeem Units on behalf of investors. Participating Dealers will not be able to create or redeem Units during any period when, amongst other things, dealings on the Stock Exchange are restricted or suspended, settlement or clearing of securities in the Central Clearing and Settlement System established by HKSCC ("CCASS") is disrupted or the Hang Seng Index is not compiled or published. In addition, Participating Dealers will not be able to create or redeem Units if some other event

occurs which impedes the calculation of the Net Asset Value of TraHK by the Manager or during which delivery of Index Shares or disposal of TraHK's investments cannot be effected normally.

Suspension of Creations and Redemptions

Dealings of Units on the Stock Exchange may not necessarily be suspended in the event that the creation and redemption of Units is temporarily suspended by the Manager in accordance with the terms of the Trust Deed (see the section entitled "TraHK – Further Provisions Relating to Creations and Redemptions" for further details as to the circumstances in which creations and redemptions of Units may be suspended). If the creation and redemption of Units is temporarily suspended, the trading price of the Units may be adversely affected and differ from the market value of TraHK's underlying assets.

Use of Futures and Options Contracts involve certain risks

The Manager may use Futures Contracts and Options (as those terms are defined in Appendix I – "Definitions") for the purpose of hedging and achieving TraHK's Investment Objective with the approval of the Supervisory Committee. In particular, the Manager may invest TraHK's assets in Futures Contracts and Options in order to try to minimise tracking error between the Hang Seng Index and the Net Asset Value of TraHK. These transactions may be entered into with counterparties on an on- and off-exchange basis (over-the-counter) and may expose TraHK to counterparty risk as mentioned below. There is no guarantee that such techniques will achieve their desired result. There are certain investment risks in using Futures Contracts and Options. Such risks may include: (i) the inability to close out a Futures Contract or Option caused by the non-existence of a liquid secondary market; and (ii) an imperfect correlation between price movements of the Futures Contracts or Options with price movements of the subject portfolio securities or subject securities index. Further, the risk of loss in trading Futures Contracts is potentially great, due to both the low margin deposits required, and the extremely high degree of leverage involved in futures pricing. As a result, a relatively small price movement in a Futures Contract may result in immediate and substantial loss (or gain) to TraHK.

The purchaser of Options may offset or exercise the Options or allow the Options to expire. The exercise of an Option results in either a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the Option is on a future, the purchaser will acquire a futures position with associated liabilities for margin (see above). If the Option expires worthless, TraHK will suffer a total loss of its investment which will consist of the Option premium plus transaction costs.

Under the terms of the Trust Deed, the value of TraHK's investments in Options (in terms of the total amount of premium paid) and in Futures Contracts (in terms of the total net aggregate value of outstanding contract prices payable by or to TraHK) will not in the aggregate exceed 10% of TraHK's Net Asset Value.

Counterparty and Settlement Risk

TraHK may be exposed to counterparty risk in relation to parties with whom it trades and when placing cash on deposit. TraHK may also be exposed to the risk of settlement default by a counterparty with which TraHK trades when buying and selling financial instruments (settlement risk). The risk of default of a counterparty is directly linked to the credit worthiness of the counterparty.

Hong Kong Legal and Regulatory Environment

TraHK is established under the laws of Hong Kong and is therefore subject to the laws of Hong Kong. It invests in securities listed on the Stock Exchange. The legal environment in Hong Kong differs significantly from the legal environment in the United States and certain other jurisdictions. Legal remedies that investors are accustomed to in other jurisdictions may not be available in Hong Kong.

An investment in Hong Kong securities may carry the risk of less publicly available information, more market volatility, less strict securities regulation and greater political uncertainty than investments in securities in other jurisdictions, such as the United States and the United Kingdom.

ERISA Considerations

Entities subject to ERISA, and other tax-exempt entities may purchase Units. If the assets of TraHK were deemed to be plan assets of a Plan investor, the Manager would be a fiduciary (as defined in ERISA) with respect to such Plan and would be subject to the obligations and liabilities imposed upon fiduciaries by ERISA. If Plan investors own 25% or more of the value of the Units, the assets of TraHK would be deemed to be “plan assets” under ERISA. With respect to the foregoing, the Manager does not intend to restrict participation in TraHK by investors that are benefit plan investors. Therefore, it is both possible and anticipated that at any given time the value of the Units owned by benefit plan investors may equal or exceed 25% of the value of all of the Units and the assets of TraHK in such event would be deemed to constitute ERISA “plan assets”. If the assets of TraHK become “plan assets” subject to ERISA or Section 4975 of the US Internal Revenue Code, then the Manager will endeavor to avoid engaging in non-exempt prohibited transactions. There can be no assurance that, despite the Manager’s efforts, TraHK may not inadvertently engage in a prohibited transaction, and, if it were to do so, there may be certain adverse consequences under ERISA and the US Internal Revenue Code. See the section entitled “ERISA Considerations”.

Hang Seng Index Risk Factors

Hang Seng Index is subject to fluctuations

The investment objective of TraHK is to provide investment results that closely correspond to the performance of the Hang Seng Index. In the past, the Hang Seng Index has experienced periods of volatility and decline. The Hang Seng Index may experience such volatility or decline again in the future. If the Hang Seng Index experiences volatility or declines, the price of the Units will vary or decline accordingly.

Concentration of the Hang Seng Index in certain economic sectors and companies

As at the close of trading on 23 July 2009, the Finance sub-index and the Commerce and Industry sub-index represented approximately 48.8% and 35.94% of the Hang Seng Index, respectively. As a result, variations in the performance of these sectors could have a larger effect on the price of Units than a similar variation in the performance of other sectors comprised in the Hang Seng Index. Declines in the share price of companies in the Hang Seng Index may result in declines in the price of Units.

Composition of the Hang Seng Index may change

The companies which comprise the Hang Seng Index are determined by Hang Seng Indexes Company Limited (formerly known as “HSI Services Limited”) (“HSI”) from time to time. The composition of the Hang Seng Index may also change if one of the constituent companies were to delist its shares or if a new company were to list its shares on the Stock Exchange and be added to the Hang Seng Index. If this happens, the weighting or composition of the shares owned by TraHK would be changed as considered appropriate by the Manager in order to achieve the Investment Objective. Thus, an investment in Units will generally reflect the Hang Seng Index as its constituents change from time to time, and not necessarily the way it is comprised at the time of an investment in the Units. Appendix II – “The Hang Seng Index” describes how the Hang Seng Index is computed.

Licence to use Hang Seng Index may be terminated

The Manager and the Trustee have been granted a licence by Hang Seng Data Services Limited (“HSDS”) and HSI to use the Hang Seng Index as a basis for determining the composition of TraHK and to use certain trade marks or any copyright in the Hang Seng Index. TraHK may not be able to fulfil its objective and may be terminated if the licence agreement (the “HSI Licence Agreement”) between HSDS, HSI, the Trustee and the Manager is terminated. TraHK may also be terminated if the Hang Seng Index ceases to be compiled or published and there is no replacement index, using, in the opinions of the Manager, the Trustee and the Supervisory Committee, the same or substantially similar formula for the method of calculation as used in calculating the Hang Seng Index.

Compilation of Hang Seng Index

No warranty, representation or guarantee is given as to the accuracy or completeness of the Hang Seng Index and its computation or any information related thereto. The process and the basis of computing and compiling the Hang Seng Index and any of its related formulae, constituent companies and factors may at any time be changed or altered by HSI without notice. HSI and HSDS accept no responsibility or liability for any inaccuracies, omissions, mistakes or errors of HSI in the computation of the Hang Seng Index or for any economic or other loss which may be directly or indirectly sustained by an investor as a result thereof. The HSI Licence Agreement expressly excludes any duty on HSI to exercise reasonable skill, care or diligence in relation to the Hang Seng Index, its computation of the Hang Seng Index, the collection and use of information for computing the Hang Seng Index or the change by HSI of the composition and weighting of the constituent companies.

Hang Seng Index Indemnity

Under the terms of the HSI Licence Agreement, the Manager and the Trustee must indemnify HSI and HSDS against, among other things, any loss of whatever nature which either of them may suffer (including in respect of any claim by any current, future or former Unitholder or investor) as a result of any act or omission of HSI or HSDS (except in cases of their wilful misconduct) in respect of or in connection with the trading of TraHK, use or computation of the Hang Seng Index, or any errors, mistakes or omissions in making such computation or in collecting or using relevant information for that purpose. The Manager and the Trustee must also indemnify each of HSI and HSDS on a full indemnity basis for, among other things, any loss which either of them may suffer as a result of any default by the Manager or the Trustee or any of their duly appointed agents under the terms of the HSI Licence Agreement.

The Trustee and the Manager are entitled to have recourse to TraHK's assets by way of indemnity in respect of any claims made against them in relation to the HSI Licence Agreement (including where the Trustee or the Manager is liable to compensate HSI or HSDS under the HSI Licence Agreement as described above) provided that such losses are not due to the fraud, negligence, bad faith or wilful default on the part of the Trustee or the Manager. These arrangements may result in a decrease in the Net Asset Value of TraHK.

Other Risk Factors

Business Conditions and General Economy

The performance of the Hang Seng Index could be adversely affected by a worsening of general economic conditions globally or in certain individual markets, including in particular Hong Kong. Factors such as interest rates, inflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices could significantly affect the constituent companies of the Hang Seng Index. For example: (a) an economic downturn or significantly higher interest rates could adversely affect the credit quality of the on-balance sheet and off-balance sheet assets of the constituent companies of the Hang Seng Index; (b) a market downturn or worsening of the economy could cause the constituent companies of the Hang Seng Index to incur reduced revenues or increased losses, including mark to market losses in their trading portfolios.

Recent Developments in Financial Services Industry

Recent developments in the U.S. and global financial markets illustrate that the current environment is one of extraordinary and possibly unprecedented uncertainty for financial services and other companies. The crisis in the U.S. housing market in 2007 and 2008 led to the collapse of a number of U.S. and institutional financial institutions, government intervention, market tightening of credit market and a sharp decline of global equity market. In light of the recent market turmoil and the overall weakening of the financial services industry as well as the economy in general, the financial condition of certain financial institutions may be adversely affected and they may become subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on the performance of the Hang Seng Index.

Asia Regional Economic Risks

Adverse economic developments in Hong Kong or elsewhere in the Asia region, and in particular, Mainland China (given the economic inter-dependence between Mainland China and Hong Kong and the inclusion of H-share constituents within the Hang Seng Index), could have a material adverse effect on the financial conditions and results of operations of the constituent companies of the Hang Seng Index. From the latter half of 1997 to the first half of 1998, many Asian countries experienced significant adverse changes in economic conditions. Hong Kong also suffered adverse economic developments during this period. The outbreak of the Severe Acute Respiratory Syndrome (SARS) in 2003 also had a marked adverse impact on the economy of Hong Kong. The market turmoil triggered by the U.S. housing crisis in 2007 and 2008 has caused and continues to cause a material contraction of the economy of Hong Kong and other countries and the performance of the constituent companies of the Hang Seng Index have been and may continue to be adversely affected.

Foreign exchange risks

The Units are denominated in Hong Kong dollars. As a result, investors are exposed to foreign currency exchange risk between the Hong Kong dollar and other currencies. The value of the assets of TraHK as measured in currencies other than Hong Kong dollars may be adversely affected by changes in currency rates. The HKSAR Government has a policy of maintaining a stable Hong Kong dollar exchange rate against the US dollar and has consistently applied that policy since October 1983. Since the introduction of the linked exchange rate system in 1983, the HKSAR Government has repeatedly reaffirmed its commitment to this system. However, in the event that this policy were to be changed and in the event that there were to be a depreciation in the value of the Hong Kong dollar against the US dollar, the corresponding value of the Units in US dollar terms might be significantly reduced.

The price of Units and the Net Asset Value per Unit may fall or rise. There can be no assurance that an investor will achieve a return on his investment in the Units or a return on capital invested.

TRAHK

Overview of TraHK and the Investment Process

Introduction

TraHK is a collective investment fund structured as a unit trust, authorised by the SFC pursuant to section 104 of the SFO and established under the terms of the Trust Deed. The Trust Deed is made between the Trustee, the Manager and the Promoter and is governed by Hong Kong law.

TraHK provides investors with the opportunity to invest in Units representing a proportionate undivided ownership interest in all the Index Shares and other trust property held by TraHK.

The Units are listed on the Stock Exchange. Units trade in board lots of 500. To facilitate trading on the Stock Exchange, Units may be deposited, cleared and settled in CCASS. All Units deposited in CCASS will be held in book entry form only and will be registered in the name of HKSCC Nominees. Unitholders may buy Units, and sell their Units, on the Stock Exchange through brokers in the same way as they may trade shares in companies listed on the Stock Exchange.

The base currency of TraHK is Hong Kong dollars. The financial period of TraHK ends on 31 December in each year.

The Net Asset Value of TraHK has closely reflected the level of the Hang Seng Index. As of 31 December 2008:

- the total Net Asset Value of TraHK was HK\$33,181,932,365¹
- the total number of Units in issue was 2,280,992,500 Units¹
- the Net Asset Value of TraHK per Unit was HK\$14.55¹
- the closing trading price per Unit on the Stock Exchange was HK\$14.55.¹

Investment Objective

TraHK's Investment Objective is to provide investment results that closely correspond to the performance of the Hang Seng Index.

The Manager seeks to achieve this Investment Objective by investing all, or substantially all, of TraHK's assets in Index Shares in substantially the same weightings as they appear in the Hang Seng Index.

Different from a typical unit trust offered to the public in Hong Kong

Investors should note that TraHK is not like a typical unit trust offered to the public in Hong Kong. Amongst other things, Units may not be redeemed for cash (see the section entitled "Risk Factors – No cash redemption"); Units may only be created during the Continuous Offering and redeemed in Creation Unit and Redemption Unit sizes through Participating Dealers (see the sections entitled "Risk Factors – Minimum creation and

¹ Source: the Manager, 31 December 2008

redemption size”; and “Risk Factors – Reliance on Participating Dealers”). These features are not usually present in a typical unit trust offered to the public in Hong Kong, where units can generally be purchased and redeemed for cash in comparatively smaller multiples of units.

The structure of TraHK is described in full in this prospectus. Accordingly, investors should read the full text of this prospectus in order to understand the structural and operational features of TraHK.

Investment Management

Investment Policy of TraHK

The Manager of TraHK is State Street Global Advisors Asia Limited. Further information in respect of the Manager is set out under the section entitled “Management and Administration” below.

Unlike the majority of investment funds where the investment management role involves considerable discretion and an active, ongoing selection of investments (based on economic, financial and market analysis), the role of the Manager of TraHK is essentially passive. The responsibility of the Manager is to reflect changes in the Hang Seng Index (insofar as practicable and subject to the Trust Deed) by replicating changes to the weightings and composition of the constituent shares in the Hang Seng Index in the portfolio of shares which make up TraHK’s portfolio. This prospectus refers to such activities as “adjustments”.

Since the Investment Objective is to provide investment results that closely correspond with the performance of the Hang Seng Index, the Manager is required to ensure, insofar as practicable and subject to the Trust Deed, that the assets comprised in TraHK’s portfolio comprise only, or substantially only, interests in Index Shares and in the relative weightings such Index Shares appear in the Hang Seng Index. Nevertheless, to the extent consistent with achieving the Investment Objective, the Manager may also invest in Future Index Shares. TraHK may also hold Former Index Shares, pending their disposal in an orderly manner. Other than cash held for distribution and to meet TraHK’s fees, expenses and other liabilities, it is unlikely that cash or any other form of securities will form a substantial part of TraHK’s assets.

Adjusting the portfolio

The Hang Seng Index is composed of a representative sample of the shares of constituent companies listed on the Stock Exchange which generally have high market value and liquidity and is designed such that it reproduces the performance of a hypothetical portfolio made up of the shares of the constituent companies with an interest in each constituent company which is proportionate to such constituent company’s market capitalization adjusted to take into account the freefloat of the relevant shares. The Hang Seng Index currently comprises 42 constituent companies, but those constituent companies may, for a variety of reasons, change over time, both in terms of the identity of the constituent companies and the weighting of those constituent companies’ shares in the Hang Seng Index. Appendix II – “The Hang Seng Index” provides a detailed summary of the way in which the constituent companies are currently selected for inclusion in the Hang Seng Index and the manner in which the weightings of those constituent companies’ shares are established.

The Manager reviews the shares held in TraHK's portfolio each business day, checking those shares against the Index Shares and comparing the weighting of each Index Share in TraHK's portfolio to the weighting of the corresponding constituent share in the Hang Seng Index. In the event that there is any deviation between TraHK's portfolio and the composition and weighting of the Hang Seng Index which is considered by the Manager to be significant taking into account the Investment Objective, the Manager will effect any adjustment of TraHK's portfolio which it considers appropriate as soon as it is reasonably practicable, after considering transaction costs and the impact, if any, on the market.

However, it will not always be efficient to replicate or attempt to replicate identically the share composition of the Hang Seng Index if, for example, transaction costs incurred by TraHK in performing any necessary adjustments would outweigh the anticipated reduction in tracking error that would result from failure to reflect minor changes in the Hang Seng Index. Therefore, minor misweightings are likely to occur. Further, the Manager may be restricted from effecting certain adjustments or may be required to perform certain adjustments by applicable laws and regulations.

The portfolio of shares held by TraHK (and any required adjustments) will be dependent on the determination of the Hang Seng Index by HSI. Consequently, any changes made to the method of determining the Hang Seng Index by HSI will affect the adjustment process to be undertaken by the Manager.

Investment Restrictions

The Manager is required to invest TraHK's assets in accordance with the Investment Objective. Nevertheless, cash not otherwise invested may be deposited with the Trustee or with an authorised bank (under the Banking Ordinance) (including a sub-custodian of the Trustee) with a credit rating of at least AA (Standard & Poor's) or Aa (Moody's Participant Services Inc.), provided such deposit does not constitute a non-exempt prohibited transaction under ERISA or the US Internal Revenue Code.

A fund authorised by the SFC under the SFC Code is usually restricted from holding investments which would result in the value of that fund's holdings of any single issuer exceeding 10% of the fund's total net asset value. However, where a fund is an index fund such as TraHK, more than 10% of the net asset value of the index fund may be invested in constituent securities issued by a single issuer provided that the investment is limited to any constituent securities that each accounts for more than 10% of the weighting of the index and the fund's holding of any such constituent securities may not exceed their respective weighting in the index (except as a result of changes in the composition of the index and the excess is transitional and temporary in nature).

Under the terms of the Trust Deed, TraHK is permitted to enter into Futures Contracts and Options for hedging purposes or to achieve the Investment Objective. The value of TraHK's investments in Options (in terms of the total amount of premium paid) and the value of TraHK's investments in Futures Contracts (in terms of the total net aggregate value of outstanding contract prices payable by or to TraHK) will not in the aggregate exceed 10% of TraHK's Net Asset Value. TraHK may only enter into futures contracts which are traded on the Hong Kong Futures Exchange Limited (the "Futures Exchange"). In addition, the prior approval of the Supervisory Committee is required before TraHK may enter into Futures Contracts and Options.

If any of the investment restrictions referred to in the SFC Code (for which a waiver has not been obtained) are breached (as a result of price fluctuations or otherwise), the Manager will make it a priority objective to take all steps necessary to remedy the situation within a reasonable period of time, taking into account the interests of Unitholders.

TraHK is subject to a number of additional restrictions. TraHK cannot:

- make any investments in shares or contracts which are not quoted, listed or dealt in on the Stock Exchange or the Futures Exchange;
- make any investment in any equity share which is not an Index Share or a Future Index Share;
- hold units, shares or other interests in a collective investment scheme or other collective investment arrangement except for the purpose of achieving the Investment Objective and subject to compliance with the SFC Code;
- directly hold any type of real estate (including buildings) or any options, rights or interests in respect of real estate;
- effect any short sale of an investment except for the purpose of achieving the Investment Objective and in which case the Manager shall comply with the limits and conditions set out in the SFC Code;
- grant or create in favour of any person any option;
- effect or enter into any underwriting or sub-underwriting contracts in relation to the subscription or purchase of investments (other than Units);
- invest in an investment which would be likely to involve the assumption of unlimited liability by TraHK;
- lend monies comprising part of TraHK's assets to any person (not including the holding or investment of cash on short term deposit, in certificates of deposit or other banking instruments issued by a bank or in HKSAR Government debt instruments denominated in Hong Kong dollars);
- invest in debt or loan securities (not including the investment of cash in certificates of deposit or other banking instruments issued by a bank or HKSAR Government debt instruments denominated in Hong Kong dollars);
- assume, guarantee, endorse or otherwise become directly or contingently liable for, or in connection with, any obligation or indebtedness of any person; or
- engage in stock lending.

Dealings by the Manager

The purchase and sale of Index Shares in order to adjust the composition of TraHK's portfolio to conform to changes in the composition and/or weighting structure of the Hang Seng Index may be made on arm's length terms through a "Connected Person" (as defined in Appendix I – "Definitions") of the Manager or the Trustee. However, no such Connected Person (which can only receive its direct costs) may make a profit out of such dealings. The Manager will always procure best execution terms and will only deal with a Connected Person if such dealings can reasonably be expected to benefit TraHK as a whole. The term "best execution" in this prospectus means prompt and reliable execution at the most favourable price available to TraHK having regard to the kind, size and time of the transaction subject to, and in accordance with, the procedures in force on the Stock Exchange or the Futures Exchange.

None of the Manager, the Trustee or any of their respective Connected Persons may purchase or sell shares from or to TraHK, as principal.

The SFC Code contains provisions governing any transaction concerning TraHK which is carried out by a Connected Person of the Manager. Any cash rebates received by the Manager, or a Connected Person of the Manager, from a broker or dealer in consideration of directing transactions in TraHK's assets to that broker or dealer shall be for the account of TraHK.

Not more than 10% in aggregate value of TraHK's transactions in any one financial period of TraHK shall be carried out with or through a broker or dealer connected to the Manager or any Connected Person of the Manager.

Soft dollar practices

The Manager may effect transactions, provided that any such transaction is consistent with standards of "best execution", by or through the agency of another person for the account of TraHK with whom the Manager or any of its Connected Persons have an arrangement under which that party will from time to time provide to or procure for the Manager or any of its Connected Persons goods, services or other benefits (such as research and advisory services, computer hardware associated with specialised software or research services and performance measures) the nature of which is such that their provision can reasonably be expected to benefit TraHK as a whole and may contribute to an improvement in the performance of TraHK. For the avoidance of doubt, such goods and services may not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employees' salaries or direct money payments.

Borrowing policy

The Manager may exercise from time to time certain borrowing powers in relation to TraHK. TraHK may borrow money (in Hong Kong dollars only) but the principal amount of all outstanding borrowings may not exceed an amount equal to 5% of the Net Asset Value of TraHK's portfolio on any Dealing Day. Borrowings may only be made on a temporary basis (not exceeding 364 days) and for the following specific purposes:

- to effect any necessary payments under the Trust Deed on a redemption or creation of Units;
- to purchase Index Shares or Future Index Shares following an issue of Units where the cash amount of the Issue Price is not received in full in cleared funds by the Trustee;
- to settle the purchase or sale of investments to facilitate an adjustment of TraHK's portfolio;
- to meet any fees, expenses and liabilities of TraHK, other than the Manager's fee and the Trustee's fee; and
- to effect payment of income distributions.

If the aggregate principal amount of borrowings exceeds the permitted amount then the Manager will make it a priority objective to take all steps necessary to remedy the situation within a reasonable time taking into account the interests of Unitholders. Any interest and/or expenses incurred in connection with any borrowing arrangements will be paid by TraHK.

The Manager may use TraHK's assets as security for any borrowing.

TraHK is not permitted to borrow from the Manager, the Trustee or a Connected Person of the Trustee or the Manager.

Income Distribution Policy

Distributions to Unitholders are intended to be made in May and November of each year. On each day (defined as an “Ex-Dividend Date”) which falls two business days before 1 May and 1 November, respectively, in each year (each a “Record Date”) the Trustee will allocate for distribution among the Unitholders (in accordance with the number of Units held by them at that date) all, or substantially all, of the net income (after the deduction of TraHK’s fees and expenses and the payment of Dividend Equivalent Amounts upon the redemption of Units) received by TraHK since the previous Ex-Dividend Date. The Record Dates and Ex-Dividend Dates may be changed, or added to, as determined by the Manager with the consent of the Trustee and the Supervisory Committee and in particular, where the Record Date is a business day, subject to the consent of the Trustee and the Supervisory Committee, the Manager will determine the relevant Ex-Dividend Date to fall one business day prior to such Record Date.

The income of TraHK consists of:

- dividends received and receivable (i.e. dividends declared but not yet paid) on TraHK’s portfolio of shares;
- any benefit in respect of TraHK’s assets which shall be considered by the Manager to be of the nature of income and which is capable of being distributed;
- Transaction Fees received by TraHK in connection with the creation and redemption of Units (in excess of the costs incurred by TraHK in connection with that creation or redemption);
- Dividend Equivalent Amounts received and receivable by TraHK upon the creation of Units. The Dividend Equivalent Amount is the amount which is included in the Issue Price of Units representing the undistributed dividends and other income received or receivable by TraHK net of TraHK’s fees and expenses; and
- all interest and other sums received by the Trustee in respect of the above items.

Income received by TraHK pending distribution may be “equitised” by the Manager by investing such distributions in Index Shares (or Future Index Shares) or, if permitted by the Supervisory Committee, Futures Contracts and Options.

Amounts to be distributed in respect of each Unit will be rounded down to the nearest HK\$0.01 (one cent). Any amount of income not distributed shall be taken into account when calculating the amount available for allocation and distribution to each Unitholder on the next distribution.

Any distributions payable to an investor in respect of any Unit registered in the name of HKSCC Nominees (i.e. deposited in CCASS) shall be paid through CCASS. Any distributions payable to an investor in respect of any Unit registered in his own name (i.e. a Unitholder) will be paid by cheque sent by post to that investor. Every payment is sent at the risk of the person to whom it is sent. To the extent that the Trustee and the Manager have made payments to HKSCC Nominees, neither the Trustee nor the Manager will have any responsibility for the distribution by HKSCC Nominees of such payments to investors whose Units are registered in the name of HKSCC Nominees. Subject to applicable law, if a Unitholder to whom a payment is to be made has authorised another person to receive the payment and provided that sufficient evidence of the authority has been given to the Trustee or the Manager then the payment will be made in accordance with that Unitholder’s instructions.

A registrar charge will be levied by the Trustee on each Unitholder (other than HKSCC Nominees) who holds Units registered in his name as at each Record Date for the relevant distribution. Currently, these charges amount to a maximum of HK\$80 per year per Unitholder. Such charges will be deducted on a half-yearly basis from the half-yearly distributions payable to the relevant Unitholder.

Valuation Policy

Valuation of the assets of TraHK is carried out in accordance with the principles contained in the Trust Deed for the purpose of ascertaining the Net Asset Value of TraHK (which will be calculated in Hong Kong dollars).

The assets of TraHK (less its liabilities) are normally valued at the Valuation Point (being the official close of trading on the Stock Exchange) on each Dealing Day. The value of TraHK's listed shares are calculated by the Manager by reference to the Nominal Closing Price for those shares.

The Manager will value any Futures Contracts by reference to such amount determined by the Manager as would be required in order to close out the relevant contract. The value of any Option will be valued in such manner as the Manager and the Trustee agree, based on policies set by the Supervisory Committee.

The Net Asset Value of TraHK is calculated by the Manager as at each Valuation Point. The Net Asset Value per Unit is calculated by dividing the total Net Asset Value of TraHK by the number of Units outstanding as at the Valuation Point.

The Manager may carry out additional valuations of the assets of TraHK if this is considered desirable or is required by the SFC Code.

The Net Asset Value per Unit on each Dealing Day is published through the Stock Exchange and posted on the TraHK website on the following Dealing Day.

The Continuous Offering

This prospectus will be updated by the Manager (at the cost of TraHK) from time to time to reflect any material changes. The Manager will make available the most current prospectus to Participating Dealers, but shall be under no obligation to deliver any updated prospectus to any existing Unitholder. The updated prospectus will also be made available in accordance with the section entitled "TraHK – Documents Available for Inspection" and will be posted on the TraHK website.

Creation of Units

Investors may request a Participating Dealer to apply for the creation of new Units.

Investors may request Participating Dealers to apply for the creation of Units on any Dealing Day. Participating Dealers will then be required to deliver to HKSCC a duly completed application through the relevant CCASS screen. Units may only be created in Creation Unit size, which is currently one million Units (or whole multiples thereof). Application requests submitted in respect of Units other than in Creation Unit size or whole multiples thereof will not be accepted.

Units will not be offered and sold in the United States but may be offered and sold to US Persons outside the United States. No US Person, as defined in Regulation S under the US Securities Act, may apply for creation of Units unless that person is both a “qualified institutional buyer” as defined in Rule 144A under the US Securities Act and a “qualified purchaser” as defined in Section 2(a)(51) of the US Investment Company Act. Written certifications in this regard must be provided to the relevant Participating Dealer (then to be delivered to the Manager) in connection with applications for creation of Units in the form of Annex A.

In addition, each of the Manager and the Trustee is entitled under the terms of the Trust Deed to request and require in connection with creations of Units such other certifications and opinions of counsel as it may consider necessary to ensure compliance with applicable securities and/or other laws both in Hong Kong and elsewhere.

HKSCC will, subject to the terms of the Trust Deed, accept on behalf of the Manager applications from Participating Dealers for Units in exchange for Index Shares comprising an Index Basket (an “Index Basket Application”) plus or minus a cash payment (see below).

Details of the Index Basket will be published by HKSCC at the start of each Dealing Day.

Creation of Units on an Index Basket Application

An investor wishing to create Units on an Index Basket Application is required to deliver and pay to TraHK (through a Participating Dealer) (except in some cases as set out in (ii) below):

- (i) an Index Basket (as published by the Manager at the start of business on that Dealing Day);
- (ii) a cash amount which is required to be paid or received per Unit, equal to the difference between (a) the aggregate of (1) the value (calculated on a Nominal Closing Price basis) of the Index Shares the subject of the Index Basket Application on a per Unit basis and (2) the Dividend Equivalent Amount (defined in (iii) below) per Unit and (b) the prevailing Net Asset Value per Unit (all such valuations being at the Valuation Point on the relevant Dealing Day) multiplied by the number of Units applied for;
- (iii) a further cash amount, which is required to be paid per Unit, necessary to cover net undistributed dividends and other income amounts received and held or receivable by TraHK (“Dividend Equivalent Amount”);
- (iv) a cash amount in respect of any Duties and Charges (as defined in Appendix I – “Definitions”); and
- (v) a Transaction Fee to the extent passed on to that investor by the Participating Dealer.

Cash in lieu of Index Shares on creation of Units

An Index Basket Application may be split between an Index Basket and cash in different degrees in limited circumstances. Such a split may be effected by the Manager only in circumstances where (at the discretion of the Manager) it would be fair and reasonable to do so. For instance, in the event that an Index Share is unavailable or available in insufficient quantity to be included in the Index Basket then the Manager may in its discretion permit a cash payment equivalent in value to those Index Shares to be substituted for those Index Shares. In the event that an investor is restricted by regulation or otherwise from holding any one or more of the Index Shares comprised in the Index Basket, then the Manager may

permit, in lieu of those Index Shares, a cash payment equivalent in value to those Index Shares. If an investor so requests (through a Participating Dealer), and the Manager and the Trustee approve the request, an Index Basket Application may be effected for Index Shares not comprising an Index Basket but instead reflecting a differing composition of Index Shares agreed to by the Manager with the investor. This type of Index Basket Application will only occur in very limited circumstances, for example where it is necessary to maintain TraHK's correspondence with the composition and weighting of the Hang Seng Index. Whenever a cash payment in lieu of Index Shares is made by an investor, additional Duties and Charges may also be charged (for the account of TraHK) to that investor as determined by the Manager in its discretion.

Procedure for creation of Units

Applications may be made by a Participating Dealer to HKSCC on a continuous basis up to the Dealing Deadline on any Dealing Day. If the application is received by HKSCC after the Dealing Deadline on any Dealing Day it will be deemed to have been received on the next Dealing Day. Units will be issued and delivered only after the ownership of the relevant Index Shares plus or minus the necessary cash payment have been paid and/or transferred to or to the order of the Trustee, which in the normal course will take two business days to settle after the date the application is initiated. The Manager, with the approval of the Trustee, may at its discretion extend the settlement period under certain circumstances. Only applications for Units which are in Creation Unit size and submitted through a Participating Dealer will be accepted (unless otherwise agreed by the Trustee, the Supervisory Committee and the Promoter). Acceptance of an application for creation of Units will only occur on the issue of a confirmation of acceptance by HKSCC on behalf of the Manager.

The Continuous Offering, by an Index Basket Application, has been structured to minimise tracking error of TraHK against the Hang Seng Index.

The effective price at which Units may be subscribed by way of an Index Basket Application is, in respect of each Unit, an amount equal to the Net Asset Value of TraHK at the Valuation Point on the date of application (calculated on a Nominal Closing Price basis) divided by the number of Units outstanding, together with the amount representing applicable Duties and Charges and the Transaction Fee.

A Transaction Fee (currently HK\$15,000) for the total aggregate creation and redemption applications per day is payable to TraHK by each Participating Dealer (which fee may be passed on in whole or in part to the investor) to cover TraHK's administration and other out-of-pocket expenses incurred in processing applications. Any excess of this Transaction Fee over such expenses and other expenses of TraHK will be available for distribution to Unitholders as income at the next distribution allocation date.

No Units will be issued and no applications will be accepted during any period when the redemption of Units is suspended (see the section entitled "Further Provisions Relating to Creations and Redemptions – Suspension of creations and redemptions" below).

Redemption of Units

Redemption Units may only be redeemed in kind and are not redeemable for cash.

Investors may apply for the redemption of Units on any Dealing Day through Participating Dealers. Participating Dealers will then be required to deliver to HKSCC a duly completed redemption request through the relevant CCASS screen. The Manager may at its discretion with the approval of the Trustee accept a redemption request given in writing signed by an investor. Units may only be redeemed in Redemption Unit size which is currently one million Units (or whole multiples thereof). Redemption requests submitted in respect of Units other than in Redemption Unit size or whole multiples thereof will not be accepted.

No US Person, as defined in Regulation S under the US Securities Act, may request redemption of Units unless that person is a “qualified institutional buyer” as defined in Rule 144A under the US Securities Act. Written certifications in this regard must be provided to the relevant Participating Dealer (then to be delivered to the Manager) in connection with requests for redemption of Units.

In addition each of the Manager and the Trustee is entitled under the terms of the Trust Deed to require in connection with redemptions of Units such other certifications and opinions of counsel as it may consider necessary to ensure compliance with applicable securities and/or other laws in Hong Kong and elsewhere.

The value (the “Redemption Value”) at which a Unit may be redeemed is the value of that Unit on the Dealing Day on which the redemption application is received by HKSCC (provided it is received before the Dealing Deadline). If the redemption application is not received by HKSCC from a Participating Dealer before the Dealing Deadline, it is deemed to have been received on the next Dealing Day. The Trust Deed currently requires that redemption proceeds be transferred and paid, in the normal course of business, two business days after the date of receipt of a properly documented redemption application, subject to any suspension of redemptions (see the section entitled “Further Provisions Relating to Creations and Redemptions – Suspension of Creations and Redemptions” below). The Manager, with the approval of the Trustee, may at its discretion extend the settlement period under certain circumstances. Acceptance of an application for redemption of Units will only occur on the issue of a confirmation of acceptance by HKSCC on behalf of the Manager.

A redeeming investor will normally receive (through its Participating Dealer) Index Shares comprising an Index Basket (as such Index Basket is determined by the Manager on the date the redemption application is deemed to be received) and will also receive, or may have to pay, a cash payment. The cash payment (which includes the Dividend Equivalent Amount) represents the difference between the value of the Units redeemed and the value of the Index Shares delivered in kind, in each case as at the Valuation Point on the Dealing Day on which the redemption application is deemed to be received by HKSCC.

The value of Units to be redeemed is calculated by the Manager as being, in respect of each Unit, an amount equal to TraHK’s Net Asset Value (calculated on a Nominal Closing Price basis at the Valuation Point on the date the redemption application is deemed to be received) divided by the number of Units outstanding.

A Transaction Fee (currently HK\$15,000) for the total aggregate creation and redemption applications per day is payable to TraHK by each Participating Dealer (which may be passed on in whole or in part to the investor) to cover the administration and other out-of-pocket expenses incurred by TraHK in effecting creation and redemption requests. Any excess of this Transaction Fee over such expenses and any other expenses of TraHK will be available

for distribution to Unitholders as income at the next distribution allocation date. The Manager may deduct such Transaction Fee (and any Duties and Charges) from any cash payment which would otherwise be payable by TraHK upon the redemption of Units.

In addition, a cancellation fee of HK\$1 per board lot is payable to HKSCC upon the redemption of Units.

Cash in lieu of Index Shares on redemption of Units

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

Further Provisions Relating to Creations and Redemptions

General procedures for creation and redemption

If a creation or redemption request is received by HKSCC on a day which is not a Dealing Day or is received by HKSCC after the Dealing Deadline on a Dealing Day then that request is deemed to have been received on the next Dealing Day. Once a Participating Dealer has submitted a creation or redemption request, unless the Manager otherwise consents, that request may not be revoked or withdrawn. (However, see the section entitled "Suspension of creations and redemptions" below.)

All creation and redemption requests should be submitted by or through a Participating Dealer, who is required to follow the creation and redemption procedures set out in the Participation Agreement between such Participating Dealer, HKSCC, the Manager, the Conversion Agent and the Trustee.

In circumstances where the Manager creates (but has not issued) Units before an Index Basket of Index Shares has been delivered and/or the necessary cash payment is received by or on behalf of the Trustee and such Index Shares and cash payment are not received by or on behalf of the Trustee, in the normal course of business, two business days after the date on which the application to create such Units is received (except where the Manager, with the approval of the Trustee, has extended the settlement period), the Manager will cancel the creation of those Units which shall be deemed never to have been created (except that

TraHK may retain the Transaction Fee paid or payable in respect thereof). The Manager may charge Participating Dealers, who apply and fail to pay for Units, or fail to deliver an Index Basket of Index Shares, a cancellation fee.

In circumstances where Participating Dealers submit a redemption request but fail to deliver Units for redemption to the Manager two business days after the date on which the redemption request is received (except where the Manager, with the approval of the Trustee, has extended the settlement period), that redemption request shall be deemed never to have been made (except that TraHK may retain the Transaction Fee paid or payable in respect thereof.) The Manager may charge Participating Dealers who fail to deliver Units a cancellation fee and may also require the Participating Dealer to pay the amount, if any, by which the Redemption Value per Unit (on the date the redemption request was made) of the Units is less than the Issue Price of the Units which would have applied had HKSCC received an application for the creation of the relevant Units on the date on which the redemption request should have settled.

If the Manager extends the settlement period for any creation or redemption request, the Manager may charge an extended settlement fee and, in the case of a redemption request, additional amounts payable to cover the additional costs of settling the redemption request outside CCASS. The Transaction Fee payable in respect of each Index Basket Application or any redemption application shall continue to be payable notwithstanding the cancellation of such application.

None of the Trustee, the Manager, HKSCC or the Conversion Agent shall be liable for any delay or loss to any Participating Dealer or any investor caused by:

- (in the case of the Trustee and the Manager only) CCASS being closed or the settlement and clearance of securities in CCASS being disrupted or the failure by the Conversion Agent or HKSCC to comply with all of their respective obligations under the conversion agency agreement (“Conversion Agency Agreement”) between the Conversion Agent, HKSCC and the Manager;
- the creation or redemption of Units being suspended pursuant to the Trust Deed; or
- any other reason beyond the Trustee’s, the Manager’s, the Conversion Agent’s or HKSCC’s reasonable control which results in any application for the creation or redemption of Units not being satisfied on the relevant settlement date.

Dilution

The value of the property of TraHK could be reduced as a result of costs incurred in investing cash subscriptions received in lieu of Index Shares on an Index Basket Application or in paying cash redemption proceeds in lieu of delivering Index Shares on a redemption of Units (for example, in the circumstances described under “The Continuous Offering – Cash in lieu of Index Shares on redemption of Units” above). These costs may relate to costs incurred in dealing in Index Shares and the difference between the buying and selling prices of such investments and the actual value of these investments (calculated on the Nominal Closing Price basis). In order to prevent any “dilution” of TraHK’s property and any consequential potential adverse effect on remaining Unitholders, the Manager has the discretion to charge a fee to investors to compensate for any decrease in TraHK’s Net Asset Value when Units are issued or redeemed. Any fee would be paid to TraHK and treated as part of Duties and Charges and would become part of the property of TraHK.

Suspension of creations and redemptions

If the trading of Units on the Stock Exchange is restricted or suspended, the Manager will suspend the creation and redemption of Units.

The Manager may at any time, with the approval of the Trustee, suspend the right of investors to apply (through Participating Dealers) for the creation or redemption of Units and/or may delay the delivery of redemption proceeds in respect of a redemption request during any periods in which:

- the Stock Exchange or CCASS is closed;
- dealings on the Stock Exchange are restricted or suspended;
- settlement or clearing of securities in CCASS is disrupted;
- any state of affairs exists as a result of which delivery of Index Shares or disposal of Index Shares or other assets for the time being comprised in TraHK cannot, in the opinion of the Manager, be effected normally or without materially prejudicing the interests of Unitholders;
- the Hang Seng Index is not compiled or published; or
- there is any breakdown in the means normally employed in determining the value of TraHK's portfolio or when for any other reason the value of any Index Shares or other assets for the time being comprised in TraHK cannot be promptly and accurately ascertained.

Notification of any suspension of the creation and redemption of Units or any decision to suspend trading in Units by the Stock Exchange will be given in accordance with the SFC Code.

Any suspension (including the right to delay delivery) will take effect as soon as the Manager, with the approval of the Trustee, declares that a suspension is in effect. After this declaration there shall be no creation or redemption of Units and/or delivery of redemption proceeds until the Manager declares that suspension to be at an end. However, the suspension will terminate in any event on the day following the first business day on which (i) the condition giving rise to the suspension ceases to exist and (ii) no other condition exists under which a suspension may be declared. The declaration of the Manager shall be conclusive, subject to all applicable laws, rules and regulations.

Any Participating Dealer may, at any time after such a suspension has been declared and before the suspension has ceased, withdraw any creation or redemption request by notice in writing to the HKSCC. If no notification of such withdrawal has been received by the HKSCC before the termination of a suspension, the Manager shall initiate the creation/redemption process on the next practicable Dealing Day following the termination of the suspension. In addition, the period for distributing any proceeds the distribution of which has been delayed as a result of the suspension shall be extended by a period equal to the length of the period of the suspension. During any such suspension the calculation of TraHK Net Asset Value and of each Unit may also be suspended.

The Manager will publish the fact that the calculation of the Net Asset Value of TraHK's portfolio and of each Unit has been suspended immediately following such suspension and at least once a month during the period of such suspension in the Hong Kong Economic Times and the South China Morning Post and on each Dealing Day on the TraHK website.

Administrative Provisions of the Trust Deed

Liability of the Manager and the Trustee

The Trust Deed contains the duties and responsibilities of the Trustee and the Manager. The Trust Deed requires that the Trustee and the Manager exercise their respective powers and carry out their respective functions honestly, in good faith and in the best interests of TraHK and, to the extent they are fiduciaries under ERISA, in accordance with their responsibilities thereunder.

The SFC Code requires that the Trustee, amongst other things, takes into its custody or under its control all of the property of TraHK, registers investments in its name or to its order and is liable for the acts and omissions of its nominees and agents in relation to the assets forming part of the property of TraHK.

Under the SFC Code, the Manager must manage TraHK in accordance with the constitutive documents of TraHK (including the Trust Deed) and must comply with the requirements set out in the SFC Code.

The SFC Code provides that neither the Trustee nor the Manager can be exempted from any liability to Unitholders imposed under Hong Kong law or for breaches of trust through fraud or negligence, nor may they be indemnified against such liability by Unitholders or at the expense of Unitholders. In addition, if the fiduciary standards under ERISA are applicable, neither the Trustee nor the Manager can be exempted from liability to Unitholders for breaches of such standards, nor may they be indemnified against such liability by Unitholders or at the expense of Unitholders.

Exclusions and Indemnities of Trustee and Manager

The Trust Deed includes certain exclusions and indemnities in favour of the Trustee and the Manager.

The Trustee and the Manager may act on advice or information obtained from each other, professional advisers or their agents provided that the Trustee or the Manager shall supervise such persons. The Trustee and the Manager shall not be bound to verify the advice or information obtained from any such persons and shall not be liable for anything done or omitted to be done or suffered in good faith in reliance upon such advice or information unless there are reasonable grounds for concluding the advice may be incorrect or inaccurate (or, if applicable, such action or omission to act is contrary to the fiduciary standards of ERISA).

TraHK will indemnify each of the Trustee and the Manager, except to the extent of any fraud, negligence, bad faith or wilful default on its part (or, if applicable, breach of the fiduciary standards of ERISA), against any action, costs, claims damages, expenses or liabilities which it may incur by virtue of acting as (in the case of the Trustee) Trustee of TraHK or (in the case of the Manager) as Manager of TraHK or in the exercise of any powers, authorities or discretions vested in it except to the extent provided by applicable law.

Neither the Manager nor the Trustee shall be responsible for loss of or damage to any documents in their possession, or for any failure to fulfil their respective duties, caused by or directly or indirectly due to the act of any government or other competent authority,

hostilities (whether war be declared or not), riot, civil commotion, rebellion, storm, tempest, accident, fire, explosion, toxicity, radioactivity, third party electronic transmission or other electronic systems failure, flood, typhoon, earthquake or other cause, whether similar or not, which is beyond the control of the Manager or the Trustee provided that the Manager and the Trustee shall have taken all such steps and done all such things as a professional manager or trustee (as the case may be) would reasonably be expected to have done to prevent any loss, damage or failure arising out of such circumstances.

Voting on Index Shares

Under the terms of the Trust Deed, the Manager is not obliged to exercise any voting or other rights attaching to the Index Shares (or any other investments held in TraHK's portfolio). The Manager will abstain from voting or otherwise exercising any such right unless, in its absolute discretion, the Manager is of the opinion that to exercise any such right is in the best interests of Unitholders as a whole having regard to the Investment Objective. If the Manager is unable to determine what are the best interests of Unitholders as a whole having regard to the Investment Objective, the Manager is required to abstain from voting. Unitholders have no voting rights with respect to the Index Shares held by TraHK.

Reporting

TraHK's financial year ends on 31 December each year. The Manager will arrange for annual accounts to be prepared in respect of TraHK and audited by TraHK's auditors (who are currently PricewaterhouseCoopers). Such accounts, along with reports prepared by the Manager and the Trustee will be published and forwarded to Unitholders and posted on the TraHK website within four months of the end of TraHK's financial year. In addition, the Manager will procure that unaudited interim reports will be published for the period ending 30 June and forwarded to Unitholders and posted on the TraHK website within two months of the end of that period. The contents of these reports will comply with the requirements of the SFC Code.

The Net Asset Value per Unit on each Dealing Day is published through the Stock Exchange and on the TraHK website on the following Dealing Day. In addition, notice of any suspension of the creation or redemption of Units and any suspension of trading of the Units on the Stock Exchange will also be published immediately following such decision and then at least monthly during the period of such suspension in the Hong Kong Economic Times and the South China Morning Post and on each Dealing Day on the TraHK website.

Notices

Any notices required to be given to Unitholders under the Trust Deed and/or by the SFC Code or the Listing Rules will be published on the TraHK website and may be sent or published by other means at the discretion of the Manager in accordance with applicable laws and regulations. Copies of such notices will also be available at the Stock Exchange and from Participating Dealers.

Amending the Trust Deed without Unitholder approval

The Trustee and the Manager may not alter, modify or vary the terms of the Trust Deed without obtaining the approval by extraordinary resolution of Unitholders except where the alteration, modification or variation is:

- made to enable TraHK to comply with fiscal or other statutory or official requirements of any country or authority provided that the Trustee certifies in writing that, in its opinion, such change is necessary to so comply;
- to correct a manifest error and the Trustee certifies in writing accordingly; or
- expedient for the more convenient, economical, simple, advantageous or profitable working or management of TraHK and the Trustee certifies in writing that, in its opinion, such alteration, modification or variation:
 - is not materially prejudicial to the interests of Unitholders;
 - does not to any material extent release the Trustee, the Manager or any other person from liability to Unitholders; or
 - does not increase the costs and charges payable out of TraHK.

In addition, no alteration, modification or variation, regardless of it having been approved by extraordinary resolution, may impose any liability on any Unitholder to make further payments in respect of Units held by him or to accept any additional liability in respect of the Units.

The Trustee may in addition certify that, in its opinion, an amendment to the Trust Deed is necessary or desirable for the purposes of listing or maintaining a listing of the Units on a recognised stock exchange (or the Stock Exchange), in which case the approval of Unitholders by extraordinary resolution will not be necessary to make that amendment.

Any amendment to be made to the Trust Deed by the Manager and the Trustee requires the prior approval of the SFC and the Supervisory Committee. Unless the SFC consents otherwise, the Manager will give prior notice to Unitholders in writing of any amendments made to the Trust Deed without Unitholders' approval.

Removal/Retirement of the Manager, the Trustee and the Promoter

The Trustee

The Trustee is not entitled to retire voluntarily except on the appointment of a new trustee which is acceptable to the Manager, the SFC and the Supervisory Committee and which shall agree to enter into a deed to secure the due performance of its duties as a trustee. Any new trustee must be incorporated in Hong Kong or be a registered overseas company under the Companies Ordinance and be carrying on business in Hong Kong. The new trustee must be a bank (authorised under the Banking Ordinance) or a trust company registered under the Trustee Ordinance.

If the Manager gives notice (which may only be given on the direction of the Supervisory Committee) to the Trustee that it wishes the Trustee to retire in favour of a new trustee, the Trustee must retire with effect from the appointment of a new trustee.

If Unitholders holding 50% or more in aggregate of Units deliver a written request to the Trustee to retire, or if Unitholders holding 50% or more in aggregate of Units vote in a general meeting properly convened to remove the Trustee, then the Trustee must retire as soon as a new trustee can practicably be appointed.

If the Supervisory Committee delivers a written request to the Trustee to retire in favour of a new trustee, the Trustee must retire with effect from the appointment of a new trustee.

The new trustee must enter into a deed supplemental to the Trust Deed in which the new trustee will agree to act as trustee.

The Manager

The Manager is entitled to retire voluntarily, on the giving of three months' written notice to the Trustee, the Promoter and the Supervisory Committee in favour of a new manager acceptable to the Trustee, the SFC and the Supervisory Committee. Any new manager must be incorporated in Hong Kong or be a registered overseas company under the Companies Ordinance and must be carrying on business in Hong Kong. The new manager must also be licensed under the SFO to carry on a Type 9 regulated activity (i.e. Asset Management).

The Manager may be removed from office by notice in writing given by the Trustee (which may only be given on the direction of the Supervisory Committee) if:

- the Manager goes into liquidation (other than voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or analogous proceedings; or
- for good and sufficient reason, the Trustee and the Supervisory Committee are of the reasonable opinion that a change of Manager is desirable in the interests of Unitholders.

The Manager may also be removed on notice in writing given by the Trustee if Unitholders holding 50% or more in aggregate of Units deliver a request in writing to the Trustee that the Manager should retire, or by vote of Unitholders holding 50% or more in aggregate of Units in a general meeting properly convened to remove the Manager.

The Supervisory Committee may also deliver a written request to the Manager to retire in favour of a new manager, being a company which is eligible to be manager of TraHK and acceptable to the SFC.

If the Manager is removed, it ceases to be the manager and the Trustee must as soon as practicable appoint another eligible company as manager, such company to be acceptable to the Supervisory Committee and the SFC.

The Promoter

Exchange Fund Investment Limited ("EFIL") may retire as Promoter at any time, either in favour of a new Promoter approved by the Trustee, the Manager, the SFC and the Supervisory Committee or with no new Promoter being appointed (and if no new Promoter is appointed all references in this prospectus to matters requiring the consent or approval of the Promoter shall be disregarded).

The Promoter is not entitled to any remuneration from TraHK for acting as the Promoter. The Promoter is entitled to be indemnified by the Trustee and the Manager for certain liabilities.

The Supervisory Committee

The Supervisory Committee currently consists of five members (although up to seven members are permitted). On an on-going basis, appointments to and removals from the Supervisory Committee shall be made by the Supervisory Committee itself. The Supervisory Committee meets as and when required and at least quarterly. Under the terms of the Trust Deed, certain matters require the approval of the Supervisory Committee. In addition, the Supervisory Committee has the power to direct and the duty to oversee the Trustee and the Manager on matters relating to the management and administration of TraHK. The Supervisory Committee is entitled to, amongst other things:

- direct the Trustee and the Manager on matters relating to the creation and issue of Units;
- approve Participating Dealers and the Registrar;
- approve the appointment of, and require the removal of, service providers to TraHK;
- approve valuation procedures and arrangements in respect of the suspension of creation or redemption of Units;
- approve the appointment and removal of TraHK's auditors; and
- approve any amendments, alterations or modifications to the terms of the Trust Deed.

The Supervisory Committee may by notice require the Manager and the Trustee to retire with or without cause.

The members of the Supervisory Committee are entitled to be indemnified out of TraHK's assets for any liabilities they may incur as a result of acting as members of the Supervisory Committee, except to the extent of any fraud, negligence, bad faith or wilful default on their part, and except to the extent provided by applicable law. The members of the Supervisory Committee are also entitled to be indemnified by the Trustee and the Manager in certain circumstances. In addition, TraHK maintains appropriate professional indemnity insurance for each of the members of the Supervisory Committee.

The current members of the Supervisory Committee are:

- (a) *Mr. Marvin Cheung, GBS, OBE, JP:* Mr. Cheung is a fellow of the Institute of Chartered Accountants in England and Wales, a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung is an unofficial member of the Executive Council of the Hong Kong SAR Government, an independent non-executive director of Hong Kong Exchanges and Clearing Limited, HSBC Holdings plc, Hang Seng Bank Limited, HKR International Ltd and Sun Hung Kai Properties Limited, Chairman of Airport Authority and Aviation Security Company Limited.
- (b) *Mr. Fong Hup:* Mr. Fong is a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of the Institute of Chartered Accountants in England and Wales. Formerly, he was a Senior Partner of Deloitte Touche Tohmatsu and a director of Hong Kong Exchanges and Clearing Limited.
- (c) *Mr. Fok Kwong Man, Lawrence:* Mr. Fok is the Executive Vice President and Head of Issuer Marketing Division of Hong Kong Exchanges and Clearing Limited. Mr. Fok is responsible for promoting the role of the Stock Exchange to potential issuers. Mr. Fok joined the Stock Exchange in 1992. Mr. Fok has over 20 years of experience in

financial services and securities regulatory work. Before joining the Stock Exchange he worked for the SFC and other organizations in corporate finance, securities dealing and venture capital.

- (d) *Professor Tsang Shu-ki*: Professor Tsang is a professor of economics at the Hong Kong Baptist University. Professor Tsang is a member of the Exchange Fund Advisory Committee Sub-Committee on Currency Board Operations, and a member of the Policy Review Committee. He was a board member of Exchange Fund Investment Limited, and had in the past undertaken consultancy projects on financial markets and the linked exchange rate system for the Asian Development Bank and the Hong Kong Policy Research Institute.
- (e) *Mr. Law Shing Yan, Stephen* is Senior Counsel to the Hong Kong Monetary Authority. He was seconded to serve as the legal adviser to the Hong Kong Deposit Protection Board upon its establishment in 2004. He is admitted as a solicitor both in Hong Kong and in England and Wales. Prior to joining the Hong Kong Monetary Authority, Mr. Law worked at Deacons.

None of the members of the Supervisory Committee is entitled to receive any remuneration from TraHK in respect of their appointment as members of the Supervisory Committee.

There is an established set of eligibility criteria for members of the Supervisory Committee. Amongst other things, the members of the Supervisory Committee must be Hong Kong residents, must have demonstrable knowledge of financial affairs and must not have been convicted of any criminal offence which is of direct relevance to their fitness and properness as members of the Supervisory Committee or have been found by a court or regulatory authority to have acted fraudulently or dishonestly.

Termination

TraHK may be terminated by the Trustee (with the prior approval of the Promoter, not to be unreasonably withheld) in the following circumstances:

- it becomes illegal or in the opinion of the Trustee impossible, impracticable or inadvisable to continue TraHK;
- TraHK becomes liable to taxation (whether in Hong Kong or elsewhere) in respect of income or capital gains at a rate considered by the Manager, with the approval of the Trustee, to be excessive in relation to the rate which would be borne by Unitholders if they had invested directly in Index Shares;
- the Units cease to be listed on the Stock Exchange;
- TraHK ceases to be authorised by the SFC pursuant to the SFO;
- the Hang Seng Index ceases to be compiled or published;
- the HSI Licence Agreement is terminated and no new licence agreement relating to the Hang Seng Index is entered into by the Trustee and the Manager;
- the Manager goes into liquidation (other than voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or analogous proceedings where, after the expiration of a period of three months, the Trustee has not appointed a new manager;
- on the expiration of three months after notifying the Manager that in the Trustee's opinion a change of Manager is desirable in the interests of Unitholders and no suitable replacement manager has been found; or
- there shall be no Supervisory Committee members for a continuous period of one month.

If the average of the daily Net Asset Value of TraHK is less than HK\$3 billion over any rolling three-month period, TraHK will terminate automatically, unless each of the Supervisory Committee, the Promoter, the Trustee and the Manager agree to the continuation of TraHK.

Upon the termination of TraHK, the Trustee shall sell or realise all of TraHK's investments which are not Index Shares and shall repay all outstanding borrowings and pay all other fees, expenses and liabilities of TraHK. The Trustee shall distribute the shares held in TraHK's portfolio in favour of Unitholders, in proportion to the number of Units held, in accordance with the Trust Deed. The Trustee may distribute shares in odd lots. All other assets of TraHK shall be sold or realised and a balancing payment in cash shall be paid to each Unitholder.

At least three months' prior notice of the termination of TraHK will be given to Unitholders (unless TraHK is terminated by reason of illegality, in which case no prior notice need be given to Unitholders).

Investment in TraHK

Eligibility of Investors

The Manager and the Trustee may impose such restrictions as they think are necessary for the purpose of ensuring that no Units are acquired or held directly or beneficially by any non-eligible persons. Under the terms of the Trust Deed, no Units may be held by:

- individuals under the age of 18 (or such other age as the Manager may determine);
- any US Person, as that term is defined by Regulation S under the US Securities Act other than a US Person who is both a "qualified institutional buyer" as defined in Rule 144A under the US Securities Act and a "qualified purchaser" as defined in Section 2(a)(51) of the US Investment Company Act;
- any person in circumstances which, in the opinion of the Manager, might result in the Manager, the Trustee, the Promoter, the Supervisory Committee or TraHK incurring any liability to taxation or suffering any other pecuniary disadvantage or becoming subject to any law or regulation which the Manager, the Trustee, the Promoter, the Supervisory Committee or TraHK might not otherwise have incurred or suffered or become subject to; or
- any person in breach of the law, regulation or other requirements of any country or governmental authority.

In order to ensure compliance with any such eligibility requirements, the Manager or the Trustee may at any time require an investor (beneficial or otherwise) to provide to the Manager or the Trustee such information and evidence as they may require as to such person's eligibility to hold or have an interest in Units.

Anti-Money Laundering

As part of the Manager's and the Trustee's responsibility for the prevention of money laundering and to comply with all applicable laws to which the Manager, the Trustee or TraHK is subject, the Manager or the Trustee may require a detailed verification of an applicant's identity and the source of payment of any subscriptions. Depending on the circumstances of each application, a detailed verification might not be required where:

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

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

In the event of delay or failure by the applicant to produce any information required for verification purposes an application for Units may be refused.

Intermediaries in Hong Kong

No application monies should be paid to any intermediary in Hong Kong who is not licensed under the SFO to carry on Type 1 regulated activity (i.e. Dealing in Securities) or who does not fall within the statutory exemption from the requirement to be licensed or registered under the SFO to carry on Type 1 regulated activity.

Management and Administration

The Manager

The Manager is an indirect wholly-owned subsidiary of State Street Corporation, a bank holding company in the United States of America whose shares are traded on the New York Stock Exchange. SSgA, the investment division of State Street Corporation, is one of the largest investment managers in the world, having US\$1.44 trillion of assets under management as of 31 December 2008. SSgA has 25 offices worldwide and 10 global investment centres. The Manager is independent of HSI (the compiler and publisher of the Hang Seng Index). The directors of the Manager are Bernard Reilly, Kelly Driscoll, Eric Choi and Katrina Sly.

The Trustee and Custodian

State Street Bank and Trust Company was founded in 1792 and is a wholly-owned subsidiary of State Street Corporation. Since 1924, when State Street was chosen by the first US mutual fund to provide custody, fund accounting and record-keeping services, State Street has been providing trustee, custodial and other administration services to all segments of the industry, including investment companies, broker/dealers, insurance companies, banks, mutual funds, corporations and stock exchanges. Currently, State Street provides services to institutional investors worldwide with over 26,500 employees in 27 countries. State Street had US\$16.4 trillion of assets under custody as of 30 June 2009. State Street is a leading servicer of financial assets worldwide. Its client base covers many insurance companies, government agencies, central banks, investment managers, corporations and non-profit making organisations domiciled in more than 50 countries. State Street provides custodial services for these clients in over 100 markets through its network of sub-custodian banks.

State Street has been in the Asia-Pacific region for more than two decades, beginning with the opening of its office in Hong Kong in 1981, upgrading to a fully licensed bank in 1994. As at the date of this prospectus, State Street has offices in eight countries across the region and provides its local customers with financial services that cover every aspect of the investment spectrum.

State Street Bank and Trust Company also serves as custodian of the assets of TraHK. State Street Bank and Trust Company has appointed Standard Chartered Bank (Hong Kong) Limited as its sub-custodian to hold in custody the assets of TraHK in Hong Kong.

The Promoter

EFIL is a private limited company incorporated in Hong Kong under the Companies Ordinance. All of its shares are beneficially owned by the HKSAR Government acting through the Financial Secretary as Controller of the Exchange Fund.

Under the terms of the Trust Deed, EFIL may retire as Promoter at any time in favour of another company approved by the Supervisory Committee, the Trustee, the Manager and the SFC or may retire without any successor promoter being appointed. There is no fixed term for EFIL's role as Promoter.

Fees, Costs and Expenses Payable by TraHK

The Trustee and Manager

The Trustee and Manager are each entitled to a fee for the services they render to TraHK. The Manager's fee includes all portfolio valuation services, administration, transaction reporting and management services and the Trustee's fee covers all portfolio valuation services, administration of securities trading, acquisition, delivery, holding and disposal of investments, corporate actions, dividend collection and distribution, dividend reinvestment, regulatory filings, tax filings, preparation of semi-annual and annual reports and maintenance of accounting records (but not auditing). The Manager's fee and the Trustee's fee accrue daily and are paid as soon as reasonably practicable from the assets of TraHK after the last Dealing Day in each quarter in each year. These fees are calculated as a percentage of TraHK's Net Asset Value on the last Dealing Day in the relevant quarter as follows:

	Trustee's fee	Manager's fee
	% per year	% per year
For first HK\$15 billion	0.050	0.050
For next HK\$15 billion	0.045	0.045
For next HK\$15 billion	0.030	0.030
Thereafter	0.025	0.025

The Registrar

Computershare Hong Kong Investor Services Limited (formerly known as “Central Registration Hong Kong Limited”) acts as registrar under the terms of the registrar agreement entered into among the Trustee, the Manager and the Registrar (the “Registrar Agreement”). The Registrar charges a monthly fee in respect of the establishment and maintenance of the register of Unitholders. Such fee is charged on the basis of the number of Unitholders on the register following the fee scale below:

	<u>HK\$ (per month)</u>
First 2,000 Unitholders	10,000
Every additional 1,000 Unitholders up to 100,000 Unitholders	2,200
Every additional 1,000 Unitholders up to 200,000 Unitholders	1,800
Every additional 1,000 Unitholders up to 300,000 Unitholders	1,500
Every additional 1,000 Unitholders above 300,000 Unitholders	1,200
Maximum aggregate fee	1,000,000

In addition, the Registrar is reimbursed for all of its out-of-pocket expenses incurred in connection with performing its services such as the cost of postage, envelopes and the Unit certificates. The Registrar’s fees and its out-of-pocket expenses in respect of the registration and transfer of Units are paid out of the assets of TraHK.

Unitholders (other than HKSCC Nominees) whose names are registered on the register of Unitholders at each Record Date are required to contribute to certain of the Registrar’s charges related to the upkeep of the register. Currently, these charges are up to a maximum of HK\$80 per Unitholder per year. Such charges will be deducted on a half-yearly basis from the distributions payable to the relevant Unitholders.

The Conversion Agent

HK Conversion Agency Services Limited acts as Conversion Agent under the terms of the Conversion Agency Agreement (as novated and amended from time to time) entered into among the Manager, HKSCC and the Conversion Agent. The Conversion Agent performs through HKSCC certain of its services in connection with the creation and redemption of Units by Participating Dealers under the Continuous Offering. Such services include taking creation and redemption applications from, and issuing settlement instructions to, Participating Dealers as well as facilitating the exchange of cash, shares and Units on the transaction settlement day. The Conversion Agent charges TraHK a monthly retainer fee of HK\$16,000. The Conversion Agent also charges TraHK a transaction fee for creation and redemption applications (which is met out of the Transaction Fee received by TraHK from the Participating Dealers in relation to creation and redemption applications). The Conversion Agent’s costs and fees are paid out of the assets of TraHK.

Set up Costs

Certain preliminary expenses, amounting to HK\$2,712,500, were incurred by the Manager and the Trustee in relation to the setting up of TraHK. These expenses were paid out of the assets of TraHK and have been fully amortised.

Other on-going costs

The Manager and the Trustee are entitled to charge to, or recover from, the assets of TraHK certain duties, charges and other ongoing costs and expenses. These include:

- costs, fees and expenses to be paid under the HSI Licence Agreement and any other licence or data supply contract in respect of TraHK (not including costs and expenses in respect of entering into the HSI Licence Agreement or other licence or contract);
- stamp duty, other duties, taxes, governmental charges, brokerage and commissions, exchange costs and commissions and bank charges in relation to transactions involving all or part of the assets of TraHK;
- the fees and expenses of the auditors and of legal counsel;
- professional fees in relation to agreeing and/or contesting taxation liabilities or recoveries to be paid out of or into TraHK;
- fees and expenses of the Manager and Trustee in obtaining and/or maintaining the listing on the Stock Exchange (or elsewhere) and/or the authorisation of TraHK under the SFO or any other law or regulation in any part of the world;
- costs involved in respect of the publication in newspapers in Hong Kong and elsewhere of the Net Asset Value per Unit or the Issue Price and the Redemption Value or prices for Units or suspension of creations and issues and redemptions of Units;
- costs involved in the design, creation and maintenance of a website on which the Net Asset Value per Unit, annual audited accounts, interim unaudited reports and this prospectus are posted;
- fees and expenses of the Registrar and the Conversion Agent;
- the cost of maintaining insurance for members of the Supervisory Committee;
- costs, fees and expenses involved in updating this prospectus;
- expenses incurred in preparing and arranging for the preparation and distribution of cheques, statements, reports, accounts, certificates and notices which the Trustee or the Manager is required to issue under the terms of the Trust Deed;
- all other reasonable costs, charges and expenses which, in the opinion of the Trustee and the Manager, are properly incurred in the administration of TraHK and pursuant to the performance of their respective duties under the Trust Deed; and
- the fees and expenses of advisers appointed by the Supervisory Committee under the Trust Deed.

Insufficient dividends to meet ongoing costs

If and to the extent that the amount of TraHK's ongoing fees, charges and costs mentioned above and other ongoing costs and expenses of TraHK exceed the amounts received by TraHK in respect of dividends paid on TraHK's portfolio of shares, interest received on cash deposits, Transaction Fees for creations and redemptions of Units and other income received by TraHK, the excess will be met by disposing of part of TraHK's portfolio of shares or other investments or by borrowing.

FEES PAYABLE BY INVESTORS

As set out in greater detail in the table below, a Participating Dealer may charge brokerage and/or other fees and expenses for effecting creations and redemptions of Units.

The table set out below summarises the fees payable by investors. Additional fees may be payable if the Manager extends the settlement period for any creation or redemption request under the Continuous Offering.

Continuous Offering	
Creation of Units	
Brokerage/fee	Charged at each Participating Dealer's discretion
Transaction Fee ¹	HK\$15,000 ²
Stamp Duty	Nil
Other Duties & Charges	Nil
Redemption of Units	
Brokerage/fee	Charged at the Participating Dealer's discretion
Cancellation Fee	HK\$1 per board lot ³
Transaction Fee	HK\$15,000
Ad Valorem Stamp Duty	Nil
Fixed Stamp Duty Charge	Nil
Other Duties & Charges	Nil (but see Note 7 below)
Dealing on the Stock Exchange	
Brokerage	Charged at each Participating Dealer's discretion ⁴
Stock Exchange trading fee	0.005%
SFC transaction levy ⁵	0.004%
Stamp Duty	0.1% ⁶

Notes:

- ¹ Transaction Fee is payable by each Participating Dealer to TraHK and may be passed on in whole or in part to the applicant.
- ² The Transaction Fee of HK\$15,000 is the fee to be charged for the total aggregate creation and redemption applications per day per Participating Dealer.
- ³ Payable to HKSCC by the applicant.
- ⁴ With effect from 1 April 2003, the brokerage charges for securities transactions became freely negotiable between brokers and their clients.
- ⁵ With effect from 1 December 2006, a transaction levy has been imposed on each side to a securities transaction at the rate of 0.004% of the consideration for the transaction, and the amount is collected for the SFC.
- ⁶ Stamp duty of 0.2%, half payable by the buyer and the other half payable by seller.
- ⁷ It is not envisaged that there will be any other Duties and Charges to be levied by the Trustee or the Manager in the ordinary course. However, further Duties and Charges may arise in the event of any new charge, tax or duty being imposed on TraHK by third parties in the future for Unit creation and redemption transactions.

Transaction Fees

The Manager charges each Participating Dealer a Transaction Fee (currently HK\$15,000) for the total aggregate creation and redemption applications per day. The Transaction Fee, in an application for the creation of Units, is payable in addition to the Issue Price and, in an application for the redemption of Units, is deducted from the cash payment payable on such

redemption of Units to the extent that the cash payment is sufficient or otherwise is payable by the Participating Dealer (as the case may be) and is retained by TraHK as income. The Manager has the ability under the Trust Deed to increase the Transaction Fee.

A Participating Dealer may pass on any Transaction Fees payable by it, in whole or in part, to the investor(s) on whose behalf it is making a creation or redemption application.

General Provisions of the Trust Deed

Transfer of Units

Units in TraHK are transferable in any number without restriction to persons who are eligible to hold Units. Persons who are not eligible to hold Units are liable to have their Units redeemed or transferred. See page 28 for further details as to who is eligible to hold Units. Transfers to US investors are subject to restrictions; see the section entitled “General – Selling Restrictions – United States.” The Registrar is not bound to register more than one person as a Unitholder or more than two persons as joint holders of any Unit. The Trust Deed contains provisions applying to any person becoming entitled to a Unit in consequence of the death or bankruptcy, insolvency or liquidation of any Unitholder or of the survivor of joint Unitholders.

Replacement of Unit certificates

Upon paying a fee, as determined from time to time by the Trustee, any Unitholder may apply to exchange Unit certificates into one or more Unit certificates. The Registrar may also, in its discretion and on presentation of a mutilated or defaced Unit certificate, issue a new Unit certificate. If any Unit certificate is lost, stolen or destroyed, the Registrar may, in its sole discretion, issue to the person entitled a new Unit certificate in lieu thereof. No new Unit certificates will be issued unless the applicant has:

- (in the case of loss, theft or destruction) furnished to the Registrar evidence satisfactory to the Registrar of the loss, theft or destruction of the original Unit certificate;
- paid all expenses incurred in connection with the investigation of the facts by the Registrar;
- (in the case of defacement or mutilation) produced and surrendered to the Registrar for cancellation the defaced or mutilated Unit certificate; and
- (if required by the Registrar to do so) furnished to the Registrar such indemnity or bond as the Registrar may require.

Meetings of Unitholders

The Trust Deed sets out procedures to be followed in respect of meetings of the Unitholders, including provisions as to the giving of notice, appointment of proxies and quorum.

HSI Licence

HSDS and HSI have granted to the Trustee and the Manager, and their duly appointed agents, by way of licence, the non-exclusive and non-assignable right to use, describe and refer to the “Hang Seng Index” and to use the goodwill, rights, title and interest in the name and mark “Hang Seng Index”, of which HSDS is the proprietor and absolute owner, subject to the terms of the HSI Licence Agreement.

Under the HSI Licence Agreement, HSI and HSDS will be paid a quarterly licence fee equal to the higher of (i) 1.5 basis points per year of the daily average value of TraHK and (ii) US\$10,000 per year. The licence fee is payable by the Trustee and reimbursable to it out of the assets of TraHK.

The HSI Licence Agreement is for an indefinite duration but may be terminated if the Manager ceases to be the manager of TraHK, on termination of TraHK and by notice from one party to the other parties on the occurrence of certain events specified in the HSI Licence Agreement.

None of the Trustee, the Manager or the Promoter shall be responsible for any misconduct, mistake or oversight on the part of HSI or HSDS in connection with their compilation or publication of the Hang Seng Index. If the Trustee or the Manager incurs any liability to HSI or HSDS under the HSI Licence Agreement, then, except to the extent of the Trustee's or Manager's fraud, negligence, bad faith or wilful default, they will have recourse to TraHK's assets by way of indemnity.

GENERAL

Taxation

The following statements are by way of a general guide to investors only and do not constitute tax advice. Investors are therefore advised to consult their professional advisers concerning possible taxation or other consequences of purchasing, holding, selling or otherwise disposing of the Units under the laws of their country of incorporation, establishment, citizenship, residence or domicile.

Investors should note that the following statements on taxation are based on advice received by the Manager regarding the law and practice in force in the relevant jurisdiction at the date of this document. As is the case with any investment, there can be no guarantee that the tax position prevailing at the time an investment is made in TraHK will endure indefinitely.

Hong Kong

TraHK

Profits Tax

Profits of TraHK arising from the sale or disposal of Index Shares, interest received by or accrued to TraHK and other profits and income of TraHK are exempt from Hong Kong profits tax.

Stamp Duty

Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, Hong Kong stamp duty on the transfer of Index Shares to TraHK by an investor pursuant to an Index Basket Application will be remitted or refunded. Similarly, Hong Kong stamp duty on the transfer of Index Shares by TraHK to an investor upon a redemption of Units will also be remitted or refunded.

No Hong Kong stamp duty is payable by TraHK on an issue or redemption of Units.

The sale and purchase of shares by TraHK to reflect any changes in the Hang Seng Index is subject to Hong Kong stamp duty. TraHK and the counterparty will each be liable to stamp duty at the current rate of 0.1% of the price of shares being sold and purchased.

Investors

Profits Tax

Hong Kong profits tax will not be payable by any investor (other than an investor carrying on a trade, profession or business of investing in securities in Hong Kong) on any gains or profits made on the sale, redemption or other disposal of his Units.

Hong Kong profits tax will not be payable by any investor (other than an investor carrying on a trade, profession or business of investing in securities in Hong Kong) on any distributions made by TraHK.

Stamp Duty

Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, Hong Kong stamp duty on the transfer of Index Shares by an investor to TraHK pursuant to an Index Basket Application will be remitted or refunded. Similarly, Hong Kong stamp duty on the transfer of Index Shares to an investor by TraHK upon a redemption of Units will also be remitted or refunded.

The sale and purchase of Units by an investor attracts Hong Kong stamp duty, whether or not the sale or purchase is on or off the Stock Exchange. The investor and the counterparty (whether a purchaser or a seller) will each be liable to stamp duty at the current rate of 0.1% of the price (or market value) of the Units being sold or purchased.

No Hong Kong stamp duty (ad valorem or fixed) is payable by an investor in relation to an issue of Units to him or her or the redemption of Units by him or her.

Estate Duty

In respect of a deceased investor who passed away before 11 February 2006, Units formed part of the Hong Kong estate of that deceased investor for the purposes of Hong Kong estate duty. Pursuant to the passage of the Revenue (Abolition of Estate Duty) Ordinance 2005, Hong Kong estate duty has ceased to apply to a person who passes away after 11 February 2006.

United Kingdom

The following summary only covers certain UK tax consequences for the absolute beneficial owners of Units, and any dividends received in respect of them, in circumstances where the dividends received are regarded for UK tax purposes as that person's own income (and not the income of some other person). In addition, unless otherwise stated, the following summary does not address:

- (a) Unitholders who hold Units in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or, in the case of a corporate Unitholder, through a permanent establishment or otherwise);
- (b) Unitholders who have (or are deemed to have) acquired Units by virtue of an office or employment;
- (c) Unitholders who hold Units as part of a hedging transaction; or
- (d) Unitholders that are insurance companies, dealers in securities, broker-dealers or persons connected with TraHK.

Subject to the above, the following is a non-exhaustive summary of the expected UK tax treatment in relation to certain tax matters of participation by UK persons in TraHK based upon current law and practice (which, in either case, may change).

The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any prospective Unitholder. Prospective Unitholders should satisfy themselves as to the overall tax consequences, including, specifically, the

consequences under UK law and HM Revenue & Customs practice, of acquisition, ownership and disposition of Units in their own particular circumstances by consulting their own tax advisors.

Prospective Unitholders who are in any doubt about their taxation position should consult their own professional advisors.

TraHK

TraHK is an unauthorised unit trust for UK regulatory purposes. On the basis that the Trustee is not resident in the UK for tax purposes and that the Trust Deed has been drafted such that income received by TraHK belongs beneficially to the Unitholders as it arises, TraHK should therefore be treated as fiscally transparent for the purposes of UK tax on income.

For the purposes of UK tax on chargeable gains, however, TraHK will be treated as if it were a company.

Accordingly, on the basis that TraHK is not resident in the UK for tax purposes, and that its activities do not amount to trading in the UK, TraHK should not be subject to UK income tax or corporation tax on any income or other profits or gains of an income nature that it derives from sources outside the UK and it will not be within the scope of UK capital gains tax or corporation tax in respect of chargeable gains wheresoever arising. However, a liability to UK tax could arise if TraHK were to realise certain classes of UK source income.

UK Resident Unitholders

Taxation of Income: General

On the basis that TraHK will be treated as fiscally transparent for the purposes of UK tax on income, any income arising to TraHK and available for distribution to Unitholders will be attributed to Unitholders for UK tax purposes as if such income had accrued to them directly and the following paragraphs are drafted on that basis.

Dividends

UK resident or ordinarily resident individual Unitholders will be liable to income tax on their share of dividends received through TraHK. Depending upon the amount of the Unitholder's overall taxable income, higher rate taxpayers will be liable to income tax at 32.5 per cent. and other taxpayers at 10 per cent. (for this purpose dividends are treated as the top slice of the investor's income unless any share scheme income or life assurance gains is/are realised in the same tax year).

From 6 April 2010 individuals who receive income in excess of £150,000 in a tax year will however be liable to income tax at the rate of 42.5 per cent. on dividends received above the £150,000 threshold in that tax year (as noted above, dividends are generally treated as the top slice of the investor's income).

Following changes introduced by the Finance Act 2009, a non-payable tax credit equal to one-ninth of the amount or value of the grossed up dividend is available to UK resident individuals in respect of dividends received from non-UK resident companies provided certain conditions are satisfied. Broadly, these conditions are that (a) the individual owns

less than a 10% shareholding in the non-UK resident company; (b) the non-UK resident company is an “offshore fund” for UK tax purposes; or (c) the non-UK resident company is resident in a “qualifying territory” (generally speaking, a territory will be a qualifying territory if it has concluded a double tax treaty with the UK that includes a non-discrimination provision). Unitholders will need to consider the application of these conditions in respect of each dividend received through TraHK on a case by case basis.

Unitholders that are UK tax resident companies will be subject to tax on their share of any dividend income at their appropriate corporation tax rate unless the dividend falls to be treated as an “exempt” distribution for UK corporation tax purposes, in which case a UK resident corporate Unitholder will not be subject to tax on such dividend. A dividend will fall to be treated as “exempt” for UK corporation tax purposes if certain conditions set out in Part 9A of the Corporation Tax Act 2009 are satisfied. It will be necessary to consider whether the conditions are satisfied in respect of each dividend received through TraHK on a case by case basis.

However, prospective Unitholders should be aware that the Manager may not be in a position to provide Unitholders with sufficient information to enable Unitholders to benefit from the non-payable tax credit (as regards income tax) or the exemption from tax (as regards corporation tax) described above.

Individual Unitholders who are not domiciled or ordinarily resident in the UK and to whom section 809B, 809D or 809E of the Income Tax Act 2007 (remittance basis of taxation) applies should only be liable to income tax on the amount of dividend or other income actually received, or treated as being received, in the UK.

Other Income

Other income will be taxed on individual Unitholders at their applicable marginal rate and on UK resident corporate Unitholders at their appropriate corporation tax rate.

Taxation on Disposal of Units: General

For the purposes of UK tax on chargeable gains, Unitholders will be treated as if the Units were shares in a non-UK company. On the basis of the law as it currently stands, a disposal of Units by a Unitholder will not however be subject to tax under the UK rules on chargeable gains if TraHK were to be regarded as a “non-qualifying offshore fund” under the UK “offshore funds” legislation at any time during the Unitholder’s ownership of the Units.

Offshore Funds Legislation

On the basis of the law as it currently stands, TraHK will be regarded as an “offshore fund” for the purposes of the existing offshore funds legislation (Chapter V of Part XVII of the United Kingdom Income and Corporation Taxes Act 1988 (as amended) (“ICTA”)) and a holding of Units in TraHK will be regarded as a material interest in a “non-qualifying” offshore fund for the purposes of Chapter V of Part XVII of ICTA unless TraHK is certified by HM Revenue and Customs as a distributing fund.

TraHK is not currently certified as a distributing fund and the Manager does not intend to apply for certification of TraHK as a distributing fund.

On the basis that TraHK is a “non-qualifying” offshore fund:

- (a) any gains realised by Unitholders on disposal of their Units will be treated for UK tax purposes as income arising at the time of the disposal to the person making the disposal; and
- (b) will be charged
 - (i) to income tax for the year of assessment in which the disposal is made under Chapter 8, Part 5 of ITTOIA, or
 - (ii) to corporation tax as income for the accounting period in which the disposal is made.

Further, Individual Unitholders will not be able to benefit from the annual exemption from tax on chargeable gains or utilise any capital losses incurred in that, or any earlier, tax year to reduce the amount of tax charged. Individual Unitholders who are not domiciled or ordinarily resident in the UK and to whom section 809B, 809D or 809E of the Income Tax Act 2007 (remittance basis of taxation) applies should only be subject to tax if the gain is remitted, or treated as being remitted, to the UK. Any gains remitted would be treated as relevant foreign income of the individual Unitholder.

On the basis that all, or substantially all, of TraHK’s assets will be Index Shares, it is expected that TraHK will satisfy the “non-qualifying investments test” for the purposes of the UK “loan relationships” rules, and so Unitholders within the charge to UK corporation tax should not be required to bring their holdings into account under the loan relationships rules pursuant to Chapter 3 of Part 6 of the Corporation Tax Act 2009.

Offshore Funds: Changes to the Existing Regime

The attention of prospective Unitholders is drawn to the fact that the existing offshore funds regime is currently in the process of being replaced with a new regime which is due to take effect from 1 December 2009.

It is expected that TraHK will be regarded as an “offshore fund” for the purposes of the new regime. Broadly, the new offshore funds rules will replace the existing “distributing fund” regime with a new “reporting fund” regime. However, it has been suggested that entities such as TraHK that are fiscally transparent for the purposes of UK tax on income may fall outside the scope of the new offshore fund rules. The draft regulations clarifying the position are expected to be published shortly.

United States

IMPORTANT INFORMATION: Any US tax advice contained in this prospectus (i) is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under United States federal tax laws and (ii) was written to support the promotion or marketing of Units in TraHK. Each prospective investor should seek advice based on the prospective investor’s particular circumstances from an independent tax adviser.

The following discussion summarises certain significant US federal income tax considerations that may be relevant for “US investors” that acquire Units from TraHK. For this purpose, a US investor includes: (i) a citizen or a resident alien individual of the United States; (ii) a corporation organised in or under the laws of the United States, its states, or the District of Columbia; (iii) an estate the income of which is subject to US federal income tax regardless of source; and (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US fiduciaries have the authority to control all substantial decisions of the trust. This summary does not purport to be a complete description of all of the US federal income tax consequences that may result to US investors in light of their particular circumstances and does not address the US federal income tax treatment of US investors that are subject to special rules (including, but not limited to, banks, broker-dealers, insurance companies and persons that own, directly, indirectly or by attribution, 10% or more of the beneficial interests in TraHK).

Before purchasing Units, prospective US investors should consult their own tax advisers about the particular US federal income tax consequences of their investment in TraHK, as well as the potential consequences under applicable state, local, and non-US tax laws.

TraHK

A non-US person (within the meaning of section 7701(a)(30) of the Internal Revenue Code) generally is subject to US federal income tax on a net basis to the extent that its income is effectively connected with the conduct of a trade or business within the United States. Because the Manager intends to conduct the affairs of TraHK in a manner that does not give rise to a US trade or business, TraHK should not be subject to US federal income tax in respect of dividends, capital gains and other investment income derived from sources outside the United States, although there can be no assurance on this point.

Purchase of Units

Upon acquiring an interest in TraHK, a US investor generally will recognise gain or loss equal to the difference between (i) the fair market value of a Unit plus the US dollar value of any currency received by the US investor, and (ii) the US investor’s adjusted basis in any property, including non-US currency, provided in exchange for such Unit or such Unit and currency. A US investor’s adjusted basis in property so exchanged generally will be the US dollar value of the amount paid for such property. Gain or loss will be long-term if the property provided in exchange for a Unit or for a Unit and currency was held for more than one year and generally will be US source. The deductibility of capital losses is subject to significant limitations. Gain or loss realised by a US investor on an exchange of non-US currency for a Unit or a Unit and other currency will be treated as ordinary gain or loss.

Distributions

Subject to the discussion under “Passive Foreign Investment Company” below, the US dollar value of distributions paid by TraHK, without reduction for fees as described in the section entitled “Fees payable by Investors”, will be taxable as foreign source, ordinary income to the extent of TraHK’s accumulated earnings and profits as determined for US federal income tax purposes. Such distributions will not qualify for taxation at the preferential net capital gains rate that generally applies to distributions from US corporations to individual US persons (within the meaning of section 7701(a)(30) of the Internal Revenue Code), or for the dividends received deduction that generally applies to distributions from US corporations to

corporate US persons. If the US investor converts the distribution into US dollars on the date of receipt or, if earlier, the date of entitlement thereto, it generally will not recognise foreign currency gain or loss. US investors should consult their own advisors about the deductibility of the above fees.

Sale, Exchange or Other Disposition

Subject to the discussion under “Passive Foreign Investment Company” below, a US investor generally will recognise US source capital gain or loss on the sale, exchange or other disposition of a Unit in an amount equal to the difference between the US dollar value of the amount realised and the US investor’s adjusted basis in the Unit. A US investor’s adjusted basis in a Unit generally will equal the US dollar value of the amount of money paid, plus the fair market value of any property exchanged, for the Unit. Gain or loss generally will be US source long-term capital gain or loss if the US investor held the Unit for more than one year at the time of disposition. The deductibility of capital losses is subject to significant limitations. If the US investor converts the proceeds of such distribution into US dollars on the date of receipt or, if earlier, the date of entitlement thereto, it generally will not recognise foreign currency gain or loss.

Passive Foreign Investment Company: For US federal income tax purposes, TraHK will be classified as a passive foreign investment company (“PFIC”) under section 1297 of the US Internal Revenue Code. Accordingly, a US investor will be subject to US federal income tax in respect of the Units in accordance with the special rules applicable to investments in PFICs. Under the PFIC rules, as discussed further below, the US federal income tax consequences of the ownership of Units will be governed by the so-called “non-qualifying fund” regime, unless either (i) a US investor elects to treat TraHK as a “qualifying electing fund” (“QEF”), and TraHK annually supplies its US investors with the information necessary for compliance with the QEF election, or (ii) the Units constitute “marketable stock”, within the meaning of section 1296 of the US Internal Revenue Code, and the US investor elects to mark the Units to market as of the end of each taxable year.

Non-Qualifying Fund: If a QEF or mark-to-market election is not made for the Units, then distributions from TraHK to a US investor in any year that exceed 125 percent of the average annual distribution received by such US investor from TraHK in the three preceding years or the US investor’s holding period, if shorter, and any gain realised on the sale or other disposition of Units, generally will be treated as an “excess distribution”. The US investor will be taxed on the US dollar value of such income as if (i) the excess distribution had been realised ratably over the US investor’s holding period, (ii) the amount deemed realised in years prior to the year in which the excess distribution was actually realised had been subject to tax in each such year at the highest tax rate for such year, and (iii) the interest charge generally applicable to underpayments of tax had been imposed on the taxes deemed to have been payable in all such prior years. The amount deemed realised in the current year will be included in the US investor’s gross income for the current year as ordinary income.

Qualifying Electing Fund: The Manager will, upon written request, use reasonable endeavours to supply its US investors with the information necessary for complying with the QEF election. If a US investor makes a valid and timely-filed QEF election in connection with a purchase of Units, and TraHK annually supplies the information necessary to comply with such election, the electing US investor will be required each taxable year to recognise, as ordinary income, a pro rata share of TraHK’s ordinary earnings, and to recognise, as long-term capital gain, a pro rata share of TraHK’s net capital gain, in each case computed

at the average exchange rate for TraHK's taxable year, without regard to whether distributions are received with respect to the Units for such year. A US investor's pro rata share of TraHK's ordinary earnings and net capital gain for any year generally will be the result of multiplying (i) TraHK's ordinary earnings and net capital gain for that year, (ii) the US investor's percentage ownership of TraHK for that year, and (iii) a fraction, the numerator of which is the number of days in that year that the US investor held such percentage ownership of TraHK and the denominator of which is the number 365. If TraHK has an overall net loss under the QEF regime for any taxable year, such loss will neither pass through to electing US investors nor offset QEF inclusions for subsequent taxable years.

Amounts included in a US investor's taxable income under the QEF regime would increase such US investor's tax basis in the Units. Subsequent distributions by TraHK of such amounts would not be taxable to the US investor, and instead would reduce the US investor's tax basis in the Units to the extent that the US investor could demonstrate that the distributions were attributable to previously-taxed income. Foreign currency gain or loss with respect to such distributions, attributable to movements in exchange rates between the times of deemed and actual distribution generally will be taxable as ordinary income. A US investor generally would recognise capital gain or loss (assuming the Units were held as capital assets) upon a disposition of Units that were subject to a QEF election at all times during such US investor's holding period. Special rules would apply if a US investor makes a QEF election later than the first taxable year in which Units are owned (which rules could result in the US investor remaining subject to the non-qualifying fund regime described above).

Mark-to-Market Election: If a US investor makes a valid and timely-filed mark-to-market election, and provided that the Units constitute "marketable stock" within the meaning of US Internal Revenue Code section 1296, then the electing US investor would be required to report annually any unrealised gain with respect to its Units as an item of ordinary income, and would be permitted to deduct any unrealised loss, as an ordinary loss, to the extent of previous inclusions of ordinary income. Any gain subsequently realised by such electing US investor upon a disposition of Units also would be treated as ordinary income, but such US investor would not be subject to an interest charge on the resulting tax liability as under the non-qualifying fund regime. For purposes of the mark-to-market election, marketable stock generally includes: (i) stock which is regularly traded on certain established securities markets within the United States, or on any exchange or other market which the US Internal Revenue Service determines has rules adequate to carry out the purposes of the mark-to-market election, and (ii) to the extent provided in US Treasury regulations, stock issued by certain foreign investment funds which is redeemable by such funds at net asset value. Special rules would apply to a US investor that held Units prior to the first taxable year for which the mark-to-market election was effective (which rules could result in an interest charge for such first taxable year, as under the non-qualifying fund regime described above).

Attribution of PFIC Stock: The application of the PFIC rules can become extremely complex in situations in which one PFIC invests, directly or indirectly, in shares of another PFIC. A US shareholder of the first PFIC is treated as directly owning a proportionate interest in the stock of the second PFIC. Accordingly, a US investor in Units may have adverse US federal income tax consequences to the extent that any of the shares held by TraHK represents an investment in PFIC stock. In particular, a US investor in Units could be subject to US federal income tax under the non-qualifying fund regime described above whether or not a QEF or mark-to-market election has been made in respect of such Units, upon the

occurrence of any of the following events: (i) TraHK or an entity in which TraHK invests disposes of all or a portion of an investment in the shares of a PFIC; (ii) a US investor is deemed to dispose of shares in a PFIC by disposing of all or a portion of its Units; or (iii) “excess distributions” are made in respect of shares of a PFIC.

Alternative Characterisation of TraHK: Prospective US investors should be aware that the PFIC rules described above would not apply to an investment in Units if TraHK were properly treated as a grantor trust for US federal income tax purposes. Instead, each investor would be deemed to own directly a pro rata share of the assets of TraHK and to receive directly a pro rata share of the income and loss of TraHK. In order for a trust to qualify as a grantor trust, however, the trustee cannot have a power to vary the investments of the trust over time. Under the terms of the Trust Deed, the Manager of TraHK is authorised, among other things, to purchase and dispose of shares, to enter into Futures Contracts and to acquire Options from time to time in a manner that is consistent with the Investment Objective. Thus, in the absence of published authority to the contrary, TraHK would not appear to qualify as a grantor trust for US federal income tax purposes.

Reporting Obligations Upon Certain Transfers and Holdings of Units

A US investor must report certain information to the US Internal Revenue Service concerning contributions of property, including cash, to a non-US corporation such as TraHK. This requirement will arise where the amount of cash transferred to TraHK by the US investor or a related party exceeds \$100,000 for the 12-month period ending on the date of the transfer. If a US investor fails to comply with this requirement, even unintentionally, a penalty equal to 10% of the value of the contributed property, up to \$100,000, may apply; larger penalties may apply in cases of intentional disregard. A US investor may have other reporting obligations in respect of its holding of Units, including an obligation to report its holding of Units on a Report of Foreign Bank and Financial Accounts. Prospective investors are urged to consult their own tax advisers regarding these reporting obligations.

Reportable Transactions

Treasury regulations addressing so-called “tax shelters” and other potentially tax-motivated transactions, called “reportable transactions”, require participants in such transactions to comply with special reporting obligations and require organizers of such transactions to keep lists of, and provide information concerning, participants. A transaction may be a reportable transaction on the basis of any one of a number of indicia, including the existence of confidentiality agreements, certain indemnification arrangements or the potential for recognizing investment or other losses. Although TraHK does not intend to be or invest in any tax shelter, and prospective investors should not invest in TraHK if their principal concern is the achievement of US federal income tax benefits, the definition of a reportable transaction is complex and its application uncertain; accordingly, one or more features of a reportable transaction may be present in an investment in TraHK. Prospective investors are urged to consult their own tax advisers concerning possible disclosure obligations in connection with an investment in TraHK.

US Tax-Exempt Investors

For purposes of this summary, a “US Tax-Exempt investor” is a US investor that is generally exempt from US federal income tax.

A US Tax-Exempt investor, though generally exempt from US federal income tax, will be subject to US federal income tax on its “unrelated business taxable income” (“UBTI”). UBTI is income derived from a trade or business regularly carried on by a US Tax-Exempt investor and unrelated to the exempt purpose of such investor. UBTI generally does not include income such as dividends, interest and gain from the sale of property that is not inventory or otherwise held for sale to customers in the ordinary course of business. UBTI does include income and gain derived from certain debt-financed property, even if such income and gain would otherwise be excluded from UBTI.

Because TraHK will be treated as a corporation for US federal income tax purposes, debt incurred by TraHK for purposes of acquiring property would not be considered acquisition debt incurred by US Tax-Exempt investors. However, if a US Tax-Exempt investor itself incurs debt in order to finance its purchase of Units, income and gain derived from the Units may be treated as UBTI.

A US private foundation considering an investment in TraHK should be aware that, if such foundation acquires a sufficiently large investment in TraHK, its investment could become an “excess business holding” subject to a US excise tax. A private foundation should consult its own tax advisers regarding the excess business holdings provisions of the US Internal Revenue Code and other respects in which the provisions of Chapter 42 of the US Internal Revenue Code could affect the consequences to such foundation of acquiring and holding an investment in TraHK.

Information Reporting and Backup Withholding

In general, unless a US investor establishes that it is an exempt recipient such as a corporation, information reporting may apply to distributions in respect of the Units or the proceeds received on the sale, exchange, or redemption of those Units paid to a US investor within the United States and, in some cases, outside of the United States. Additionally, if a US investor fails to provide its taxpayer identification number, or fails either to report all dividend and interest income or to make certain certifications, a US investor may be subject to backup withholding. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a US investor’s United States federal income tax liability, provided a US investor furnishes the required information to the US Internal Revenue Service. A US investor will also include a partnership organised in or under the laws of the United States or any political subdivision thereof for purposes of the information reporting and backup withholding requirements.

ERISA Considerations

A fiduciary of an ERISA Plan should consider the fiduciary standards of ERISA in the context of the ERISA Plan’s particular circumstances before authorising an investment in TraHK. Among other factors, the fiduciary should consider whether such an investment is in accordance with the documents governing the ERISA Plan and whether an investment is appropriate for the ERISA Plan in view of its overall investment policy and the composition and diversification of its portfolio. Other provisions of ERISA and the US Internal Revenue Code prohibit a Plan from engaging in certain transactions involving “plan assets” with parties which are “parties in interest” under ERISA or “disqualified persons” under the US Internal Revenue Code with respect to the Plan. Therefore, a fiduciary of an ERISA Plan should also consider whether an investment in TraHK might constitute or give rise to a

prohibited transaction under ERISA and the US Internal Revenue Code. In the event of a prohibited transaction, the relevant transaction may have to be rescinded and certain excise taxes and liabilities may apply.

The Manager, the Trustee, the Supervisory Committee, the Promoter and their affiliates may be considered parties in interest or disqualified persons with respect to certain Plans, such as Plans for which the Trustee serves as trustee or custodian. If so, the acquisition of Units by such a Plan could be treated as a prohibited transaction.

There are five class exemptions issued by the US Department of Labour which could exempt the purchase of the Units from the prohibited transaction provisions – Prohibited Transaction Class Exemption (“PTCE”) 84-14, for certain transactions determined by qualified professional asset managers, PTCE 90-1, for certain transactions involving insurance company pooled separate accounts, PTCE 91-38, for certain transactions involving bank collective investment funds, PTCE 95-60, for certain transactions involving insurance company general accounts, and PTCE 96-23, for certain transactions determined by in-house asset managers. In addition, there is also a statutory exemption that may be available under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the US Internal Revenue Code to a party in interest that is a service provider to a Plan investing in the Units for adequate consideration, provided such service provider is not (i) the fiduciary with respect to the Plan’s assets used to acquire the Units or an affiliate of such fiduciary or (ii) an affiliate of the employer sponsoring the Plan (the “Service Provider Exemption”). Adequate consideration means fair market as determined in good faith by the Plan fiduciary pursuant to regulations to be promulgated by the US Department of Labour. Each purchaser and subsequent holder is deemed to represent that either Units are not being acquired with assets of an employee benefit plan subject to ERISA or Section 4975 of the US Internal Revenue Code or the acquisition of Units by the purchaser or subsequent holder is eligible for the relief available under one of the class exemptions or the statutory exemption referred to in this paragraph.

In addition, if the assets of TraHK were deemed to be plan assets of Plans which purchase Units, investment in TraHK by an ERISA Plan might be deemed to constitute a delegation under ERISA of the duty to manage plan assets by a fiduciary investing in TraHK on behalf of an ERISA Plan, and certain transactions involving the operation of TraHK might be deemed to constitute prohibited transactions under ERISA and the US Internal Revenue Code.

Under a final regulation (the “Regulation”) issued by the US Department of Labour, the underlying assets of an entity (such as TraHK) in which Plans acquire equity interests will be considered to be plan assets unless certain exceptions apply. Under the Regulation, if less than 25% of the value of each class of equity interests in an entity is held by “benefit plan investors” (i.e., Plans), the underlying assets of the entity will not be considered to be plan assets.

There can be no assurance that benefit plan investors will hold less than 25% of the Units, and none of the other exceptions set forth in the Regulation would be applicable to TraHK. As a result, the Manager intends to operate TraHK in a manner designed to avoid prohibited transactions under ERISA and the US Internal Revenue Code with respect to the activities of TraHK. For example, neither the Manager, the Trustee nor any of their affiliates will engage in purchases and sales of Index Shares with TraHK as principal, lend money to TraHK or engage in Futures Contracts or Options with TraHK as principal. In addition, the Manager and the Trustee will operate TraHK in compliance with the custody requirements of ERISA.

Due to the complexity of these rules and the penalties imposed upon persons involved in prohibited transactions, a fiduciary of an ERISA Plan considering an investment in TraHK should consult with counsel regarding the consequences under ERISA of the investment. Employee benefit plans which are governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA) generally are not subject to the requirements of ERISA or the prohibited transaction provisions of Section 4975 of the US Internal Revenue Code.

Selling Restrictions

No action has been or will be taken in any jurisdiction that would permit a public offering of the Units or the possession, circulation or distribution of this prospectus or any other offering or publicity material relating to TraHK or the Units in any country or jurisdiction (other than Hong Kong) where action for the purpose is required. Accordingly, the Units may not be offered or sold, directly or indirectly, and neither this prospectus nor any other offering material, circular, prospectus, form of application or advertisement in connection with the Units may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Set out below are restrictions applicable to investors in certain jurisdictions.

United States

The Units offered hereby have not been, and will not be, registered under the US Securities Act, and have not been registered or qualified under any State securities or “Blue Sky” law of the United States and may not be offered or sold to US Persons, or for the account or benefit of a US Person, except to US Persons or for the account of US Persons that are both qualified institutional buyers and qualified purchasers. For purposes of this prospectus, “qualified institutional buyer” has the meaning provided in Rule 144A under the US Securities Act, and “qualified purchaser” has the meaning provided in Section 2(a)(51) of the US Investment Company Act. The Units are subject to additional restrictions on transferability, as described herein and in Annex A.

Each investor applying for the creation of Units must provide to the relevant Participating Dealer (then to be delivered to the Manager) a written certification in the form of Annex A to this prospectus. Annex A sets out various representations, warranties, acknowledgements and agreements to be made by such investor, including limitations on the offer, resale, pledge or transfer of Units.

The Units have not been recommended by any United States federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this prospectus. Any representation to the contrary is a criminal offence. US investors should be aware that they may be required to bear the financial risks of an investment in the Units for an indefinite period of time.

The Units will not be offered and sold in the United States. The Units are being offered outside the United States in reliance on Regulation S under the US Securities Act. For the purpose hereof, the terms “United States” and “US person” shall have the meanings given by Regulation S under the US Securities Act.

TraHK has not been, and will not be, registered under the US Investment Company Act in reliance upon Section 3(c)(7) of the US Investment Company Act and interpretations thereof by the United States Securities and Exchange Commission (“SEC”), which excludes from the definition of investment company certain non-US issuers of outstanding securities which are beneficially owned by US Persons that are qualified purchasers. The Units are being offered and sold in a manner designed to preclude TraHK from having to register under the US Investment Company Act. TraHK will attempt to ensure that owners and beneficial owners of Units who are US Persons are qualified purchasers and will not knowingly sell or permit the sale, or transfer of any beneficial interest in Units to US Persons that are not qualified purchasers.

United Kingdom

Units in TraHK are interests in an unregulated collective investment scheme which has not been authorized or otherwise recognised or approved by the Financial Services Authority in the United Kingdom. Accordingly, this prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom. As the offer relates to units in an open ended collective investment scheme, it does not constitute an offer of transferable securities to the public in the United Kingdom to which section 85(1) of the Financial Services and Markets Act 2000 (“FSMA”) applies.

The distribution in the United Kingdom of this prospectus:

- (A) if made by a person who is not an authorised person under FSMA, is being made only to, or directed only at, persons falling within:
 - (i) Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the “Financial Promotion Order”) (Investment professionals);
 - (ii) Article 49 of the Financial Promotion Order (High net worth companies, unincorporated associations etc); and
 - (iii) any other person to whom it may otherwise lawfully be made; or
- (B) if made by a person who is an authorised person under FSMA, is being made only to, or directed only at, persons falling within:
 - (i) Article 14 of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 as amended (the “Promotion of CISs Order”) (Investment professionals);
 - (ii) Article 22 of the Promotion of CISs Order (High net worth companies, unincorporated associations etc); and
 - (iii) any other person to whom it may otherwise lawfully be made.

Persons of any other description should not act on or rely on upon this prospectus. Any investment or investment activity to which this communication relates is available only to those persons as listed above and will be engaged in only with such persons. Persons of any other description in the United Kingdom may not receive and should not act or rely on this prospectus or any other marketing materials relating to TraHK.

Potential investors in the United Kingdom are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in TraHK and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

Recipients should not distribute, in whole or in part, this document to any other person.

Japan

A Securities Registration Statement with respect to the Units has not been filed with the Financial Services Agency of Japan. The Units may be offered in Japan pursuant to the exception in paragraph 1 of Article 23-14 of the Financial Instruments and Exchange Law of Japan (“FIEL”) and paragraph 2 of Article 21 of the Cabinet Office Order No. 22 of 1993 for Disclosure of Tokutei Securities. This prospectus is not and will not be given to investors on the ground that the offering of the Units is Boshu (public offering as stated in paragraph 3 of Article 2 of the FIEL) nor on the ground that the offering of the Units is Uridashi (secondary offering as stated in paragraph 4 of Article 2 of the FIEL). Therefore, Article 17 of the FIEL with respect to liability for damages by a false prospectus is not applicable with regard to this prospectus.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore, and the offer of the Units may be made in reliance of the institutional investor exemption under Section 304 of the Securities and Futures Act, Chapter 289, of Singapore (“SFA”). Accordingly, this prospectus, and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Units may not be circulated or distributed, nor may Units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore except:

- (i) to an institutional investor pursuant to Section 304 of the SFA; or
- (ii) pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

First sale and transfer of Units acquired pursuant to Section 304 of the SFA is subject to the requirements in Section 304A of the SFA.

Dividend Reinvestment Programme

The Manager does not at the date of this prospectus intend to establish a dividend reinvestment programme (although under the terms of the Trust Deed it has the discretion to do so).

Joint Unitholders

Units which are not deposited in CCASS may be registered in the joint names of up to two persons. No Units will be registered in the joint names of more than two persons. On the death of a joint Unitholder the survivor shall become the only person entitled to the Units. Where Units are registered in the joint names of two people, the Unitholder whose name appears first on the Register will be the person to receive any cheques, notices, annual accounts and interim accounts and other documents in respect of TraHK from the Manager, the Trustee and/or the Registrar.

Any one Unitholder may sign a receipt for any moneys payable or Index Shares delivered on a redemption of Units, which shall be a good discharge to the Trustee.

Disclosure of Interests (Part XV of the SFO)

Pursuant to section 323(1)(c) and (4) of the SFO, an interest in shares which subsists by virtue of a unit trust authorized by the SFC under section 104 of the SFO shall be disregarded, unless the holder, custodian or trustee is also a manager of the scheme. Accordingly, for the purposes of Part XV of the SFO, a legal or beneficial holder of Units who is not the manager of TraHK will not be deemed to have an interest in those Index Shares which form part of the assets of TraHK.

The Codes on Takeovers and Mergers and Share Repurchases

Unitholders are advised that any shareholding resulting from redemption of Units will normally be subject to the application of the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong (“Takeover Codes”). Furthermore, where a Unitholder holds one million Units or more, while one or more of the companies whose shares constitute Index Shares are subject to the governance of the Takeover Codes (such as during an offer period) and the Unitholder is acting in concert with the relevant parties (such as an offeror or offeree company), the Takeover Codes will be applicable. In such circumstances, a Unitholder should consult a solicitor or financial adviser so as to ensure full compliance with the Takeover Codes. A Hang Seng Index constituent company which purchases Units will not be treated as repurchasing its own shares for the purposes of the Takeover Codes.

Documents Available For Inspection

Copies of the following documents are, or will be, available for inspection during normal business hours at the offices of the Manager and the Trustee:

- the Trust Deed;
- the Registrar Agreement;
- the Conversion Agency Agreement;
- pro forma version of the Participation Agreement; and
- the most recent annual reports and accounts of TraHK (not later than four months after the end of TraHK’s preceding financial period) and the most recent interim reports of TraHK (not later than two months after the end of the period to which they relate).

Copies of this prospectus can be obtained during normal business hours from the following:

The Manager
State Street Global Advisors Asia Limited
68/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

The Trustee
State Street Bank and Trust Company
68/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

and may be obtained from the Participating Dealers.

APPENDIX I — DEFINITIONS

In this prospectus, unless the context requires otherwise, the following expressions shall have the meanings set out below:

“Banking Ordinance” means the Banking Ordinance (Cap 155) of the laws of Hong Kong;

“business day” means any day upon which the Stock Exchange is open for normal trading and upon which the Hang Seng Index is compiled and published but excluding any day on which a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal (or any warning or signal considered by the Manager to be similar in effect) is in force in Hong Kong at any time after the Stock Exchange officially opens for trading and before the Stock Exchange officially closes for trading on that day (or such other times as may from time to time be determined by the Manager and the Trustee);

“CCASS” means the Central Clearing and Settlement System established and operated by HKSCC;

“Companies Ordinance” means the Companies Ordinance (Cap 32) of the laws of Hong Kong;

“Connected Person” means, in relation to any company (the “relevant person”):

- (a) any person beneficially owning, directly or indirectly, twenty per cent or more of the ordinary share capital of the relevant person or able to exercise, directly or indirectly, twenty per cent or more of the total voting rights attributable to the voting share capital of the relevant person;
- (b) any person or company controlled by any such person as is described in paragraph (a) above and for this purpose “control” of a company means:
 - (i) control (either direct or indirect) of the composition of the board of directors of that company; or
 - (ii) control (either direct or indirect) of more than half the voting rights attributable to the voting share capital of that company; or
 - (iii) the holding (either directly or indirectly) of more than half of the issued share capital (excluding any part of it which confers no right to participate beyond a specified amount in a distribution of either profits or capital), provided always that if the Trustee and the Manager agree some other definition acceptable to the SFC of the expression “control” such definition shall be substituted for the above definition;
- (c) any company which is a holding company or subsidiary (in each case within the meaning of section 2 of the Companies Ordinance) of the relevant person or a subsidiary of any such holding company; and
- (d) any director or other officer of the relevant person or of any company which is a Connected Person of the relevant person pursuant to paragraph (a), (b) or (c) above;

“Continuous Offering” means the continuous offering of Units, in Creation Unit size;

“Conversion Agency Agreement” means the conversion agency agreement dated 25 October 1999 between the Conversion Agent, HKSCC and the Manager as amended and supplemented by an amendment agreement dated 11 November 1999, a deed of novation dated 28 May 2002, a second amendment agreement dated 26 May 2006, a third amendment agreement dated 21 May 2008 and a fourth amendment agreement dated 23 March 2009;

“Conversion Agent” means HK Conversion Agency Services Limited;

“Creation Unit” means a multiple of 1,000,000 (one million) Units;

“Dealing Day” means each business day during the continuance of TraHK, and/or such other day or days as the Manager may from time to time determine with the approval of the Trustee, the Supervisory Committee and the Promoter;

“Dealing Deadline” means 15 minutes after the Stock Exchange officially closes for trading on each Dealing Day or such other time on any Dealing Day as the Manager (with the approval of the Trustee and the Supervisory Committee) may from time to time determine;

“Dividend Equivalent Amount” means the amount included in the Issue Price or redemption proceeds (as the case may be) of the Units issued or redeemed, representing the net undistributed dividends and other income received and held or receivable by TraHK;

“Duties and Charges” means (i) all stamp and other duties, taxes, government charges, brokerage, bank charges, transfer fees, registration fees, transaction levies and other duties and charges payable in connection with, amongst other things, the acquisition or disposal of investments to effect, upon or after any issue of Units or redemption of Units; and (ii) a charge (if relevant) to be made for the purpose of reimbursing TraHK for the difference between (a) the prices used when valuing the investments in TraHK for the purpose of calculating TraHK’s Net Asset Value and (b) (in the case of an issue of Units) the prices which would be paid when acquiring the same investments if they were acquired by TraHK for cash and (in the case of a redemption of Units) the prices which would be received when selling the same investments if they were sold by TraHK for cash;

“EFIL” means Exchange Fund Investment Limited;

“ERISA” means the United States Employee Retirement Income Security Act 1974, as amended;

“ERISA Plan” means any employee benefit plan under ERISA;

“Ex-Dividend Date” means each date in each year which falls two business days immediately before a Record Date (or such other number of days as may from time to time be determined by the Manager with the consent of the Trustee and the Supervisory Committee, and in particular, where the Record Date is a business day, subject to the consent of the Trustee and the Supervisory Committee, the Manager will determine the relevant Ex-Dividend Date to fall one business day prior to such Record Date);

“Exchange Fund” means the Exchange Fund of the HKSAR Government established pursuant to the Exchange Fund Ordinance;

“Exchange Fund Ordinance” means the Exchange Fund Ordinance (Cap 66) of the laws of Hong Kong;

“Financial Secretary” means the Financial Secretary as controller of the Exchange Fund;

“Former Index Share” means a share which was formerly, but has ceased to be, an Index Share;

“Futures Contract” means any futures contract which is traded on the Futures Exchange;

“Futures Exchange” means the Hong Kong Futures Exchange Limited or any successor thereto;

“Future Index Share” means a share listed or to be listed on the Stock Exchange and which HSI has announced will be included in the Hang Seng Index or which the Manager and the Trustee reasonably believe will be included in the Hang Seng Index within 30 days;

“Hang Seng Index” means the index commonly known in Hong Kong and internationally under the name or style “Hang Seng Index”, which (a) is computed by HSI according to a formula, and (b) is a registered trade mark in the name of HSDS and can be used only with the prior consent of HSDS. If on any business day the Hang Seng Index is (i) not being compiled and published by HSDS or HSI but is compiled and published by a successor sponsor to HSI, acceptable to the Manager, the Trustee and the Supervisory Committee or (ii) replaced by a successor index using, in the opinion of the Manager, the Trustee and the Supervisory Committee, the same or substantially similar formula for the method of calculation as used in the calculation of the Hang Seng Index then the “Hang Seng Index” will be deemed to be the index compiled and published by that successor sponsor or that successor index, as the case may be;

“HKSCC” means Hong Kong Securities Clearing Company Limited;

“HKSCC Nominees” means HKSCC Nominees Limited;

“HKSAR” or “Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“HKSAR Government” means the government of the HKSAR;

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

“HSDS” means Hang Seng Data Services Limited;

“HSI Licence Agreement” means the licence agreement entered into between HSI, HSDS, the Manager and the Trustee dated 23 October 1999 relating to the Hang Seng Index;

“HSI” means Hang Seng Indexes Company Limited;

“H-shares” means the ordinary shares issued in Hong Kong by a joint-stock limited company incorporated in the PRC with limited liability in accordance with PRC laws which are subscribed for and traded in Hong Kong dollars and are listed and traded on the Stock Exchange;

“H-share constituent” means an H-share company selected as a constituent company in the Hang Seng Index;

“Index Basket” means a portfolio of current Index Shares as determined by the Manager substantially similar in composition and weighting to the Hang Seng Index, provided that such portfolio shall comprise only whole numbers of shares and no fractions or, if the Manager determines, shall comprise only round lots and not any odd lots;

“Index Basket Application” means an application for Units in exchange for Index Shares comprising an Index Basket plus or minus a cash payment;

“Index Shares” means the shares listed on the Stock Exchange of those companies which are for the time being the constituent companies of the Hang Seng Index;

“Investment Objective” means TraHK’s investment objective to provide investment results that closely correspond to the performance of the Hang Seng Index;

“Issue Price” means the price per Unit at which Units are from time to time issued;

“Listing Rules” means the Rules Governing the Listing of Securities on the Stock Exchange;

“Mainland” or “PRC” means the mainland of the People’s Republic of China, and shall not unless otherwise stated include Hong Kong, Macau or Taiwan;

“Manager” means State Street Global Advisors Asia Limited;

“Net Asset Value of TraHK” or “TraHK’s Net Asset Value” means all of TraHK’s assets (including the Index Shares held by it) less its liabilities;

“Net Asset Value per Unit” means the Net Asset Value of TraHK divided by the number of Units outstanding;

“Nominal Closing Price” means the closing price quoted by the Stock Exchange of shares listed on the Stock Exchange, which is used to determine the Net Asset Value of TraHK;

“Option” means any option in respect of any Futures Contract or any option or warrant in respect of any Index Share or Future Index Share;

“Participation Agreement” means an agreement entered into between the Trustee, the Manager, HKSCC, the Conversion Agent and a Participating Dealer setting out, among other things, the arrangements for the issue of Units for Index Shares under an Index Basket Application and for the redemption of Units;

“Participating Dealer” means any broker or dealer who has entered into a Participation Agreement acceptable in form and substance to the Manager and the Trustee;

“PFIC” means passive foreign investment company;

“Plans” means collectively an individual retirement account, or employee benefit plan subject to Section 4975 of the US Internal Revenue Code and an entity whose underlying assets include or are deemed to include “plan assets” within the meaning of ERISA;

“Promoter” means EFIL (or such other person for the time being duly appointed as promoter in succession to EFIL);

“PTCE” means Prohibited Transaction Class Exemptions;

“QEF” means qualifying electing fund;

“Record Date” means the date or dates, determined by the Manager (with the approval of the Trustee and the Supervisory Committee) as the date or dates for the purpose of determining the Unitholders of record entitled to receive any distributions of income;

“Redemption Unit” means a multiple of 1,000,000 (one million) Units;

“Redemption Value” means the value per Unit at which Units are from time to time redeemed;

“Registrar” means Computershare Hong Kong Investor Services Limited (formerly known as “Central Registration Hong Kong Limited”);

“Registrar Agreement” means the registrar agreement dated 23 October 1999 between the Registrar, the Trustee and the Manager;

“Regulation” means the final regulation issued by the US Department of Labour referred to in the section entitled “ERISA Considerations”;

“RMB” means Renminbi, the lawful currency of the PRC;

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

“SEC” means the United States Securities and Exchange Commission;

“SFC” means the Securities and Futures Commission of Hong Kong;

“SFC Code” means the SFC Code on Unit Trusts and Mutual Funds, as amended or supplemented from time to time;

“SSgA” means State Street Global Advisors, the investment division of State Street Corporation;

“State Street” means State Street Corporation and its subsidiaries;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited or any successor thereto;

“Supervisory Committee” means the supervisory committee appointed pursuant to the Trust Deed;

“Takeover Codes” means the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong;

“TraHK” means Tracker Fund of Hong Kong;

“TraHK website” means *www.TraHK.com.hk*;

“Transaction Fee” means the fee which shall be charged to each Participating Dealer in respect of the total aggregate creation and redemption applications per day;

“Trust Deed” means the deed of trust constituting TraHK, made between the Trustee, the Manager and the Promoter and dated 23 October 1999;

“Trustee” means State Street Bank and Trust Company;

“Trustee Ordinance” means the Trustee Ordinance (Cap 29) of the laws of Hong Kong;

“Unit” means a unit of TraHK;

“Unitholder” means a person registered as holding any Units;

“United Kingdom” means the United Kingdom of Great Britain and Northern Ireland;

“United States” or “US” means the United States as defined in Regulation S under the US Securities Act;

“US\$” means a United States dollar, the lawful currency of the United States;

“US Internal Revenue Code” means United States Internal Revenue Code of 1986, as amended;

“US Investment Company Act” means United States Investment Company Act of 1940, as amended;

“US Person” has the meaning given to it in Regulation S under the US Securities Act;

“US Securities Act” means United States Securities Act of 1933, as amended; and

“Valuation Point” means the official close of trading on the Stock Exchange on each Dealing Day (or such other time or times as from time to time determined by the Manager and the Trustee provided that there shall always be a Valuation Point on each Dealing Day other than where there is a suspension of creation and redemption of Units).

In this prospectus:

- references to time shall be references to local time in Hong Kong;
- references to any agreement shall be deemed to be references to that agreement as from time to time amended or supplemented;
- references to any statute or statutory instrument shall be deemed to be references to that statute or statutory instrument as from time to time amended, re-enacted, superseded or replaced; and
- the rate of exchange used to translate United States dollars to Hong Kong dollars is US\$1 = HK\$7.78.

APPENDIX II — THE HANG SENG INDEX

The information presented in this Appendix has been extracted from publicly available documents that have not been prepared or independently verified by the Manager, the Trustee, the Promoter, the Supervisory Committee or any of their respective affiliates or advisers in connection with the offering of Units and none of them makes any representation as to or takes any responsibility for the accuracy or completeness of this Appendix.

The Hang Seng Index

The Hang Seng family of indices is compiled and published by HSI, which is a wholly-owned subsidiary of Hang Seng Bank. The members of the index family include the Hang Seng Index, Hang Seng China Enterprises Index, Hang Seng Composite Index Series, Hang Seng Freefloat Index Series and Hang Seng Total Return Index Series.

The Hang Seng Index is composed of constituent companies which are intended to be representative of all companies listed on the Stock Exchange, and the shares of which generally have high market value and liquidity. By virtue of its representative composition and by tracing the day-to-day price movements of the shares of the constituent companies, the Hang Seng Index reflects the performance of the Hong Kong stock market as a whole, i.e., the combined experience of all investors in shares listed on the Stock Exchange. The Hang Seng Index is a benchmark against which investors and portfolio managers may measure their own performance over a period of time.

The Hang Seng Index has been designed such that it reproduces the performance of a hypothetical portfolio made up of the shares of the constituent companies with an interest in each constituent company which is always proportionate to such constituent company's market capitalization adjusted to take into account the freefloat of the relevant shares.

Compilation Methodology

The compilation of the Hang Seng Index was switched from a full market capitalization weighted formula to a freefloat-adjusted market capitalization weighted formula with a 15% cap on individual stock weightings starting from 11 September 2006. Details are as follows:

- a) Freefloat adjustment: A Freefloat-Adjusted Factor ("FAF") (as defined in Appendix III – "Definition of Freefloat – Adjusted Factor") is assigned to each constituent in index calculation. The freefloat definition has been revised to exclude shareholdings with a lock-up arrangement.
- b) Cap: A 15% cap on individual stock weightings is applied.
- c) Re-capping frequency: A re-capping exercise will be conducted at quarterly intervals to coincide with the regular update of the FAF.

The Hang Seng Index is updated on a 15-second basis during the trading hours of the Stock Exchange. The closing level of the Hang Seng Index is based on the closing aggregate market capitalization of the shares of the constituent companies.

The Hang Seng Index is reported in the Daily Index Bulletin and the Hang Seng Indexes Weekly Statistics, both of which are published by HSI.

Selection Criteria

Constituent stocks of the Hang Seng Index are selected by a process of detailed analysis, supported by extensive external consultation. To be eligible for selection, a company:

1. must be among those that constitute the top 90% of the total market value of all ordinary shares listed on the Stock Exchange (market value is expressed as an average of the past 12 months);
2. must be among those that constitute the top 90% of the total turnover on the Stock Exchange (turnover is aggregated and individually assessed for eight quarterly sub-periods for the past 24 months); and
3. should normally have a listing history of 24 months on the Stock Exchange or meet the requirements of the Guidelines for Handling Large-cap Stocks Listed for Less Than 24 months.

From the many eligible candidates, final selections are based on the following:

1. the market value and turnover ranking of the companies;
2. the representation of the sub-sector within the Hang Seng Index directly reflecting that of the market; and
3. the financial performance of the companies.

Inclusion of H-share Companies in the Hang Seng Index

As decided in February 2006, Mainland enterprises that have an H-share listing in Hong Kong are eligible for inclusion in the Hang Seng Index when they meet any one of the following conditions:

1. the H-share company has 100% of its ordinary share capital in the form of H-shares which are listed on the Stock Exchange;
2. the H-share company has completed the process of share reform with the result that there is no unlisted share capital in the company; or
3. for new H-share initial public offerings, the company has no unlisted share capital.

For any H-share companies included in the Hang Seng Index, only the H-share portion of the share capital of the company will be used for index calculation, subject to freefloat adjustment discussed as above.

Number of Constituents with Inclusion of H-share Companies

On 23 July 2009, the number of constituent companies in the Hang Seng Index was 42. The constituent companies which comprise the Hang Seng Index include H-share constituents and are changed by HSI from time to time. The list of constituents in the Hang Seng Index will be updated and published on the TraHK website from time to time to reflect the current composition.

In order to ensure that the Hang Seng Index will remain broad-based enough to represent the Hong Kong equity market following the inclusion of eligible H-share companies, HSI decided that the number of constituents would be gradually increased to a maximum of 50. This will ensure that the Hang Seng Index will continue to comprise the largest and most liquid stocks in the market and to serve it as the most representative market benchmark as well as a basis for index-linked derivative products.

The Top 10 holdings as of 23 July 2009 are

Issuer of Index Share	CCASS Stock Code	HSI weighting as of 23-Jul-09
HSBC Hldgs	5	14.69%
China Mobile	941	9.03%
CCB	939	8.06%
Bank of China	3988	5.09%
China Life	2628	5.09%
ICBC	1398	4.77%
PetroChina	857	3.75%
CNOOC	883	3.62%
SHK Prop	16	3.36%
HKEx	388	2.92%

Use of mark and name “Hang Seng Index”

The Hang Seng Index is published and compiled by HSI pursuant to a licence from HSDS. The mark and name “Hang Seng Index” is proprietary to HSDS. HSI and HSDS have agreed to the use of, and reference to, the Hang Seng Index by the Manager and the Trustee and their respective duly appointed agents in connection with TraHK, but neither HSI nor HSDS warrants or represents or guarantees to any broker or investor in TraHK or any other person dealing with TraHK or any other person the accuracy or completeness of the Hang Seng Index and its computation or any information related thereto and no warranty or representation or guarantee of any kind whatsoever relating to the Hang Seng Index is given or may be implied. The process and basis of computation and compilation of the Hang Seng Index and any of the related formula or formulae, constituent companies and factors may at any time be changed or altered by HSI without notice. No responsibility or liability is accepted by HSI or HSDS in respect of the use of and/or reference to the Hang Seng Index by any of the Manager or the Trustee and their respective duly appointed agents in connection with TraHK or for any inaccuracies, omissions, mistakes or errors of HSI in the computation of the Hang Seng Index or for any economic or other loss which may be directly or indirectly sustained by any broker or investor in TraHK or any other person dealing with TraHK as a result thereof and no claims, actions or legal proceedings may be brought against HSI and/or HSDS in connection with TraHK in any manner whatsoever by any investor investing in TraHK. Any such person investing in TraHK does so therefore in full knowledge of this disclaimer and can place no reliance whatsoever on HSI and HSDS.

APPENDIX III — DEFINITION OF FREEFLOAT-ADJUSTED FACTOR

A Freefloat-Adjusted Factor (“FAF”) is devised to represent the portion of freefloat shares after excluding the following four groups of shareholdings:

- (a) Strategic holdings – Shares held by strategic shareholder(s) who individually or collectively control more than 30% of the shareholdings;
- (b) Directors’ holdings – Shares held by director(s) who individually control more than 5% of the shareholdings;
- (c) Cross-holdings – Shares held by a Hong Kong or Mainland-listed company which controls more than 5% of the shareholdings as investments; and
- (d) Lock-up shares – Shares held by shareholder(s) who individually or collectively represent more than 5% of the shareholdings in the company and with a publicly disclosed lock-up arrangement.

The FAF is rounded up to the nearest 5% for index calculation.

ANNEX A

Required Certification for creation of Units

[Date]

[Name of Participating Dealer]
[Address of Participating Dealer]

Dear Sirs:

We are delivering this certificate in connection with our application for the creation of Units (the "Units") of the Tracker Fund of Hong Kong (the "Trust"), a unit trust established under the laws of Hong Kong.

We hereby represent, warrant and agree that either:

- (A) (i) we are both a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and a "qualified purchaser" within the meaning of Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (a "QIB-QP");
- (ii) we are acquiring the Units for our own account or we are acquiring the Units for the account of one or more QIB-QPs (each, a "QIB-QP Account"), each of which is acquiring beneficial interests in the Units ("Beneficial Interests") for its own account; and
- (iii) (1) if in the future we decide to offer, resell, pledge or otherwise transfer any Units or any Beneficial Interests, we will offer, sell, pledge or otherwise transfer such Units or such Beneficial Interests only either (x) on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in one or more transactions that are not with a pre-arranged counter-party or (y) to designated U.S. selling agents; and
- (2) if in the future any QIB-QP Account decides to offer, resell, pledge or otherwise transfer any Beneficial Interests, such QIB-QP Account will offer, sell, pledge or otherwise transfer such Beneficial Interests only either (x) on the Stock Exchange in one or more transactions that are not with a pre-arranged counter-party or (y) to U.S. selling agents of [Goldman Sachs (Asia) L.L.C., ING Barings (Asia) Limited or Jardine Fleming Securities Limited];

or

- (B) (i) we are not a U.S. Person within the meaning of Rule 902 promulgated under the Securities Act;
- (ii) we are acquiring the Units for our own account or we are acquiring the Units for the account of one or more non-U.S. Persons (each, a "Reg. S Account"), each of which is acquiring Beneficial Interests for its own account; and

- (iii) we and each Reg. S Account will not offer, resell, pledge or otherwise transfer the Units or the Beneficial Interests, at any time, within the United States or to or for the account or benefit of U.S. Persons, except to designated U.S. selling agents.

In addition to either (A) or (B) set forth above, we further represent, warrant, acknowledge and agree that:

- (i) the Units have not been registered under the Securities Act;
- (ii) you and others will rely upon our representations, warranties, acknowledgments and agreements set forth herein, and we will notify you promptly in writing if any of our confirmations, acknowledgments or agreements herein ceases to be accurate and complete;
- (iii) this certificate or a copy hereof may be produced to State Street Global Advisors Asia Limited in its capacity as manager of the Trust and to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby; and
- (iv) all necessary actions have been taken to authorize the subscription by us of the Units and the execution of this certificate.

PARTIES INVOLVED IN THE OFFERING

Manager

State Street Global Advisors Asia Limited
68/F., Two International Finance Centre
8 Finance Street, Central,
Hong Kong

Directors of the Manager

Bernard Reilly
Kelly Driscoll
Eric Choi
Katrina Sly

Trustee and Custodian

State Street Bank and Trust Company
68/F., Two International Finance Centre
8 Finance Street, Central,
Hong Kong

Promoter

Exchange Fund Investment Limited
87/F., Two International Finance Centre
8 Finance Street, Central,
Hong Kong

Registrar

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

Conversion Agent

HK Conversion Agency Services Limited
12/F., One International Finance Centre
1 Harbour View Street, Central
Hong Kong

Legal Adviser to the Manager

Clifford Chance
28th Floor, Jardine House
One Connaught Place
Hong Kong

Auditors

PricewaterhouseCoopers
22nd Floor Prince's Building
Central
Hong Kong

TraHK
Tracker Fund of Hong Kong