IMPORTANT: Investments involve risks. Investors are advised to consider their own investment objectives and circumstances in determining the suitability of an investment in the iShares FTSE/XINHUA A50 China ETF ("A50 China ETF"). An investment in the A50 China ETF may not be suitable for everyone. If you are in any doubt about the contents of this prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. Investors should note:

- the A50 China ETF aims to provide investment results that, before fees and expenses, closely correspond to the performance of its underlying index;
- the A50 China ETF does not invest directly in China A Shares but instead gains access to the A share market by investing solely into China A-share Access Products (CAAPs), which are derivative instruments linked to an A share or the index issued by third parties ("CAAP Issuers"). A CAAP represents only an obligation of each CAAP Issuer to provide the economic performance equivalent to holding the underlying A Shares;
- the qualified foreign institutional investors ("QFII") policy and rules are subject to change and any such change could adversely impact the A50 China ETF. In the worst case scenario, this could lead to CAAPs not being able to be issued and the A50 China ETF having to be terminated;
- the A50 China ETF is subject to counterparty risk associated with each CAAP Issuer and may suffer losses potentially equal to the full value of the CAAPs issued by a CAAP Issuer if such CAAP Issuer fails to perform its obligations under the CAAPs. Any loss would result in a reduction in the net asset value of the A50 China ETF and impair the ability of the A50 China ETF to achieve its investment objective to track the relevant index. In the event of any default by a CAAP Issuer dealing may be suspended and the A50 China ETF may not continue to trade;
- PRC withholding tax is not currently enforced on capital gains realised by QFIIs on the sale of A-Shares. There is a risk the PRC tax authorities may seek to collect capital gains tax ("PRC CGT") without giving any prior warning, and possibly, on a retrospective basis. Any capital gains tax levied on and payable by a QFII may be passed on to the A50 China ETF to the extent that the tax is attributable to their holdings of Index CAAPs. Certain CAAP Issuers may withhold an amount equal to 10% of any gain on a CAAP on account of PRC CGT. Tax provisions are not made at the A50 China ETF level and therefore any retrospective enforcement may result in a substantial loss to the A50 China ETF;
- prices on the SEHK are based on secondary market trading factors and may deviate significantly from the net asset value of the A50 China ETF;
- generally, investments in emerging markets are subject to a greater risk of loss than investments in a developed market due to greater political, economic, foreign exchange, liquidity and regulatory risks, etc. Investments in single country funds are also subject to greater risk because of the concentrated country exposure.

iShares FTSE/XINHUA A50 CHINA INDEX ETF

a sub-fund of the iShares Asia Trust
a Hong Kong unit trust authorised under
Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong
Stock Code: 2823

PROSPECTUS

Listing Agent and Manager
BlackRock Asset Management North Asia Limited
21 December 2009

iShares®

IMPORTANT NOTICE

The acquisition by BlackRock, Inc., of Barclays Global Investors which includes the Manager, was completed on 1 December 2009 in New York. The Manager now forms part of the BlackRock group of companies, the largest asset manager in the world. The Manager's name has now changed to BlackRock Asset Management North Asia Limited. The Manager's board of directors was restructured on 1 December 2009 to comprise of the following directors:

Rohit Bhagat (newly appointed);
Nicholas Michael Whateley Good (continuing);
Michael Timothy Marquardt (newly appointed); and
Peter William Swarbreck (newly appointed).

Biographies of each of the directors is included in the section "Management of the Trust".

The following directors retired with effect from 1 December 2009:

Robert J. Haber;
Frederick James Horsey;
David Jonathan Semaya; and
Mark A A C Talbot.

Contents

IMPORTANT

Investors should note that investment in the iShares FTSE/Xinhua A50 China Index ETF (the "A50 China ETF") is not the same as investment in the constituent shares of the FTSE/Xinhua A50 China index (the "Index"). The A50 China ETF does not invest directly in Chinese A shares. Rather, the A50 China ETF will invest in Index CAAPs. An Index CAAP is a derivative instrument linked to either (a) an A Share of a PRC company which is at the relevant time a constituent company of the Index or (b) the Index. An Index CAAP represents only an obligation of the CAAP Issuer to provide the A50 China ETF the economic performance equivalent to holding the underlying A Shares. An Index CAAP does not provide any beneficial or equitable entitlement or interest in the relevant A Shares to which the Index CAAP is linked. In other words, the A Shares are not in any way owned by the A50 China ETF. However each Index CAAP synthetically replicates the economic benefit of the relevant A Share or the Index in so far as possible. Because an Index CAAP is an obligation of the CAAP Issuer, rather than a direct investment in A Shares, the A50 China ETF may suffer losses potentially equal to the full value of the Index CAAP if the CAAP Issuer fails to perform its obligations under the Index CAAPs. Investors' attention is drawn to the description of Index CAAPs on pages 30 to 33, the section "Fees Payable" on pages 55 to 57 and to the risk factor "Counterparty risk of CAAP Issuers" on page 46.

For the reasons set out in Section 2 of this prospectus on page 47, the A50 China Index ETF may have a limited duration and such duration will depend on the terms of the Index CAAPs which may be agreed between BlackRock Asset Management North Asia Limited (the "Manager") and the relevant CAAP Issuers. Investors' attention is drawn generally to "Risk Factors relating to the A50 China ETF" on pages 45 to 54.

In addition, it is possible that Units in the A50 China ETF may trade at a premium or at a discount to the Net Asset Value of the Units, for example where a CAAP Issuer is constrained in the issue of Index CAAPs for reasons including limits on QFII investment quota or the ability to repatriate US dollars from the PRC is suspended. Investors' attention is drawn to the "Risk Factors relating to the A50 China ETF" on pages 45 to 54.

Further, it is possible that the A50 China ETF may experience greater tracking error than typical exchange traded index funds. There are a number of possible causes of such tracking error, including foreign ownership restrictions on certain constituent stocks, the fees payable by the A50 China ETF, foreign exchange costs, any withholding on account of PRC corporate income tax and the possible need for the Manager to adopt a Representative Sampling Strategy. Investors' attention is drawn to the discussion in this regard under "Investment Strategy of the A50 China ETF" on pages 29 and 30.

This prospectus has been prepared in connection with the offer in Hong Kong of Units in the A50 China ETF a sub-fund of iShares Asia Trust (the "Trust"), an umbrella unit trust established under Hong Kong law by a trust deed dated 16 November 2001, as amended, between the Manager and HSBC Institutional Trust Services (Asia) Limited (the "Trustee") by amendments dated 2 January 2002, 27 October 2004, 13 October 2006 and dated 14 November 2008.

The directors of the Manager accept full responsibility for the information contained in this prospectus and for the accuracy and fairness of the opinions expressed, and confirm that this prospectus includes particulars given in compliance with The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "SEHK") and the Code on Unit Trusts and Mutual Funds (the "Code") for the purposes of giving information with regard to the Units of the A50 China ETF and that having made all reasonable enquiries, the directors confirm that, to the best of their knowledge and belief, the information contained in this prospectus is true, accurate and complete in all material respects and not misleading; there are no other matters the omission of which would make any statement in this prospectus misleading, whether of fact or opinion; any inferences that might reasonably be drawn from any statement in the prospectus are true and are not misleading; and all opinions and intents expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable. The Trustee is not responsible for the preparation of this prospectus and shall not be held liable to any person for any information disclosed in this prospectus.

The Trust and the A50 China ETF have been authorised by the Securities and Futures Commission (the "SFC") in Hong Kong pursuant to section 104 of the Securities and Futures Ordinance. The SFC takes no responsibility for the financial soundness of the Trust and the A50 China ETF or for the correctness of any statements made or opinions expressed in this prospectus.

Applicants for Units should consult their financial advisers and take legal advice as appropriate as to whether any governmental or other consents are required, or other formalities need to be observed, to enable them to acquire Units and as to whether any taxation effects, foreign exchange restrictions or exchange control requirements are applicable.

Dealings in the Units in the A50 China ETF on the SEHK commenced on 18 November 2004. Units in the A50 China ETF have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited ("HKSCC") for deposit, clearing and settlement in the Central Clearing and Settlement System ("CCASS") with effect from 18 November 2004. Applications may be made to list Units in other Index Funds constituted under the Trust in future on the SEHK. Subject to compliance with the admission requirements of HKSCC and the granting of listing of, and permission to deal in, the Units in other Index Funds on the SEHK, the Units in other Index Funds will be accepted as eligible securities by HKSCC for deposit, clearing and settlement in the CCASS with effect from the date of commencement of dealings in the Units in the other Index Funds on the SEHK or such other date as may be determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No action has been taken to permit an offering of Units of the A50 China ETF or the distribution of this prospectus in any jurisdiction other than Hong Kong and, accordingly, this prospectus does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Furthermore, distribution of this prospectus shall not be permitted unless it is accompanied by a copy of the latest annual report and accounts of the A50 China ETF and, if later, its most recent interim report, which form a part of this prospectus.

In particular:

- Units have not been registered under the United States Securities Act of 1933 (as amended) and except in a transaction which does not violate such Act, may not be directly or indirectly offered or sold in the United States of America or any of its territories or for the benefit of a US Person (as defined in Regulation S of such Act);

- the A50 China ETF has not been and will not be registered under the United States Investment Company Act of 1940, as amended;

- Units may not, except pursuant to a relevant exemption, be acquired or owned by, or acquired with the assets of an ERISA Plan. An ERISA Plan is defined as (i) any retirement plan subject to Title I of the United States Employee Retirement Income Securities Act of 1974, as amended; or, (ii) any individual retirement account or plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended.

Investors should note that any amendment or addendum to this prospectus will be posted on the website (www.ishares.com.hk) and copies of such amendment or addendum will also be available at the offices of the Manager.

Directors and Other Parties

DIRECTORS OF THE MANAGER
Rohit Bhagat
Nicholas Michael Whateley Good
Michael Timothy Marquardt
Peter William Swarbreck

MANAGER AND LISTING AGENT
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Central
Hong Kong

SECTION 1 – GENERAL INFORMATION RELATING TO THE TRUST

This prospectus provides the information you need to make an informed decision about investing in the A50 China ETF. It contains important facts about the Trust as a whole and the A50 China ETF. Section 1 of this prospectus includes general information concerning the Trust and its Index Funds, including the A50 China ETF. Section 2 includes specific information relevant to the A50 China ETF only.

The Trust

The Trust is an umbrella unit trust created by a trust deed dated 16 November 2001 made under Hong Kong law between Barclays Global Investors North Asia Limited (now known as BlackRock Asset Management North Asia Limited) as Manager and HSBC Institutional Trust Services (Asia) Limited as Trustee. The Trust may issue different classes of Units and the Trustee shall establish a separate pool of assets within the Trust (each such separate pool of assets constituting an "Index Fund") for each class of Units. The assets of an Index Fund will be invested and administered separately from the other assets of the Trust. The Manager reserves the right to establish additional Index Funds and to issue further classes of Units in the future.

This Prospectus relates to the iShares FTSE/Xinhua A50 China Index ETF, an exchange traded fund ("ETF"), authorised by the SFC. Investors should note that an ETF differs from a typical unit trust offered in Hong Kong. ETFs are funds that trade like other publicly-traded Securities and are designed to track an index. The Units of each Index Fund are listed on the SEHK and trade like any other equity Security listed on the SEHK. Only Participating Dealers may create or redeem Units directly from an Index Fund at Net Asset Value. All other investors may generally only purchase and sell Units in each Index Fund on the SEHK.

PRICES FOR AN INDEX FUND LISTED ON THE SEHK ARE BASED ON SECONDARY MARKET TRADING FACTORS AND MAY DEVIATE SIGNIFICANTLY FROM THE NET ASSET VALUE OF THE INDEX FUND.

Investment Objective of the Index Funds

The investment objective of each Index Fund is to provide investment results that, before expenses, closely correspond with the performance of the Underlying Index relevant to the Index Fund.

An index is a group of Securities which an Index Provider selects as representative of a market, market segment or specific industry sector. The Index Provider determines the relative weightings of the Securities in the index and publishes information regarding the market value of the index.

There can be no assurance that an Index Fund will achieve its investment objective.

Investment Policies of the Index Funds

Indexing Investment Approach

Index Funds are not managed according to traditional methods of "active" investment management, which involve the buying and selling of Securities based on the fund manager's economic, financial and market analysis and investment judgment. Unlike an actively managed investment fund an Index Fund does not attempt to "beat" the market or its Underlying Index. Instead, the Manager, using a "passive" or indexing investment approach, attempts to deliver an investment performance which, before expenses, closely corresponds with the performance of the Underlying Index relevant to the Index Fund. The Manager will do so either by a Replication Strategy or by a Representative Sampling Strategy as described under "Principal Investment Strategies".

The use of an indexing investment approach may eliminate some of the risks of active management such as poor stock selection. An indexing investment approach may also help increase after-cost performance by keeping portfolio turnover low in comparison to actively managed investment funds.

The Trust is designed for investors who want a relatively inexpensive passive approach to investing in a portfolio of stocks of a broad market, market segment, or market sector of a single country or region. Diversification is a generally recognised way to reduce investment portfolio risk. Also, the stocks in some Underlying Indices may be difficult to purchase or hold, or may not be available to retail investors.

The Trust offers investors a convenient way to obtain index-based exposure to the stock markets of a specific country or region. However, movements in the prices of Units may be volatile. Therefore, if you purchase Units, you should be able to tolerate sudden, or even drastic, changes in the value of your investment. The Manager cannot assure that any Index Fund will achieve its investment objective.

The Manager generally seeks to achieve the objective of each Index Fund primarily by investing (directly or indirectly) in Securities comprised in the relevant Underlying Index. Each Index Fund operates as an index fund and will not be actively managed; as such, adverse performance of a Security from an Index Fund's portfolio will ordinarily not result in the elimination of the Security from an Index Fund's portfolio. For different reasons, an Index Fund may not invest in all of the Securities of its Underlying Index. Some Index Funds may even invest in Securities (either directly or indirectly) that are not in their Underlying Indices.

Investment of Assets

Each Index Fund has a policy to remain as fully invested as practicable. Each Index Fund will normally have at least 95 per cent of its total assets invested (directly or indirectly) in Securities comprised in the Underlying Index, based on one of the principal investment strategies described below, except, in limited circumstances, to help meet Redemption Applications.

The Manager may invest an Index Fund's assets in other assets including money market instruments or funds that invest exclusively in money market instruments, in repurchase agreements, in stocks that are in the relevant market but not the Index Fund's Underlying Index (as indicated above), and/or in combinations of stock index futures contracts, options on futures contracts, stock index options, stock index swaps, cash, local currency and forward currency exchange contracts which the Manager believes will help the Index Fund achieve its investment objective.

The Manager may attempt to reduce tracking error by using futures contracts whose behaviour is expected to represent the market performance of an Index Fund's Underlying Index, although there can be no assurance that these futures contracts will correlate with the performance of the Index Fund's Underlying Index. The Manager will not use these instruments to leverage, or borrow against, an Index Fund's Securities holdings or for speculative purposes. In some cases, the use of these special investment techniques can adversely affect the performance of an Index Fund.

Principal Investment Strategies of the Index Funds

Representative Sampling Strategy

An Index Fund may not hold (either directly or indirectly) all of the Securities that comprise its Underlying Index if the Manager believes that a Replication Strategy is not the most efficient means to track the Underlying Indices. Having regard to the number of Securities constituting the Underlying Index, the liquidity of such Securities, any restrictions on the ownership of Securities, high transaction expenses and other trading costs, and tax and other regulatory restrictions the Manager may decide to adopt a Representative Sampling Strategy instead.

Using a Representative Sampling Strategy, an Index Fund will hold a representative sample of the Securities in its Underlying Index (either directly or indirectly), selected by the Manager using quantitative analytical models in a technique known as "portfolio sampling". Under this technique, each Security is considered for inclusion in an Index Fund based on its contribution to certain capitalisation, industry and fundamental investment characteristics. The Manager seeks to construct the portfolio of an Index Fund so that, in the aggregate, its capitalisation, industry and fundamental investment characteristics perform like those of its Underlying Index. Over time, the Manager may alter (or "rebalance") the portfolio composition of an Index Fund to reflect changes in the characteristics of its Underlying Index or to bring the performance and characteristics of an Index Fund more in line with that of its Underlying Index. The Manager will review each Index Fund regularly and will adjust the Index Fund's portfolio, when necessary, to conform to changes in the composition of the Underlying Index. Rebalancing may also be required for tax purposes. These rebalancings will require an Index Fund to incur transaction costs and other expenses.

Replication Strategy

Although a Representative Sampling Strategy has proven an effective means of approximating index performance in the past, it may not enable an Index Fund to track the Underlying Index's performance as well as a Replication Strategy. Using a Replication Strategy, an Index Fund will invest in substantially all the Securities constituting the Underlying Index (either directly or indirectly), in substantially the same weightings (i.e. proportions) as these Securities have in the Underlying Index. The Manager reserves the right to invest in all of the Index Fund's Underlying Index, and may do so on a regular basis for an Index Fund with an Underlying Index comprised of relatively few stocks.

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

Future Developments

The Manager may, in the future, invest an Index Fund in securities contracts and investments other than those listed herein, provided they are consistent with the Index Fund's investment objective and do not violate any investment restrictions or policies.

Principal Risk Factors Common to the Index Funds

Each Index Fund is subject to the following principal risks. Additional risks associated with the A50 China ETF are discussed in Section 2 below. Some or all of the following risks may adversely affect an Index Fund's Net Asset Value, yield, total return and/or its ability to achieve its investment objective. There can be no assurance that the investment objective of an Index Fund will be achieved. Prospective investors should carefully evaluate the merits and risks of an investment in a particular Index Fund in the context of their overall financial circumstances, knowledge and experience as an investor.

Investment Risks

- **Market Risk.** Past performance is not indicative of future performance. The Net Asset Value of an Index Fund will change with changes in the market value of the Securities it holds. The price of Units and the income from them may go down as well as up. There can be no assurance that an Index Fund will achieve its investment objective or that an investor will achieve profits or avoid losses, significant or otherwise. The capital return and income of each Index Fund is based on the capital appreciation and income on the Securities it holds, less expenses incurred. Each Index Fund’s return may fluctuate in response to changes in such capital appreciation or income. Furthermore, each Index Fund may experience volatility and decline in a manner that broadly corresponds with its Underlying Index. Investors in an Index Fund are exposed to the same risks that investors who invest directly in the underlying Securities would face. These risks include, for example, interest rate risks (risks of falling portfolio values in a rising interest rate market); income risks (risks of falling incomes from a portfolio in a falling interest rate market); and credit risk (risk of a default by the underlying issuer of a Security that forms part of the Underlying Index). Investors should note that an Index Fund may not make distributions to investors.

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

- **Passive Investments.** The Index Funds are not actively managed. Accordingly, each Index Fund may be affected by a decline in world market segments relating to its Underlying Index. Each Index Fund invests in the Securities included in or reflecting it Underlying Index regardless of their investment merit, except to the extent of an Representative Sampling Strategy. The Manager does not attempt to select stock individually or to take defensive positions in declining markets.

- **Management Risk.** Because an Index Fund may not fully replicate its Underlying Index and may hold non-index stocks, it is subject to management risk. This is the risk that the Manager's strategy, the implementation of which is subject to a number of constraints, may not produce the intended results. In addition, the Manager has absolute discretion to exercise shareholders' rights with respect to Securities comprising the Index Fund. There can be no guarantee that the exercise of such discretion will result in the investment objective of the Index Fund being achieved. Investors should also note that in certain cases, none of the Manager, the Index Fund or the Unitholders has any voting rights with respect to Securities comprising the Index Fund.

- **Tracking Error Risk.** The Net Asset Value of an Index Fund may not correlate exactly with its Underlying Index. Factors such as the fees and expenses of an Index Fund, imperfect correlation between an Index Fund's assets and the Securities constituting its Underlying Index, inability to rebalance an Index Fund's holdings of Securities in response to changes in the constituents of the Underlying Index, rounding of share prices, changes to the Underlying Indices and regulatory policies may affect the Manager's ability to achieve close correlation with the Underlying Index of each Index Fund. Each Index Fund's returns may therefore deviate from its Underlying Index.

- **Concentration.** If the Underlying Index of an Index Fund is concentrated in a particular stock, group of stocks, industry or group of industries, that Index Fund may be adversely affected by the performance of those stocks and be subject to price volatility. In addition, an Index Fund that is concentrated in a single stock, group of stocks, industry or group of industries may be more susceptible to any single economic, market, political or regulatory occurrence.

- **Futures Options and Other Derivatives.** A derivative is a financial contract the value of which depends on, or is derived from, the value of an underlying asset such as a security or an index. Each Index Fund may invest in stock index future contracts and other derivatives. Compared to conventional securities, derivatives can be more sensitive to changes in interest rates or to sudden fluctuations in market prices due to both the low margin deposits required, and the extremely high degree of leverage involved in futures pricing. As a result, a relatively small price movement in a Futures Contract may result in immediate and substantial loss (or gain) to the Index Fund. Thus an Index Fund's losses may be greater if it invests in derivatives than if it invests only in conventional securities. In addition, many derivatives are not traded on exchanges. As a result, an Index Fund that engages in transactions involving derivatives is subject to the risk that its trade counterparty is unable or refuses to perform with respect to such contracts and as such may also expose the Index Fund to additional liquidity risks. This risk is also affected by the fact that over-the-counter derivatives markets are generally not regulated by government authorities and participants in these markets are not required to make continuous markets in the contracts they trade. Any transfer of such over-the-counter derivatives will not take place through a clearing house which means if the counterparty to the derivative is involved in any Insolvency Event, the trade underlying the derivative will not be settled and as a result the relevant Index Fund may sustain financial loss.

- **Foreign Exchange Risk.** Many of an Index Fund's assets and Securities are not denominated in Hong Kong dollars. A substantial portion of the revenue and income of an Index Fund may be received in currencies other than Hong Kong dollars. Accordingly any fluctuation in the relevant exchange rates will affect the value of Securities as well as the Net Asset Value of the relevant Index Fund. Significant changes, including changes in liquidity, may occur in such markets within very short periods of time, often within minutes. An Index Fund may experience losses if the values of its currency forwards and futures positions were poorly correlated with its other investments or if it could not close out its positions because of an illiquid market. Some of the risks associated with foreign exchange transactions include but are not limited to:

- exchange rate risk;
- maturity gaps;
- interest rate risk;
- counterparty risk; and
- potential interference by government intervention through regulation of local exchange markets, foreign investment or particular transactions in foreign currency.

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

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

  Emerging market regions are subject to special risks including, but not limited to: generally less liquid and less efficient securities markets; generally greater price volatility; exchange rate fluctuations and exchange control; higher volatility of the value of debt (particularly as impacted by interest rates); imposition of restrictions on the expatriation of funds or other assets; less publicly available information about issuers; the imposition of taxes; higher transaction and custody costs; settlement delays and risk of loss; difficulties in enforcing contracts; less liquidity and smaller market capitalisations; less well regulated markets resulting in more volatile stock prices; different accounting and disclosure standards; governmental interference; higher inflation; social, economic and political uncertainties; custodial and/or settlement systems may not be fully developed which may expose a Fund to sub-custodial risk in circumstances whereby the Custodian will have no liability; the risk of expropriation of assets and the risk of war.

- **Counterparty Risk.** Institutions, such as brokerage firms, banks, and broker-dealers, may enter into transactions with the Trustee in relation to the sale and purchase of assets or

Securities. Such institutions may also be issuers of the Securities in which an Index Fund invests. Bankruptcy, fraud, regulatory sanction or a refusal to complete a transaction at one of these institutions could significantly impair the operational capabilities or the capital position of the Trust or a particular Index Fund. The Manager will use reasonable efforts to mitigate such risks. There can be no guarantee that transactions between such counterparties will always be completed in the manner contemplated by, and favourable to, the Trust. Furthermore, the Trust is permitted to borrow in order to carry out its functions under the Trust Deed. Borrowings may be secured by the Securities or other assets of the Trust that are pledged to counterparties as collateral.

- **Counterparty Risk of an exchange or clearing house.** If any exchange or a clearing house becomes bankrupt or insolvent, the Trust could experience a loss of funds deposited through its broker as margin with the exchange or clearing house, a loss of any profits on its open positions on the exchange, and the loss of unrealised profits on its closed positions on the exchange.

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

- **Securities Lending Risk.** The Manager may engage in a securities lending programme on behalf of the Index Funds. A default by a counterparty, or fall in the value of the collateral below that of the value of the Securities lent may result in a reduction in the value of the Index Fund.

Market Trading Risks associated with an ETF

- **Trading Risk.** The secondary market prices of Units will fluctuate in accordance with changes in Net Asset Value and supply and demand on any exchange on which Units are listed. The Manager cannot predict whether Units will trade below, at or above their Net Asset Value. Given, however, that Units must be created and redeemed in Application Unit aggregations (unlike shares of many closed-end funds, which frequently trade at appreciable discounts from, and sometimes at premiums to, their Net Asset Value), the Manager believes that ordinarily large discounts or premiums to the Net Asset Value of Units should not be sustained. In the event that the Manager suspends creations and/or redemptions of Units of an Index Fund, the Manager expects larger discounts or premiums.

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

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

Additionally, as foreign stock exchanges may be open on days when Units in an Index Fund are not priced, the value of the Securities in an Index Fund's portfolio may change on days when investors will not be able to create or sell an Index Fund's Units.

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

- **Units may be delisted from the SEHK.** The SEHK imposes certain requirements for the continued listing of securities, including the Units, on the SEHK. Investors cannot be assured that the Index Fund will continue to meet the requirements necessary to maintain the listing of Units on the SEHK or that the SEHK will not change the listing requirements. If the Units of an Index Fund are delisted from the SEHK, Unitholders of such Units will have the option to redeem such Units as may then be held by them by reference to the then Net Asset Value of the relevant Index Fund.

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

- **Dealing risk.** Following listing on the SEHK, it is likely that the Units will initially not be widely held. Accordingly any investor buying Units in small numbers may not necessarily be able to find other buyers should that investor wish to sell. In order to address such dealing risk, one or more market makers have been appointed.

- **Reliance on Market Makers.** Investors should note that liquidity in the market for the Units may be adversely affected if there is no Market Maker for an Index Fund. It is the Manager's intention that there will always be at least one Market Maker for the Units.

- **Reliance on Participating Dealers.** The creation and redemption of Units may only be effected through Participating Dealers. A Participating Dealer may charge a fee for providing this service. Participating Dealers will not be able to create or redeem Units during any period when, amongst other things, dealings on the SEHK are restricted or suspended, settlement or clearing of securities through the CCASS is disrupted or the Underlying Index is not compiled or published. In addition, Participating Dealers will not be able to issue or redeem Units if some other event occurs that impedes the calculation of the Net Asset Value of an Index Fund or disposal of an Index Fund's Securities cannot be effected. Since the number of Participating Dealers at any given time will be limited, and there may even be only one Participating Dealer at any given time, there is a risk that investors may not always be able to create or redeem Units freely.

- **An ETF is different from a typical unit trust offered to the public in Hong Kong.** Investors should note that an ETF is not like a typical unit trust offered to the public in Hong Kong. Units may only be created and redeemed in Application Unit sizes by Participating Dealers and Units may not be subscribed for, or redeemed, by retail investors. Participating Dealers will not be able to create or redeem Units during any period when, amongst other things, dealings on the SEHK are restricted or suspended, settlement or clearing of securities in CCASS is disrupted or the Underlying Index is not compiled or published. Investors may generally only realise the value of their Units by selling their Units on the SEHK. 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 directly by the retail public.

Legal and regulatory risks

- **Right of the SFC to withdraw authorisation.** Each Index Fund seeks to provide investment results that, before expenses, closely correspond with the performance of the Underlying Index. Each Index Fund has been authorised as a collective investment scheme under the Code by the SFC pursuant to section 104 of the Securities and Futures Ordinance. The SFC however reserves the right to withdraw the authorisation of an Index Fund or impose such conditions as it considers appropriate. The SFC may withdraw authorisation if an Underlying Index is no longer considered acceptable to the SFC. In addition, any authorisation granted by the SFC may be subject to certain waivers which may be withdrawn or varied by the SFC. If as a result of such withdrawal or variation of waivers it becomes illegal, impractical or inadvisable to continue an Index Fund, the relevant Index Fund will be terminated.

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

- **Taxation in overseas jurisdictions.** The Index Funds will make investments in a number of different jurisdictions. Interest, dividend and other income realised by an Index Fund from sources in these jurisdictions, and capital gains realised on the sale of assets may be subject to withholding and other taxes levied by the jurisdiction in which the income is sourced and/or in which the issuer is located and/or in which the permanent establishment is located.

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

Risk Factors Relating to the Underlying Index

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

- **Composition of and weightings in the Underlying Index may change.** The companies which comprise the Underlying Index are changed by the Underlying Index Provider from time to time. The price of the Units may rise or fall as a result of such changes. The composition of the Underlying Index may also change if one of the constituent companies were to delist its shares or if a new eligible company were to list its shares and be added to the Underlying Index. If this happens, the weighting or composition of the Securities owned by the Underlying Index Fund would be changed as considered appropriate by the Manager in order to achieve the Investment Objective. Thus, an investment in Units will generally reflect the Underlying Index as its constituents change from time to time, and not necessarily the way it is comprised at the time of an investment in the Units.

- **Licence to use the Underlying Index may be terminated.** The Manager has the non-exclusive licence, to use the Underlying Index in connection with the operation, marketing and promotion of the Underlying Index Fund. The licence may be terminated for reasons including breach of the relevant Underlying Index licence agreement, or breach of any relevant law or any material rules. Further, the Underlying Index licence agreement will terminate if the Underlying Index Provider ceases to calculate and publish the Underlying Index and does not make available a substitute Underlying Index which the Manager chooses to use. An Index Fund may be terminated if the Underlying Index licence agreement is terminated and the Manager is unable to identify or agree with any Underlying Index provider terms for the use of a suitable replacement Underlying Index, using, in the opinion of the Manager, the same or substantially similar formula for the method of calculation as used in calculating the current Underlying Index and which meets the acceptability criteria under the Code. Any such replacement Underlying Index will be notified to Unitholders, subject to the prior approval of the SFC under the Code. Accordingly prospective investors should note that the ability of an Index Fund to track the Underlying Index depends on the continuation in force of the Underlying Index licence agreement in respect of the Underlying Index or a suitable replacement.

Investment and Borrowing Restrictions of the Index Funds

Investment Restrictions

The investment restrictions applicable to each Index Fund are set out in the Trust Deed and (unless varied in Section 2) are summarised below:-

(a) the Index Funds may not collectively hold more than 10 per cent of any one class of security issued by any single issuer, unless otherwise agreed by the SFC;

(b) no more than 10 per cent of the latest available Net Asset Value of an Index Fund may be invested in securities issued by any single issuer, unless otherwise agreed by the SFC;

(c) no more than 15 per cent of the latest available Net Asset Value of an Index Fund may be invested in securities which are not quoted, listed or dealt in on a Market;

(d) no more than 30 per cent of the latest available Net Asset Value of an Index Fund may be invested in government and other public securities of the same issue (save that any Index Fund may invest all of its assets in government and other public securities in at least six different issues);

(e) no Index Fund may hold options and warrants valued at more than 15 per cent of its latest available Net Asset Value, except that this 15 per cent limit will not apply to options and warrants acquired for hedging purposes, unless otherwise agreed by the SFC;

(f) no more than 20 per cent of the latest available Net Asset Value of an Index Fund may be invested in (i) commodities including physical commodities, forward and futures contracts in respect of commodities, options on commodities, options on futures contracts in respect of commodities, and other commodity-based investments and excluding, for this purpose, securities of companies engaged in the production, processing or trading of commodities) and (ii) Futures Contracts (but without prejudice to the Manager's right to take positions in Futures Contracts in order to protect the assets of the Trust against adverse and unusual currency or market fluctuations); and

(g) no more than 10 per cent of the latest available Net Asset Value of an Index Fund may be invested in units of shares in other collective investment schemes.

In addition, the Trust is subject to the following additional restrictions. The Manager shall not for the account of an Index Fund:-

- invest in shares or contracts which are not quoted, listed or dealt in on a Market unless the Manager reasonably believes (either generally or in any particular case) that (i) it is possible to make an investment more advantageously in some other manner and (ii) it is not possible to effect such investment on a Market;

- invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in real estate investment trust (REITs) that are listed on a stock exchange);

- make short sales unless (i) the Index Fund's liability to deliver securities does not exceed 10 per cent of its latest available Net Asset Value; and (ii) the security which is to be sold short is actively traded on a market where short selling activity is permitted;

- grant or create in favour of any person any option and for the avoidance of doubt, write uncovered options;

- effect or enter into any underwriting or sub-underwriting contracts in relation to the subscription or purchase of Securities (other than the initial issue of Units);

- invest in any investment or other property which involves the assumption of any liability by the Trustee which is unlimited;

- lend any monies comprising part of the Trust Fund to any person (but which shall not prohibit the holding or investment of uninvested cash in any of the ways or instruments permitted under the Trust Deed);

- invest in any type of debt or loan securities (but which shall not prohibit the holding or investment of uninvested cash in any of the ways or instruments permitted under the Trust Deed); or

- assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person.

Borrowing Policy

Borrowing against the assets of any Index Fund is allowed up to a maximum of 10 per cent of its latest available Net Asset Value except that back-to-back loans will not be taken into account when determining whether or not such limit has been breached by any Index Fund. The Trustee may at the request of the Manager borrow for the account of any Index Fund any currency for the following purposes:-

- facilitating the creation or redemption of Units or defraying operating expenses;

- enabling the Manager to acquire Securities for the account of any Index Fund;

- for any other proper purpose as may be agreed by the Manager and the Trustee.

The assets of an Index Fund may be charged or pledged to secure such borrowing for the account of that Index Fund.

Stock Lending

The Trust Deed sets out certain restrictions under which the Trustee may, at the request of the Manager, engage in stock lending in respect of any Securities held for the account of an Index Fund. Where any loan has been arranged through the Manager or the Trustee or a Connected Person of either of them, the relevant entity shall be entitled to retain for its own use and benefit any fee or benefit it receives on a commercial basis in connection with such arrangement.

The Trustee shall only arrange for any Securities comprised in an Index Fund to be loaned by the Trust if the Trustee is satisfied that the relevant counter parties are specialised banks, credit institutions or other financial institutions of sound financial standing and that any collateral is adequate and acceptable to the Trustee and the Manager including government stock, government treasury bills, banker's acceptances, sterling certificates of deposit, foreign currency certificates of deposit, bonds, equities, letters of credit and cash collateral. The maximum level of Securities available for lending shall be limited to 75 per cent of the latest available Net Asset Value of the relevant Index Fund or such other percentage as may from time to time be determined by the Manager provided that where the lending counterparty is an affiliate of the Manager, such maximum level shall not exceed 50 per cent of the latest available Net Asset Value of the relevant Index Fund.

The Manager may from time to time formulate such other investment, borrowing and stock lending limitations and prohibitions as it may, in its sole discretion, think fit, to apply to an Index Fund. Such limitations and prohibitions may be set out in the prospectus relating to the relevant Index Fund.

If any of the above investment borrowing or stock lending limitations and prohibitions (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 time, taking into account the interests of Unitholders.

Management and Administration

Manager

The Manager is Blackrock Asset Management North Asia Limited (the “Manager”). The Manager is part of the BlackRock group of companies, the ultimate holding company of which is Blackrock, Inc., which provides investment management services internationally for institutional, retail and private clients.

The Manager was incorporated in Hong Kong with limited liability on 10 August 1998 and is licensed by the SFC in Hong Kong for types 4 (advising in securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the Securities and Futures Ordinance.

Under the Trust Deed, the monies forming part of each Index Fund shall be invested, at the direction of the Manager, in accordance with the Trust Deed. The Manager is responsible for placing purchase and sale orders and providing continuous supervision of the investment portfolio of each Index Fund. The Manager is also the Listing Agent for the A50 China ETF.

Directors of the Manager

Rohit Bhagat, is BlackRock’s Chairman, Asia-Pacific with responsibility for all business activity in the region, which includes Japan, Australia, China/Hong Kong, Singapore, India, Korea, and Taiwan. Previously, Mr. Bhagat served as Global Chief Operating Officer of Barclays Global Investors (BGI), with oversight responsibility for the technology, operations, finance, corporate development, strategic planning, human resources, corporate marketing, legal, compliance, and risk functions for the firm. Before joining BGI, he was with The Boston Consulting Group (BCG), a premier management consulting firm, where he was a Senior Vice President based in San Francisco and ran the west coast Financial Services practice. While at BCG, Mr. Bhagat’s responsibilities included leading assignments for clients in asset management, retail banking, wealth management, brokerage, and capital markets. He also launched and developed BCG’s Indian practice. Prior to that, he was with Booz-Allen & Hamilton, a strategic management and technology consulting firm. Mr. Bhagat holds an MBA from the Kellogg Graduate School of Management, Northwestern University, an MS in Engineering from the University of Texas at Austin, and a Bachelor of Technology in Mechanical Engineering from the Indian Institute of Technology in New Delhi, India.

Nicholas Michael Whateley Good, is Head of iShares, Asia-Pacific. He is responsible for all aspects of the iShares business across the Asia-Pacific region including sales, marketing, business strategy, investments, operations and new product development in BlackRock’s offices in Australia, Hong Kong, Japan and Singapore. Mr. Good joined BlackRock following the merger with Barclays Global Investors (BGI) in 2009. Mr. Good joined BGI in 2006, from the Boston Consulting Group, where he served as a lead client manager consulting in a number of industries, including finance. Mr. Good holds a BA and MA in biochemistry from Oxford University, UK.

Michael Timothy Marquardt, is the Chief Operating Officer, Asia ex-Japan for BlackRock. Mr. Marquardt joined BlackRock following the merger with Barclays Global Investors (BGI) in 2009. Mr. Marquardt joined BGI in 2000 where he began in San Francisco working first as a Global Risk Manager and then as a Senior Project Manager on strategic initiatives. In 2005 Mr. Marquardt moved to Japan as Chief Administrative Officer, later becoming Chief Operating Officer. Mr. Marquardt was responsible for BGI Japan’s Operations, IT, Finance, HR, Risk, Legal and Compliance groups. Prior to working at BGI, Mr Marquardt was employed as Relationship Manager and Private Banking analyst for American Express Bank located in London. Mr Marquardt holds an MBA with High Honors from Boston University, a BA in Economics and History from Clark University.

Peter William Swarbreck, is Head of BlackRock's retail business in Asia ex-Japan. Mr. Swarbreck joined BlackRock following the merger with Merrill Lynch Investment Managers (MLIM) in 2006. At MLIM, Mr. Swarbreck was head of fixed income business management for Europe, the Middle East, Africa, and Asia Pacific regions and responsible for the development of new fixed income products. Mr. Swarbreck joined Mercury Asset Management (which became a part of MLIM) in 1990, and held a variety of positions including business development and client relationship management. Prior to joining MLIM, Mr. Swarbreck worked in fixed income investment management for an international bank in the Middle East and was previously a fund manager at two leading fund management firms.

Trustee, Custodian and Registrar

HSBC Institutional Trust Services (Asia) Limited (the "Trustee"), which is a registered trust company in Hong Kong, was incorporated in 1974.

HSBC Institutional Trust Services (Asia) Limited is a member of the HSBC Group.

Under the Trust Deed, the Trustee is responsible for the safekeeping of the assets of the Trust. The Trustee may, however, appoint any person or persons (including a Connected Person) to be custodian of such assets or to act as its agent. The Trustee is required to exercise reasonable skill, care and diligence in the selection, appointment and monitoring of such persons and, during the term of their appointment, must satisfy itself as to the ongoing suitability of such persons to provide custodial services to the Trust, having regard to the market or markets for which such persons are appointed to act as custodian. The Trustee will remain responsible for the acts or omissions of such persons in the same manner as if such acts or omissions were those of the Trustee, except where such persons are appointed in respect of a market or markets which the Trustee has determined by notice to the Manager to be emerging markets. Notwithstanding the above, the Trustee will remain responsible for the acts or omissions of any associate of the Trustee appointed in respect of an emerging market.

The Trustee is entitled, in the absence of manifest error, to rely upon the register of Unitholders as conclusive evidence of the matters contained in the register of Unitholders. The Trustee may appoint a Registrar, but other than where the Registrar is HSBC Institutional Trust Services (Asia) Limited, the Trustee shall not be responsible or liable for any loss, claim or liability arising from the Registrar's wilful default, fraud, negligence, breach of the obligations of the Registrar under the Trust Deed or breach of the terms of the agreement between the Manager and the Registrar.

The Trustee will also act as the Registrar of A50 China ETF. The Trustee is entitled to the fees set out below under the section headed "Charges and Expenses".

Indemnities of the Trustee and Manager

The Trustee and the Manager benefit from various indemnities in the Trust Deed. Except as provided under the Trust Deed, the Trustee and the Manager shall be entitled to be indemnified out of, and have recourse to, the relevant Index Fund or the Trust generally, in respect of any liabilities, costs, claims or demands arising directly or indirectly from the proper performance of the Trust. Nothing in any of the provisions of the Trust Deed shall exempt either the Trustee or the Manager (as the case may be) from or indemnify them against any liability for breach of trust or any liability which by virtue of any rule of law would otherwise attach to them in respect of any negligence, fraud, default, breach of duty or trust of which they may be guilty in relation to their duties.

The indemnities summarised above will not be available to the Trustee or Manager in respect of any liability which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default or breach of duty or trust.

Service Agent

HK Conversion Agency Services Limited is the service agent of the A50 China ETF under the terms of the service agency agreement entered into among the Registrar, the Service Agent and the Participating Dealer. HK Conversion Agency Services Limited will perform, as Service Agent certain services in connection with the creation and redemption of Units by Participating Dealers.

Auditor

The Manager has appointed PriceWaterhouse Coopers to act as the auditor of the Trust and each of the Index Funds (the “Auditor”). The Auditor is independent of the Manager and the Trustee.

Brokerage Transactions

Under normal operating conditions, the policy of the Manager regarding purchases and sales of Securities is that primary consideration will be given to obtaining the most favourable prices and efficient execution of transactions. Consistent with this policy, when Securities transactions are effected on a stock exchange, the Manager's policy is to pay commissions which are considered fair and reasonable without necessarily determining that the lowest possible commissions are paid in all circumstances. The Manager believes that a requirement always to seek the lowest possible commission cost may impede effective portfolio management and preclude the Index Funds and the Manager from obtaining a high quality of brokerage and research services. In seeking to determine the reasonableness of brokerage commissions paid in any transaction, the Manager relies upon its experience and knowledge regarding commissions generally charged by various brokers and on its judgement in evaluating the brokerage and research services received from the broker effecting the transaction. Such determinations are necessarily subjective and imprecise and, as in most cases, an exact dollar value for those services is not ascertainable.

In seeking to implement the above policies, the Manager effects transactions with those brokers and dealers that the Manager believes provide the most favourable prices and are capable of providing efficient execution. If the Manager believes such price and execution are obtainable from more than one broker or dealer, it may give consideration to placing portfolio transactions with those brokers and dealers who also furnish research and other services to the Trust or the Manager. Such services may include, but are not limited to, information as to the availability of Securities for purchase or sale, statistical information pertaining to corporate actions affecting stocks, including, but not limited to, stocks within the Underlying Index for any Index Fund.

It is expected that brokerage or other agency transactions for the account of the Trust may be executed through affiliates of the Manager. However, for so long as an Index Fund is authorized by the SFC, no more than 50 per cent in aggregate of such Index Fund's transactions in any one financial period of such Index Fund shall be carried out with or through a broker or dealer connected to the Manager or any Connected Person of the Manager.

Soft Dollar Benefits

The Manager (as well as any of its Connected Persons) will not receive or enter into any soft dollar commissions or arrangements in respect of the management of the Index Funds. The Manager (as well any of its Connected Persons) will not retain any cash rebates from any broker or dealer.

Determination of Net Asset Value

The Net Asset Value of each Index Fund will be determined as at the close of trading on the Market in which the relevant Index Fund is invested or, in the case of an Index Fund investing in more than one Market, the official close of trading on the last relevant Market to close on each Dealing Day (or at such other time as the Manager and the Trustee determine) by valuing the assets of the relevant Index Fund and deducting the liabilities of the relevant Index Fund, in accordance with the terms of the Trust Deed.

The Trust Deed provides amongst other things that:-

(i) except in the case of any interest in a mutual fund corporation or a unit trust to which paragraph (ii) applies, all calculations based on the value of investments quoted, listed, traded or dealt in on any securities market shall be made by reference to the price appearing to the Manager to be the official closing price or if unavailable, the last traded price on the Market for such investments provided that the Manager and the Trustee shall be entitled to use and rely on electronic price feeds from such source or sources as they may from time to time determine, notwithstanding that the prices so used are not the official closing price or the last traded price (as the case may be);

(ii) the value of each interest in any mutual fund corporation or unit trust shall be the last available net asset value per share or unit in such mutual fund corporation or unit trust;

(iii) if no net asset value, official closing price, bid and offer prices or price quotations are available as provided in paragraph (i) above, the value of the relevant investment shall be certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager or, if the Trustee so requires, by the Manager after consultation with the Trustee;

(iv) the value of any investment which is not listed or ordinarily dealt in on a Market shall be the initial value thereof equal to the amount expended out of the relevant Index Fund in the acquisition of such investment (including, in each case the amount of stamp duties, commissions and other acquisition expenses) provided that the Manager may with the approval of the Trustee and shall at the request of the Trustee cause a revaluation to be made by a professional person approved by the Trustee as qualified to value such investments;

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

(vi) notwithstanding the foregoing, the Manager may adjust the value of any investment if, having regard to relevant circumstances, the Manager considers that such adjustment is required to reflect the fair value of the investment.

Suspension of Valuations and Dealings

The Manager may, after giving notice to the Trustee, declare a suspension of the determination of the Net Asset Value of any Index Fund for the whole or any part of any period during which:

(a) there exists any state of affairs prohibiting the normal disposal of the relevant Index Fund's investments; or

(b) there is a breakdown in any of the means normally employed in determining the Net Asset Value of the relevant Index Fund or the Net Asset Value per Unit of the relevant Index Fund, or when for any other reason the value of any Security or other asset in the relevant Index Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained; or

(c) circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to realise any Securities held or contracted for the account of that Index Fund or it is not possible to do so without seriously prejudicing the interest of Unitholders of that Index Fund; or

(d) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, the Securities of that Index Fund or the subscription or realisation of Units of the relevant Index Fund is delayed or cannot, in the opinion of the Manager, be carried out promptly or at normal rates of exchange; or

(e) the right to redeem Units of the relevant class is suspended.

The Manager may, at its discretion, at any time after giving notice to the Trustee and where practicable following consultation with the relevant Participating Dealers, suspend the right of Participating Dealers to require the redemption of Units of any class and/or delay the payment of any moneys and transfer of any Securities in respect of any Redemption Application during:

(i) any period when a Market on which a relevant Security has its primary listing, or the official clearing and settlement depositary (if any) of such Market, is closed; or

(ii) any period when dealings on a Market on which a relevant Security has its primary listing are restricted or suspended; or

(iii) any period when, in the opinion of the Manager, settlement or clearing of Securities in the official clearing and settlement depositary (if any) of such Market is disrupted; or

(iv) the existence of any state of affairs as a result of which delivery or purchase of Securities or disposal of investments for the time being comprised in the relevant Index Fund cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Unitholders of the relevant class; or

(v) any period when the Underlying Index for the relevant Index Fund is not compiled or published.

In addition, the Manager will suspend the right to redeem Units when dealings in the Units on the SEHK are restricted or suspended.

Such suspension shall take effect forthwith upon its declaration and once effective there shall be no determination of the Net Asset Value of the relevant Index Fund until the Manager declares the suspension at an end, except that the suspension shall terminate in any event on the day following the first Business Day on which (i) the condition giving rise to the suspension shall have ceased to exist and (ii) no other condition under which suspension is authorised shall exist.

The Manager shall publish an announcement on its website containing information about the suspension of the calculation of the Net Asset Value and the suspension of dealing (at least once a month during the period of suspension) and resumption of dealing. No Units will be issued or realised during any period of suspension.

Issue Price and Redemption Value

The Issue Price of Units of a class, created and issued pursuant to a Creation Application, shall be the Net Asset Value of the relevant Index Fund divided by the total number of Units of the relevant class in issue for that Index Fund rounded to the nearest 2 decimal places. The Issue Price will be rounded to 4 decimal places from 1 January 2010.

The Redemption Value of Units of a class on a Dealing Day shall be the Net Asset Value of the relevant Index Fund divided by the total number of Units of the relevant class in issue for that Index Fund rounded to the nearest 2 decimal places. The Redemption Value will be rounded to 4 decimal places from 1 January 2010.

Dealing prices representing the Net Asset Value per Unit shall be published according to the SFC's requirements.

Restrictions on Unitholders

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

- a breach of the law or requirements of any country or governmental authority or any stock exchange on which the Units are listed in circumstances which, in the Manager's opinion, might result in the Trust or the relevant Index Fund being adversely affected which the Trust or the relevant Index Fund might not otherwise have suffered; or

- in the circumstances which, in the Manager's opinion, may result in the Trust or the relevant Index Fund incurring any tax liability or suffering any other pecuniary disadvantage which the Trust or the relevant Index Fund might not otherwise have incurred or suffered.

Upon notice that any Units are so held, the Manager may require such holders to redeem or transfer such Units in accordance with the provisions of the Trust Deed. A person who becomes aware that it is holding or owning Units in breach of any of the above restrictions is required either to redeem his Units in accordance with the Trust Deed or to transfer his Units to a person whose holding would be permissible under this prospectus and the Trust Deed.

Transfer of Units

Where Unit certificates are issued in respect of Units in an Index Fund, Units may be transferred by using the standard transfer form issued by SEHK or by an instrument in writing in common form signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee. The transferor will be deemed to remain the holder of the Units transferred until the name of the transferee is entered in the register of Unitholders in respect of such Units.

Each instrument of transfer must relate to a single class of Units only. No Units may be transferred if, as a result, either the transferor or the transferee would hold Units having a value less than the minimum holding in the relevant Index Fund.

Charges and Expenses

Manager's Fee

Under the terms of the Trust Deed, the Manager may, on giving not less than 3 months' notice to the Trustee and the affected Unitholders, increase the rate of the management fee payable in respect of an Index Fund up to or towards the maximum rate of 2.0 per cent per annum of the Net Asset Value of the Index Fund accrued daily and calculated as at each Dealing Day and payable monthly in arrear.

The Manager may appoint sub-advisers, on terms and conditions determined by the Manager, to provide investment advice in respect of any or all of the Index Funds. The Manager will be responsible for the fees of such appointed persons.

Further details of the Manager's fee in respect of the A50 China ETF are set out in Section 2 of this prospectus.

Trustee's Fee

The Trustee may increase the rate of trustee fees payable in respect of the relevant Index Fund (up to or towards the maximum rate of 1.0 per cent per annum set out in the Trust Deed) on giving not less than 3 months' notice to affected Unitholders.

Subject to the agreement of fees between the Manager and the Trustee, the Trustee is entitled to receive and retain for its own absolute use and benefit all or any part of any Application Cancellation Fee, Extension Fee, daylight settlement fee, partial delivery request fee or Transaction Fee charged to a Participating Dealer.

The Trustee is also entitled to receive various transaction and processing fees in accordance with its normal scale of charges.

Further details of the Trustee’s fee in respect of the A50 China ETF are set out in Section 2 of this prospectus.

Registrar's Fee

The Registrar may charge a fee based on the number of Unitholders on the register or on the number of redemptions, creations or transfers in respect of any Index Fund.

In addition, the Registrar will be 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 (if any).

Further details of the Registrar's fee in respect of the A50 China ETF are set out in Section 2 of this prospectus.

Service Agent’s Fees

The Service Agent will charge a fee for each Application which will be met out of the Transaction Fee. Such fee may be either based on the total aggregated value of the creation and redemption applications transacted daily or fixed.

Further details of the Service Agent's fee in respect of the A50 China ETF are set out in Section 2 of this prospectus.

General Expenses

The Trust will not be responsible for any promotional expenses incurred by any marketing agents and any fees imposed by such marketing agents on their customers investing in the Trust will not be paid (either in whole or in part) out of the Trust Fund.

The Trust will bear the costs of investing and realising the investments of the Index Funds.

Unless otherwise provided in Section 2 of this prospectus the Manager will bear the fees and expenses of custodians of the assets of the Trust, valuation costs, all charges and expenses of the Trust's legal counsel and auditors, any disbursements or out-of-pocket expenses properly incurred on behalf of any Index Fund by any of its service providers, the expenses incurred in convening meetings of Unitholders, printing and distributing annual and half-yearly reports, account and other circulars relating to the Trust or any Index Fund, the expenses of publishing Unit prices and all other operating costs relating to the administration of the Trust.

The cost of establishing the Trust, including the costs of seeking and obtaining the listing and all initial legal and printing costs have been borne by the Manager. If subsequent Index Funds are launched and incur preliminary expenses which are specific to them, such expenses will either be allocated to the relevant Index Fund for whose account they were incurred or be paid by the Manager.

Expenses incurred which are not specific to any particular Index Fund will be allocated among all the Index Funds in proportion to their respective Net Asset Value as at the close of their respective Initial Offer Periods.

Statutory and general information

Distribution Policy

The Manager may in its absolute discretion distribute income to Unitholders at such times as it may determine in each financial year. The amount to be distributed to Unitholders will be derived from the net income of the relevant Index Fund.

On a distribution from an Index Fund the Registrar, in accordance with the instructions of the Manager, will allocate the amounts available for distribution between Unitholders and will pay such amounts to Unitholders. The Trustee is not responsible for any error in such allocation or for any incorrect payment or failure by the Registrar to make any such payment.

Amounts to be distributed in respect of each Unit of a class shall be rounded to nearest unit (being the smallest denomination commonly in use) of the relevant Index Fund's currency of account. Any amount of income not distributed, in accordance with the Trust Deed and unclaimed for twelve calendar months after the relevant distribution date shall be deemed to form part of the Income Property of the relevant Index Fund and any right a Unitholder may previously have had in respect of such undistributed income shall be extinguished.

Reports and Accounts

The financial year-end of the Trust is 31 December every year. Audited accounts are to be prepared (according to International Financial Reporting Standards) and sent to Unitholders within four months of each financial year-end. Half-yearly unaudited reports are also to be prepared up to the last Dealing Day in June of each year and sent to Unitholders within two months of such date. The reports provide details of the assets of the Trust and the Manager's statement on transactions during the period under review (including a list of any constituent Securities of an Underlying Index, if any, that each accounts for more than 10 per cent of the weighting of the Underlying Index as at the end of the relevant period and their respective weighting showing any limits adopted by the Index Fund have been complied with). The reports shall also provide a comparison of the Index Fund's performance and the actual Underlying Index Performance over the relevant period.

Trust Deed

The Trust was established under Hong Kong law by a trust deed made by between the Manager and the Trustee. All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Trust Deed. In the event of any conflict between any of the provisions of this prospectus and those of the Trust Deed or Participation Agreement, the provisions of the Trust Deed or Participation Agreement shall prevail. The Trust Deed contains provisions for the indemnification of the Trustee and the Manager and their relief from liability in certain circumstances. Unitholders and intending applicants are advised to consult the terms of the Trust Deed.

Modification of Trust Deed

The Trustee and the Manager may agree to modify the Trust Deed by supplemental deed provided that in the opinion of the Trustee such modification (i) is not materially prejudicial to the interests of Unitholders, does not operate to release to any material extent the Trustee or the Manager from any responsibility to the Unitholders and (with the exception of the costs incurred in connection with the relevant supplemental deed) does not increase the costs and charges payable out of the assets of any Index Fund or (ii) is necessary in order to make possible compliance with any fiscal, statutory or official requirement (whether or not having the force of law) or (iii) is made to correct a manifest error. In all other cases modifications require the sanction of an extraordinary resolution of the Unitholders affected.

The Manager shall give notice to Unitholders of any modification or alteration unless in the opinion of the Trustee such modification, alteration or addition is not of material significance or is otherwise made to correct a manifest error.

Voting Rights

Unitholders' meetings may be convened by the Manager, by the Trustee or by Unitholders representing one-tenth or more of the current Units in issue. These meetings may be used to modify the terms of the Trust Deed, including to increase the maximum fees payable to the service providers, to remove the Trustee or to terminate the Trust at any time. Such amendments to the Trust Deed must be considered by holders of at least 25 per cent of the Units in issue and passed by a 75 per cent majority of the votes cast. Unitholders will be given not less than 21 days' notice of such meeting.

Termination

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

The Manager may terminate the Trust (or in the case of (iii) any Index Fund) if: (i) after 3 years from the date of the Trust Deed, the aggregate Net Asset Value of all the Units in each Index Fund is less than HK$150 million; (ii) any law is passed or amended or regulatory directive or order is imposed which renders it illegal or in the opinion of the Manager, impracticable or inadvisable to continue the Trust; (iii) any law or regulation is passed or amended or any regulatory directive or order is imposed that affects an Index Fund and which renders such Index Fund illegal or in the good faith opinion of the Manager, makes it impracticable or inadvisable to continue such Index Fund; or (iv) within a reasonable time and using commercially reasonable endeavours, the Manager is unable to find a person acceptable to act as the new trustee after deciding to remove the Trustee in accordance with the Trust Deed.

The Manager may, in its absolute discretion, by notice in writing to the Trustee, terminate any Index Fund if (i) after 3 years from the date of the creation of such Index Fund, the Net Asset Value of such Index Fund is less than HK$150 million; (ii) at any time the Net Asset Value of such Index Fund is less than the Hong Kong dollar equivalent of US$10 million; (iii) its Underlying Index is no longer available for benchmarking or if the Units of the relevant Index Fund are no longer listed on the SEHK or any other Recognised Stock Exchange; (iv) at any time, the Index Fund ceases to have any Participating Dealer; or (v) if, the Manager is unable to implement its investment strategy. In such circumstances, unless the Manager and the Trustee agree that another strategy is: (a) possible, feasible as well as practicable; and (b) in the best interests of the Unitholders, the Units then in issue shall be compulsorily redeemed at the Net Asset Value of the Index Fund. The Manager shall, in such event, notify the SFC in advance in such circumstance and agree with the SFC appropriate methods of notification of Unitholders in the Index Fund prior to such redemption and termination. Further, the Unitholders may at any time authorise termination of the Trust or any Index Fund by extraordinary resolution.

Unless previously terminated as described above or under another provision in the Trust Deed, the Trust shall in any event terminate at the expiry of 80 years from the date of the Trust Deed.

Notice of any termination of an Index Fund will be given to the Unitholders after the SFC has approved release of the notice. The notice will contain the reasons for the termination, the consequences to Unitholders of terminating the Index Fund and the alternatives available to them, and any other information required by the Code.

Unless previously terminated, the Trust will terminate on 16 November 2081.

Conflicts of Interest

The Manager and the Trustee may from time to time act as trustee, administrator, registrar, secretary, manager, custodian, investment manager or investment adviser or other functions as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of the Trust or any Index Fund.

In addition:-

- the Manager or any of its Connected Persons may enter into investments for the Trust as agent for the Trustee and may, with the consent of the Trustee, deal with the Trust as principal;

- the Trustee, the Manager or the Registrar or any of their Connected Persons may have banking or other financial relationships with any company or party which is the issuer of Securities, financial instruments or investment products held by the Trust;

- the Trustee, the Manager or the Registrar or any of their Connected Persons may hold and deal in Units or in investments held by the Trust either for their own account or for the account of their customers; and

- the monies of the Trust may be deposited with the Manager, the Trustee or any of their Connected Persons or invested in certificates of deposit or banking instruments issued by any of them.

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

Inspection of Documents

Copies of the following documents are available for inspection free of charge at the offices of the Manager and copies thereof may be obtained from the Manager at a cost of HK$150 per set of copy documents:

- Trust Deed;

- Registrar Agreements;

- Conversion Agency and Service Agency Agreements;

- Participation Agreements; and

- The most recent annual report and accounts of the Trust and the most recent semi-annual report of the Trust.

Anti-Money Laundering Regulations

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 the Trust is subject, the Manager, the Registrar or the Trustee may require a detailed verification of an investor'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.

Further Information about the A50 China ETF

The Manager will publish information with respect to the A50 China ETF, both in the English and in the Chinese languages, on the website at www.ishares.com.hk including:

- this prospectus (as revised from time to time);
- the latest annual and semi-annual financial reports of the A50 China ETF;
- any public announcements or notices made by the A50 China ETF, including information with regard to the Index, notices of the suspension of the calculation of the Net Asset Value, changes in fees and the suspension and resumption of trading; and
- monthly holdings.

The Manager also publishes on the above website:

- near real-time estimated Net Asset Value throughout each Dealing Day and the final Net Asset Value for each Dealing Day; and
- a list of current Participating Dealers and CAAP Issuers together with the relative exposure to each CAAP Issuer and the details of any credit support.

The Index Provider will publish the real time Index level (Ticker: XIN50) on Bloomberg, updated throughout the day. The Index may also be viewed using the following codes from the relevant information vendors: Reuters FTXIN9, Bloomberg FTXIA50, Global Topic XIN9.FT and Thomson Financial ONE XIN9-LN.

SECTION 2 – INFORMATION RELATING TO THE A50 CHINA ETF

This section of the prospectus sets out specific information applicable to the A50 China ETF. Prospective investors' attention is drawn to "Risk Factors relating to the A50 China ETF", in particular "Counterparty risk of CAAP Issuers" and "Possible limited duration of the A50 China ETF" on pages 46 and 47 below.

Key Information

The following table is a summary of key information in respect of the A50 China ETF, and should be read in conjunction with the full text of this Section 2 of this prospectus.

Instrument Type	Exchange Traded Fund ("ETF")
Tracked Index	FTSE/Xinhua China A50 Index
Listing Date	18 November 2004
Exchange Listing	SEHK – Main Board
Stock Code	2823
Trading Board Lot Size	100 Units
Trading Currency	Hong Kong dollars (HK$)
Dividend Payout	Annually (if any)
Management Fee	0.99% p.a. of Net Asset Value calculated daily (estimated total expense ratio of 1.39% p.a.)
Investment strategy	Synthetic representative sampling strategy (please refer to the investment strategy of the A50 China ETF described below)
Web Site	www.ishares.com.hk

Exchange Listing and Trading

Dealings on the SEHK in Units in the A50 China ETF began on 18 November 2004. Units in the A50 China ETF trade on the SEHK in board lots of 100 Units. Units are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this prospectus. Application may be made in the future for a listing of Units on one or more other stock exchanges.

If trading of the Units of the A50 China ETF on the SEHK is suspended or trading generally on the SEHK is suspended, then there will be no secondary market dealing for those Units.

Investment Objective and Strategy of the A50 China ETF

Investment Objective of the A50 China ETF

The A50 China ETF seeks to track the performance of the FTSE/Xinhua China A50 Index (the "Index").

Investment Strategy of the A50 China ETF

The Manager intends to pursue a synthetic representative sampling strategy for the A50 China ETF.

The underlying Securities to which the Index relates (A Shares), may not be directly invested by non PRC persons, such as the A50 China ETF, unless the person is a Qualified Foreign Institutional Investor ("QFII"). Neither the Manager nor the A50 China ETF is a QFII, meaning that in order to meet the investment objective, the Manager on behalf of the A50 China ETF, will invest in Index CAAPs issued by CAAP Issuers.

An Index CAAP is a derivative instrument linked to either (a) an A Share of a PRC company which is at the relevant time a constituent company of the Index or (b) the Index. An Index CAAP represents only an obligation of the CAAP Issuer to provide the A50 China ETF the economic performance equivalent to holding the underlying A Shares. An Index CAAP does not provide any beneficial or equitable entitlement or interest in the relevant A Shares to which the Index CAAP is linked. In other words, the A Shares are not in any way owned by the A50 China ETF. However each Index CAAP synthetically replicates the economic benefit of the relevant A Share or the Index in so far as possible. Because an Index CAAP is an obligation of the CAAP Issuer, rather than a direct investment in A Shares, the A50 China ETF may suffer losses potentially equal to the full value of the Index CAAP if the CAAP Issuer fails to perform its obligations under the Index CAAPs. The Manager seeks to mitigate the counterparty risk subject to market conditions, by diversifying the number of, and the relative exposure of the A50 China ETF to, CAAP Issuers (see "Target Exposure to CAAP Issuers" discussed below).

The Manager intends insofar as possible to hold Index CAAPs that reflect approximately the same weightings of A Shares in the Index to achieve the A50 China ETF's investment objective. However in certain limited circumstances the Manager may choose to overweight the holdings of certain A Shares (through relevant Index CAAPs) of the A50 China ETF relative to the respective weightings of the underlying A Shares in the Index to adjust for excluding other A Shares in the Index due to their comparative illiquidity and possible settlement difficulties which may be experienced. In adopting any Representative Sampling Strategy, the Manager will select underlying A Shares (through underlying Index CAAPs), based on their contribution to certain capitalisation, industry and fundamental investment characteristics, that will, in the aggregate, approximately match those of the Index. As a result, the A50 China ETF may not from time to time hold Index CAAPs linked to all A Shares in all the constituent companies of the Index. The basis for adopting any Representative Sampling Strategy is so that the A50 China ETF can meet its investment objective, which is to provide investment results that, before expenses, closely correspond with the performance of the Index, without holding exposure (through underlying Index CAAPS) to certain A shares in the Index that may be difficult or costly to transact in. However, use of a Representative Sampling Strategy entails certain additional risks, in particular a possible increased tracking error at the time of the switch as well as a possible increased tracking error in general. In this regard the attention of prospective investors is drawn to the discussion in Section 1 of this prospectus entitled "Tracking error" on page 8 and "Tracking error due to CAAP structure" on pages 51.

Tracking error is where the performance of A50 China ETF diverges from the performance of the Index. The possible sources of tracking errors by the A50 China ETF include the fees payable, payment of the CAAP Commission (and other transaction costs involved in buying and selling CAAPs including any costs of collateral), the possible imposition of PRC taxes on QFIIs increasing the transaction costs of the Index CAAPs, potential failure of a CAAP Issuer to meet its obligations under the Index CAAPs, loss of minimum credit rating by a CAAP Issuer, loss of QFII status or insufficient QFII investment quota restricting the issuance of the Index CAAPs, or inability to rebalance in response to changes in the Index, as well as the risk that Index CAAPs may not be able to be settled for all issues within "T+2" causing rebalancing of the Index CAAPs held by the A50 China ETF to lag changes to the weightings of the Index and the possible adoption of Representative Sampling Strategy. In this regard the attention of prospective investor is drawn to "Fees Payable" on pages 55 to 57 and "Risk Factors relating to the A50 China ETF" on page 45 to 54.

Future Changes

Should it become possible under PRC law and practicable for the A50 China ETF to hold the underlying A Shares comprised in the Index directly, through a segregated sub account or in some other manner without restriction, the Manager may, with the agreement of all relevant parties to the A50 China ETF (including each Participating Dealer and the Trustee), take such steps as would enable the A50 China ETF to hold or have an equitable interest directly in A Shares constituting the Index instead of, or in addition to Index CAAPs. Where the Manager and other relevant parties (including the SFC) consider such conversion feasible, the Manager will notify Unitholders and seek such approvals as necessary under the constitutive documents of the A50 China ETF.

Index CAAPs

CAAP Issuer

The role of the CAAP Issuer is to issue the Index CAAPs to be held by the A50 China ETF. The CAAP Issuer must be an institution with a minimum paid up capital of the equivalent of HK$150,000,000 and a credit rating in respect of senior debt of at least A- by Standard & Poor's (or equivalent rating given by Moody's or by Fitch) and a member company of a group including a bank prudentially supervised by a regulator in a jurisdiction reasonably acceptable to the Trustee and the Manager. In the event that the CAAP Issuer's obligations to the A50 China ETF is guaranteed by a guarantor (the "Guarantor"), then the Guarantor (but not the CAAP Issuer) must fulfil these requirements.

The CAAP Issuer will inform the Manager as soon as possible if, for whatever reason, it fails to fulfil any of the above conditions. In addition, the Manager shall monitor a CAAP Issuer's ongoing compliance with the above minimum credit rating and should the CAAP Issuer cease to comply the Manager shall immediately notify the SFC. In the event that the credit rating of the CAAP Issuer or the Guarantor (as the case may be) in respect of senior debt falls below A- by Standard & Poor's (or an equivalent rating given by Moody's or by Fitch), then the Manager will notify Unitholders (and the SFC) and will no longer accept Index CAAPs from that CAAP Issuer, unless additional credit support is provided as the Manager considers appropriate, until such time as the credit rating returns to the minimum acceptable credit rating.

Where the Manager believes it is in the best interests of Unitholders, the Manager may in consultation with the Trustee request the provision of credit support and/or sell the Index CAAPs in certain circumstances affecting the CAAP Issuers such as a credit downgrade below the minimum rating described above, or the issue of Index CAAPs in excess of any limit imposed by the Manager. The A50 China ETF may incur additional fees, charges and expenses as a result of such measures. Such fees, charges and expenses, to the extent that they are borne by the A50 China ETF, may diminish the A50 China ETF's ability to track the Index closely.

The Manager may take any other action reasonably and practicably available to it in the event of a credit event affecting the CAAP Issuer or its guarantor potentially including but not limited to, suspending dealing in the primary and or and secondary markets, managing down the exposure to a CAAP Issuer through redemptions and creations, liquidating Index CAAPs for cash and revaluing the Index CAAPs. The Manager may ultimately decide to terminate the A50 China ETF. There can be no assurance that any action by the Manager will avert any loss to the A50 China ETF.

A list of CAAP Issuers together with the relative exposure to each CAAP Issuer and any credit support is available at www.ishares.com.hk.

Target exposure to CAAP Issuers

The Manager seeks to manage the exposure to each CAAP Issuer to a target level of 15% of the Net Asset Value, subject to market conditions and insofar as it is reasonably practicable. The Manager may from time to time, in consultation with the Trustee, seek to implement measures to reduce the exposure to a CAAP Issuer to the target level over such period as the Manager considers appropriate. Such measures include seeking to obtain credit support (such as Securities collateral) from the CAAP Issuer (or an affiliate) and/or the orderly disposal of relevant Index CAAPs. The value of any Security obtained by way of credit support will also be subject to the single issuer limit of 15% of Net Asset Value.

Investors should note that such measures may involve risks of their own. Notwithstanding any measures taken, the A50 China ETF will continue to be subject to counterparty risk in respect of Index CAAPs not covered by such measures. The A50 China ETF may incur additional fees, charges and expenses as a result of the employment of such measures.

There can be no assurance that the Manager can implement measures to achieve the target level for each CAAP Issuer in an orderly and timely way. At various times, the target level of 15% for one or more CAAP Issuers may not be achievable . In these circumstances the Manager may, in consultation with the Trustee, take such other action (if any) as it considers appropriate and reasonably practicable.

Issuance

So long as the CAAP Issuers honour their obligations under the Index CAAPs held by the A50 China ETF, the commercial terms of the Index CAAPs should deliver substantially the same economic performance to the A50 China ETF as holding the relevant underlying A Share or Index, before deduction of costs and expenses charged by the relevant CAAP Issuer. Actual performance may vary, in practice, because the valuation of each Index CAAP will be determined by a calculation agent appointed by the CAAP Issuer. There can be no guarantee that one calculation agent, valuing an Index CAAP issued by a particular CAAP Issuer, will arrive at the same valuation as another calculation agent valuing an Index CAAP issued by a different CAAP Issuer notwithstanding that both Index CAAPs are referenced against the same underlying A Share.

The Index CAAPs are listed on a Recognised Stock Exchange, cleared and settled through Euroclear and Clearstream and payable in US dollars.

Each CAAP Issuer or any of its Connected Person(s) may, but is not obliged, to hedge its exposure arising from CAAPs it has issued. Where an Index CAAP is hedged the A50 China ETF has no proprietary or security interest over any assets underlying such hedge and the cost of unwinding the hedge is charged to the A50 China ETF.

Duration

The duration of each of the Index CAAPs is agreed with the CAAP Issuer. The issuers of the Index CAAPs have agreed to use their best efforts to extend the duration of the Index CAAPs for an additional term.

Notwithstanding the above, the obligations of a CAAP Issuer to sell Index CAAPs or to extend the duration of the Index CAAPs or to issue further Index CAAPs from time to time are subject to certain qualifications, including (a) normal market conditions, (b) limits imposed on QFIIs in relation to the holding of A Shares, (c) any limit imposed by the Manager on the issue of Index CAAPs by the CAAP Issuer, (d) any material changes to PRC laws and regulations relating to investment in PRC securities such that the CAAP Issuer is unable or unwilling to offer or issue further CAAPs, (e) it ceases to be economically viable for the relevant CAAP Issuer to issue Index CAAPs or to offer Index CAAPs, or (f) the relevant CAAP Issuer will incur materially increased costs in order to perform its obligations.

If as a consequence the Manager is unable to implement its investment strategy or implement any other feasible strategy, the Manager may terminate the A50 China ETF.

Valuation

The Index CAAPs will usually be valued by a Connected Person of the relevant CAAP Issuer or the CAAP Issuer itself. The calculation agent is appointed under the terms governing the CAAPs. Under the terms of each Index CAAP, the calculation agent determines the cash settlement amount of the Index CAAP. The calculation agent will determine the value of the Index CAAP in US dollars (no later than 5.00 pm) at the end of each Business Day provided normal market conditions exist.

Indicative prices for the Index CAAPs are quoted continuously by the calculation agent during China market hours on a designated Bloomberg page provided normal market conditions exist. These prices allow a holder of an Index CAAP to determine an indicative price in US dollars of that Index CAAP and the A50 China ETF to publish a near real-time estimated Net Asset Value throughout each Dealing Day.

The issue and settlement price of each Index CAAP is calculated by reference to the Rmb price of the relevant underlying A Share or basket of A Shares (converted to US dollars) plus fees. The value of each Index CAAP represents the US dollar equivalent of the official closing price of the relevant A Shares or Index, adjusted for transactions costs and the CAAP Commission. A US dollar amount equal to any cash dividend paid on the underlying shares will be paid to the A50 China ETF as the holder of the relevant Index CAAPs. In the event of a stock dividend on the underlying A Shares, either additional Index CAAPs will be distributed to the A50 China ETF for zero consideration or a cash value will be paid. In the event of a rights issue on the underlying A Shares, the A50 China ETF may be required to pay the equivalent of the subscription price and will receive additional Index CAAPs or in certain circumstances a cash payment.

The A50 China ETF is generally required to bear all taxes and expenses including depositary charges transaction or exercise charges which may be or would be (i) incurred in connection with the exercise or redemption of the Index CAAPs and/or any payment and/or delivery in respect thereof, (ii) incurred by the CAAP Issuer or its affiliate had such entity established unwound or varied any underlying related hedging arrangements in respect of the Index CAAP; (iii) withheld by the PRC (or any political subdivision of taxing authority thereof or therein); or (iv) payable in the PRC by or on behalf of a foreign investor or its agent. Any such amounts are ordinarily built into the price of the Index CAAPs.

In order to ensure that the Net Asset Value of the A50 China ETF reflects the proper value of the Index CAAPs, the Trustee has agreed to conduct periodic independent valuations of selected Index CAAPs following the methodology set out in the Index CAAPs. In the event of any discrepancy as between the price of the Index CAAP quoted by the calculation agent and the determination by the Trustee of the same, the Trustee will report such discrepancy to the Manager who will seek to reconcile the difference with the assistance of the relevant CAAP Issuer.

Settlement

Index CAAPs provide for automatic settlement upon expiry or redemption and certain Index CAAPs provide for their settlement at any time before their expiry or redemption date. Settlement may presently only be made in cash although certain Index CAAPs provide for the possibility of physical settlement (in addition to cash settlement) in the event that the PRC restrictions on foreigners owning A Shares are changed to permit this. The amount payable by the CAAP Issuer at settlement is usually determined on the valuation date or in certain circumstances during the valuation period. In relation to certain Index CAAPs, a notional exercise price per CAAP is payable by the holder when exercised.

Prospective investors' attention is drawn to "Risk Factors relating to the A50 China ETF" below, in particular the "General Risk Factors" on pages 45 to 54 below.

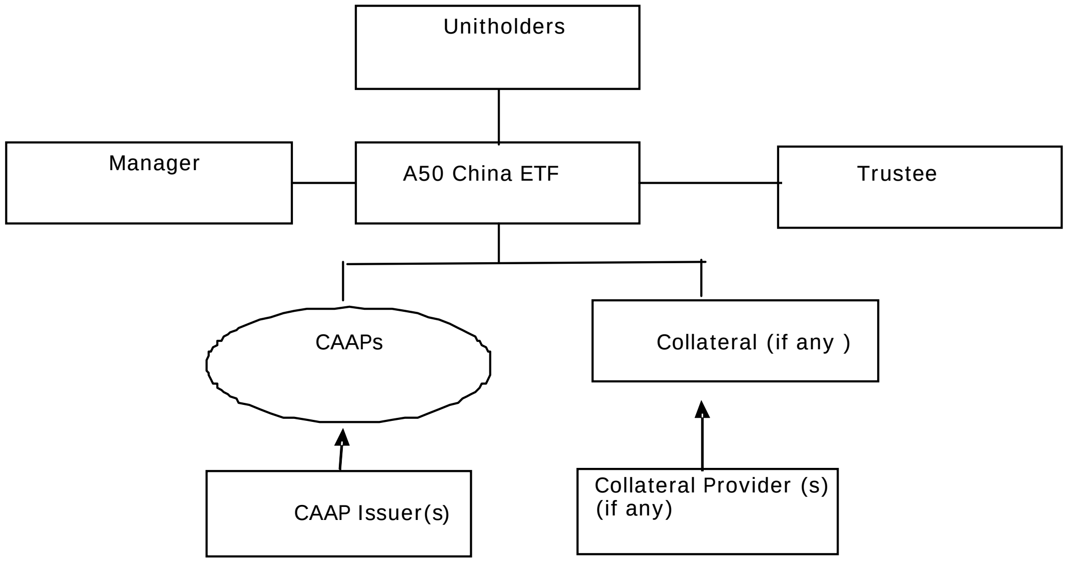
Collateral

Where the Manager believes it is in the best interests of Unitholders, the Manager may in consultation with the Trustee seek the provision of credit support and/or dispose of Index CAAPs in certain circumstances affecting a CAAP Issuer such as a credit downgrade below the minimum rating described under "CAAP Issuer" below, or the holding of Index CAAPs in excess of any target limit by the Manager from time to time. The A50 China ETF may incur additional fees, charges and expenses as a result of such measures. There can be no assurance that the Manager will always be able to obtain credit support from the CAAP Issuer and/or dispose of the Index CAAPs in an orderly and timely way. In the event that the Manager is unable to obtain credit support and/or dispose of the Index CAAPs in an orderly and timely way, the A50 China ETF may be unable to reduce the exposure to the CAAP Issuer and be exposed to losses up to the full value of the Index CAAPs held from such CAAP Issuer if the CAAP Issuer subsequently fails to perform its obligations under the Index CAAPs.

Credit support may involve risks including settlement, operational and realisation risks. Please refer to the risk factor "Credit Support risks" for further information.

Fund Structure

The diagram below summarizes the structure of the A50 China ETF:



Index and China A Share Market

Index

The Index comprises the top 50 A Share companies by market capitalisation and was launched on 21 July 2003. It is a total return index which means that the net dividends of the Securities of the Index are reinvested. The Index is denominated in Hong Kong Dollars and published at the end of each day. The Index is also calculated in Rmb and published every 15 seconds throughout the day.

The Index operates under clearly defined rules published by the Index Provider and is a tradeable index with liquidity. In addition the Index covers both the Shanghai and Shenzhen markets.
Index Provider

Index Provider

The Manager has the non-exclusive right to use the Index in connection with the A50 China ETF. The Index Provider is FTSE/Xinhua Index Limited ("FTSE/Xinhua"), a joint venture company between FTSE Group ("FTSE") and Xinhua Finance Limited ("Xinhua"). Each of FTSE, Xinhua and FTSE/Xinhua are independent of the Manager. FTSE/Xinhua's sole purpose is to facilitate the creation of real time indices for the Chinese market. The FTSE/Xinhua indices, including the Index, are used as performance benchmarks and as the basis for derivative trading as well as index tracking funds such as the A50 China ETF.

Index Construction

Securities eligible for inclusion in the Index include equity securities issued by companies incorporated in China, and listed in the form of A Shares. A Shares are listed on the Shanghai Stock Exchange or Shenzhen Stock Exchange and are denominated in Rmb.

The weighting of a company in the Index is intended to be a reflection of the current importance of that company in the market as a whole. Stocks are selected and weighted according to market capitalisation according to the same consistent methodology that is applied to all FTSE/Xinhua A Index Series. A company is heavily weighted in the Index if it has a relatively larger market capitalisation than the rest of the constituents in the Index. The constituents of the Index are frequently reviewed by the Index Provider to ensure that the Index continues to reflect the state and structure of the underlying market it measures. Please see Appendix I for a list of all of the constituent stocks in the Index as at 30 November 2009 and Appendix II for a description of some of the key Ground Rules applicable to the Index.

Calculation Times

The Index opens at 9.30 am and closes at 3.15 pm each day on which the Shenzhen Stock Exchange and Shanghai Stock Exchange are open. The Index is calculated and is updated continuously every 15 seconds until the market closes. The Index is published as end of day values in US dollars, Hong Kong dollars and Rmb. The composition of the Index is reviewed quarterly every January, April, July and October.

Chinese A Share Market

Prior to December 2002, the A Share market was only open to domestic PRC investors. The regulations have since changed and certain approved foreign strategic investors and foreign institutions approved as QFII are permitted to invest directly into the A Share market.

The trading hours of both the Shanghai Stock Exchange and the Shenzhen Stock Exchange are the same and both exchanges are open from Monday to Friday each week. The morning session is 9.15 am to 9.25 am being the time for centralised competitive pricing and 9.30 am to 11.30 am being the time for consecutive bidding. The afternoon session is 1.00 pm to 3.00 pm being the time for consecutive bidding. The daily price fluctuations of A Shares are limited to a 10 per cent, in either direction, of the closing price on the previous day for the relevant share. The markets are closed on Saturdays and Sundays and other holidays announced by each exchange respectively. Both exchanges are governed directly by the China Securities Regulatory Commission.

The China Securities Depository and Clearing Corporation Limited (the “CSDCC”) is responsible for the central depository, registration and clearing of the A Shares and other listed securities. The main functions of CSDCC in Shanghai and Shenzhen are the registration and account opening, for shareholders, depository functions and transfer of registered securities, registration of holdings, clearing and settlement of all listed securities and provision of a corporate action service. Both branches carry out T+1 settlement for A Shares.

Under PRC law and regulation, companies applying for listing on the Shanghai Stock Exchange or the Shenzhen Stock Exchange must meet certain criteria, including the following:

- the A Shares must have been publicly issued following approval of the initial public offer by the State Council Securities Management Department;

- before public offering, the relevant company’s total share capital must not be less than Rmb 30 million; after public offering, the relevant company’s total share capital must not be less than Rmb 50 million;

- the relevant company must have been in business for more than three years and have made a profit in each of the last three consecutive financial years aggregating to more than Rmb 30 million;

- the relevant company must have generated an aggregated cash flow of more than Rmb 50 million (or an aggregated business income of more than Rmb 300 million) over the last three consecutive financial years;

- at least 25 per cent of the relevant company's total share capital must be in public hands where the capital is Rmb 400 million or less (or a lower "public float" of 10 per cent where the capital of the relevant company is more that Rmb 400 million);

- the relevant company must not have been found to have committed illegal activities or false accounting in the previous three years; and

- other conditions specified by the relevant exchange.

A company's listing on the Shanghai Stock Exchange or the Shenzhen Stock Exchange may be suspended in a number of circumstances, including where the company's share capital no longer satisfies the listing requirement or where the company has been classified as a "special treatment stock" (ST or ST* prefixed shares) as a result of (among other things) disclosure irregularities or business interruption. None of the shares constituting the Index have been designated a special treatment stock as at the date of this prospectus.

For further information concerning the Shanghai Stock Exchange, investors may visit www.sse.com.cn and, concerning the Shenzhen Stock Exchange, investors may visit www.szse.cn.

Exchanges' and Index's Times

The table below sets out the various commencement and closing times of the relevant exchanges and the Index:

	Trading of the A50 China ETF on the SEHK	Shenzhen Stock Exchange / Shanghai Stock Exchange	Index
Commencement time (Morning)	9.30 am	9.30 am	9.30 am
Closing time (Afternoon)	4.10 pm	3.00 pm	3.15 pm

Investment Restrictions

The investment restrictions set out on pages 13 to 14 apply to the A50 China ETF, subject to the following:

- A collective investment scheme authorised by the SFC under the Code is usually restricted from making investments which would result in the value of that collective investment scheme's holdings of the securities of any single issuer exceeding 10 per cent of the collective investment scheme's total net asset value. Given the investment objective of the A50 China ETF is to track the Index and given that the A50 China ETF will do so by investing in Index CAAPs issued by a number of CAAP Issuers, the Manager has applied for, and has been granted, on behalf of the A50 China ETF a waiver from Rule 7.1 of the Code (which limits generally holdings of collective investment schemes authorised by the SFC under the Code to 10%) to allow the A50 China ETF to hold Index CAAPs issued by a single issuer exceeding 10 per cent of the A50 China ETF's Net Asset Value.

- The A50 China ETF is permitted to enter Futures Contracts and Options for hedging purposes or to achieve its investment objective. The value of the A50 China ETF's investments in Options (in terms of the total amount of premium paid) and the value of the A50 China ETF investments in Futures Contracts (in terms of the total net aggregate value of outstanding contract prices payable by or to the A50 China ETF) will not, in the aggregate, exceed 10 per cent of the A50 China ETF's latest available Net Asset Value. The A50 China ETF may only enter into futures contracts which are traded on the Futures Exchange or a Recognised Futures Exchange.

- The A50 China ETF may overweight holdings of Index CAAPs relative to the respective weightings in the Index of the A Shares to which such Index CAAPs are linked, as permitted under Paragraph 11(d) of the SFC's Guidelines for Regulating Index Tracking Exchange Traded Funds (the "ETF Guidelines"). Without this provision of the ETF Guidelines, the A50 China ETF's holding of Index CAAPs in respect of a particular class of A Shares would not be permitted to exceed 10 per cent of Net Asset Value other than where the weighting of such A Share in the Index accounts for more than 10 per cent of the weighting of the Index and the A50 China ETF's percentage holding does not exceed such Index weighting. The Manager believes this may occur because underlying A Shares to which the Index CAAPs are linked may be illiquid. The A50 China ETF is allowed to overweight (taking into account any representative sampling strategy) on condition that the maximum extra weighting in any Index CAAP representing any underlying A Share will not exceed 2 per cent. The Manager shall report to the SFC on a timely basis in respect of every six months (at the year end and semi-annual year end of the A50 China ETF) if there is any non-compliance with this limit during such period by the A50 China ETF. The annual and semi-annual reports of the A50 China ETF shall also disclose whether or not such limit has been complied with during such period.

Operation of the A50 China ETF

Investment in the A50 China ETF

There are two types of investor in the A50 China ETF, and two corresponding methods of investment in Units and realisation of investment in Units. The first type of investor is a Participating Dealer. Only a Participating Dealer can create and redeem Units directly with the A50 China ETF.

The second type of investor is any person, other than a Participating Dealer, who buys and sells the Units on the SEHK. It is the Manager's expectation that at least one Market Maker will maintain a market for the Units of each Index Fund on the SEHK.

Participating Dealer

The role of the Participating Dealer is to create and redeem Units in the A50 China ETF from time to time. A Participating Dealer has no obligation to create or redeem Units, and generally will do so only to the extent necessary to facilitate secondary market trading of A50 China ETF Units by the Participating Dealer or its clients. The Manager shall instruct the Trustee to effect, for the account of the Trust, the creation of Units in Application Unit size in exchange for either a transfer of Index CAAPs issued by a CAAP Issuer acceptable to the Manager (which may be a Connected Person of the Participating Dealer) or cash, or a combination of both, in accordance with the Operating Guidelines and the Trust Deed. In its absolute discretion, the Participating Dealer may also create Units on behalf of its clients from time to time.

A list of Participating Dealers is available at www.ishares.com.hk.

Market Makers

A market maker is a broker or a dealer permitted by the SEHK to act as such by making a market for the Units in the secondary market on the SEHK. A market maker's obligations include quoting bid prices to potential sellers and offer prices to potential buyers when there is a wide spread between the prevailing bid prices and offer prices for Units on the SEHK. Market makers accordingly facilitate the efficient trading of Units by providing liquidity in the secondary market when it is required in accordance with the market making requirements of the SEHK. The Manager anticipates that at least one market maker will maintain a market for Units of the A50 China ETF, to facilitate efficient trading. The list of market makers in respect of the A50 China ETF from time to time will be displayed on www.hkex.com.hk.

Index Rebalancing

The constituent A Shares and their respective weightings within the Index will change from time to time. In order for the A50 China ETF to achieve its investment objective of tracking the Index, it will accordingly be necessary for the Manager to rebalance the A50 China ETF's holdings of Index CAAPs corresponding to the underlying A Shares comprised in the Index. The Manager will take public information announced by the Index Provider and rebalance the holdings of Index CAAPs accordingly, by notifying the relevant CAAP Issuers that the A50 China ETF will seek to buy and/or sell Index CAAPs (with any balancing payment) from the relevant CAAP Issuers. Each relevant CAAP Issuer (or a Connected Person) has generally agreed to sell the A50 China ETF new Index CAAPs and to buy from the A50 China ETF Index CAAPs related to A Shares which, as the case may be, are added to or cease to be constituents of the Index, or whose weightings in the Index are increased or decreased, subject to, amongst other things, normal market conditions and liquidity of the A Shares market, and regulatory restrictions. Any inability to rebalance will result in an increase in tracking error. The CAAP Issuer or its Connected Person may in its discretion (but is not obliged to) at the same time hedge its exposure in respect of any new Index CAAP issuance

Distribution Policy

Any income earned by the A50 China ETF will be distributed at the discretion of the Manager, in accordance with provisions of the Trust Deed annually. Under the applicable terms of the Index CAAPs held on behalf of the A50 China ETF from time to time, the synthetic dividend payment will be the US dollar equivalent of the Rmb dividend on the relevant A Shares to which the Index CAAPs relate (less foreign exchange costs and expenses and an amount deemed appropriate to take account of any withholding taxes or other charges which may be incurred by the QFII). The foreign exchange rate will be the mid Rmb/US exchange rate quoted on Reuters page "SAEC" at the closing of the Shanghai Stock Exchange or the Shenzhen Stock Exchange on the payment date. The Manager will receive payments under the Index CAAPs in US dollars and convert these amounts to Hong Kong dollars prior to any distribution to Unitholders.

Net Asset Value

The Net Asset Value of the A50 China ETF shall be determined in accordance with the Trust Deed as described on pages 19 subject to the following. Although the CAAPs currently held by the A50 China ETF are listed on a Recognised Stock Exchange, for the purposes of determining the Net Asset Value the Trustee shall value the Index CAAPs held by the A50 China ETF according to the price determined by the relevant calculation agent (as calculated under the terms of each Index CAAP) which is published on Bloomberg. The value of each CAAP will be the Rmb official closing price on the Shanghai Stock Exchange or the Shenzhen Stock Exchange of the A Share to which the Index CAAP is linked converted into US dollars, as adjusted under the terms of the Index CAAP, and then converted into Hong Kong dollars (the base currency of the A50 China ETF). The Valuation Point in respect of the valuation of the Index CAAPs is the close of the market on the Shenzhen Stock Exchange and the Shanghai Stock Exchange.

No Certificates

Certificates will not be issued in respect of Units in the A50 China ETF. After listing all Units will be registered in the name of HKSCC Nominees Limited by the Registrar. The register of Unitholders of the A50 China ETF is the evidence of ownership. Any beneficial interest in the Units of the A50 China ETF will be established through an account with a Participating Dealer or a participant in CCASS.

Dealing on the SEHK

Investors, other than Participating Dealers, cannot create or redeem Units directly from the A50 China ETF.

However, as the A50 China ETF is listed on the SEHK, such investors can place an order to buy Units during the trading day through a broker on the SEHK as one would in the case of a share listed on the SEHK, at any time after dealings in the Units commence. The trading price of Units of the A50 China ETF may differ from the Net Asset Value per Unit and there can be no assurance that a liquid secondary market will exist for the Units.

Investors may place an order with a broker to sell their Units on the SEHK at any time during the trading day. To sell Units -or to buy new ones -an investor will need to use an intermediary such as a stockbroker or any of the share dealing services offered by banks or other financial advisers. There are also one or more exchange participants that will make a market for the Units in the secondary trading market. These market makers will facilitate the efficient trading of Units by providing liquidity in the secondary market when it is required, in accordance with the market making requirements of the SEHK.

No money should be paid to any intermediary in Hong Kong who is not licensed for type 1 regulated activity under the Securities and Futures Ordinance.

Brokerage, stamp duty and other fees may be payable when selling (and purchasing) Units. Please see the section headed “Fees Payable” below.

Creation and Redemption by Participating Dealers

Continuous Offering of Units

Units in the A50 China ETF are continuously offered to Participating Dealers who may apply in multiples of an Application Size on any Dealing Day on their own account or for the account of their clients in accordance with the Operating Guidelines. The dealing period on any Dealing Day commences at 12.00 noon and ends at the Dealing Deadline at 1.00 pm (for cash Creation Applications) or 3.00 pm (for in-specie Creation Applications). The Manager expects that Participating Dealers will generally accept and submit creation requests received from third parties, subject to normal market conditions and their client acceptance procedures. Participating

Dealers may impose fees and charges in handling any creation request which would increase the cost of investment. Investors are advised to check with the Participating Dealers as to relevant fees and charges. You should note although the Manager has a duty to closely monitor the operations of the Trust, neither the Manager nor the Trustee is empowered to compel any Participating Dealer to disclose its fees agreed with specific clients or other proprietary or confidential information to the Manager, or to accept any such application requests received from third parties. In addition, neither the Trustee nor the Manager can ensure effective arbitrage by the Participating Dealer.

Application Size

Units in the A50 China ETF are offered and issued at their Net Asset Value only in aggregations of a specified number of Units (each, an "Application Unit") which is currently 2,000,000 Units (or whole multiples thereof). Applications submitted in respect of Units other than in Application Unit size or whole multiples thereof will not be accepted. The minimum holding of Units is one Application Unit.

Procedures for Creation of Application Unit Size

Only Participating Dealers may apply for Units. The Manager shall instruct the Trustee to effect, for the account of the Trust, the creation of Units in the A50 China ETF in Application Unit size in exchange for a basket of Index CAAPs from CAAP Issuers acceptable to the Manager or cash or a combination of both in accordance with the Operating Guidelines and the Trust Deed. Whilst it is open to a Participating Dealer to choose the method of creation, in addition to its rights to reject or cancel a Creation Application under the Trust Deed, the Manager reserves the right to reject or cancel a Creation Application if it is unable to invest the cash proceeds of a cash creation or if proposed Index CAAPs are not acceptable to the Manager.

Where the aggregate value of the basket of Index CAAPs delivered by a Participating Dealer, exceeds the Net Asset Value of an Application Unit as determined in accordance with the Operating Guidelines, the A50 China ETF will pay the Participating Dealer a cash amount equal to the difference. In the event that the A50 China ETF has insufficient cash required to pay such cash amount to the Participating Dealer, the Manager may effect sales of the Deposited Property of the A50 China ETF, or may borrow moneys to provide the cash required provided that the Manager shall have the right to reject or suspend a Creation Application if (i) in the opinion of the Manager, acceptance of any Index CAAP included in an Application Basket would have certain adverse tax consequences for the A50 China ETF; (ii) the Manager reasonably believes that the acceptance of any Index CAAP included in an Application Basket would be unlawful; (iii) the acceptance of any Index CAAP included in an Application Basket would otherwise, in the opinion of the Manager, have an adverse effect on the A50 China ETF; (iv) circumstances outside control of the Manager make it for all practicable purposes impossible to process Creation Applications, including, but not limited, to the situation where there are insufficient Index CAAPs with terms which are acceptable to the Manager available to the A50 China ETF to process cash Creation Application on the relevant Dealing Day; (v) the Manager has suspended the rights of Participating Dealers pursuant to the Trust Deed; or (vi) an Insolvency Event occurs in respect of the Participating Dealer.

Once the Units are created, the Manager shall effect, for the account of the Trust, the issue of Units to a Participating Dealer in accordance with the Operating Guidelines.

Units are denominated in Hong Kong dollars and no fractions of a Unit shall be created or issued by the Trustee.

An application for the creation and issue of Units shall only be made or accepted (as the case may be) on a Dealing Day, shall only be in respect of Units constituting an Application Unit size or whole multiples thereof and shall only be accepted if made by or through a Participating Dealer in accordance with the terms of a Participation Agreement.

The creation and issue of Units pursuant to a Creation Application shall be effected as at the Dealing Day on which the Creation Application is received (or deemed received) and accepted in accordance with the Operating Guidelines but, for valuation purposes only, Units shall be deemed created and issued after the Valuation Point on the Dealing Day on which the relevant Creation Application was received or deemed received and the register will be updated on Settlement Day or the Dealing Day immediately following Settlement Day if the settlement period is extended.

If a Creation Application is received on a day which is not a Dealing Day or is received after the Dealing Deadline on a Dealing Day, that Creation Application shall be treated as having been received at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Creation Application. The Dealing Deadline is 3.00 pm for *in-specie* Creation Applications and 1.00 pm for cash Creation Applications.

No Units shall be issued to any Participating Dealer unless the application is in a form and substance satisfactory to, and accompanied by such documents as may be required by, the Trustee and the Manager in accordance with the Operating Guidelines.

The Manager may charge a Transaction Fee in respect of Creation Applications and may on any day vary the amount of the Transaction Fee it charges (but not as between different Participating Dealers in respect of the A50 China ETF). The Transaction Fee shall be paid by or on behalf of the Participating Dealer applying for such Units (and may be set off and deducted against any cash amount due to the Participating Dealer in respect of such Creation Application(s)) for the benefit of the Registrar and/or the Service Agent.

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

The Trustee shall be entitled to refuse to enter (or allow to be entered) Units in the register if at any time the Trustee is of the opinion that the provisions, in regard to the issue of Units, are being infringed.

Cancellation of Units in the A50 China ETF

Cancellation of Units due to settlement failure

The Trustee shall cancel Units in the A50 China ETF created and issued in respect of a Creation Application if it has not received good title to all Index CAAPs and/or cash (including Duties and Charges) relating to the Creation Application by or on the relevant Settlement Day provided that the Manager may at its discretion, with the approval of the Trustee (a) extend the settlement period (either for the Creation Application as a whole or for a particular Index CAAP) such extension to be on such terms and conditions (including as to the payment of collateral and an Extension Fee to the Manager or the Trustee or their Connected Persons or otherwise as it may determine) as the Manager may determine (b) partially settle the Creation Application to the extent to which Index CAAPs and/or cash has been vested in the Trustee, on such terms and conditions as the Manager may determine including terms as to any extension of the settlement period for the outstanding Index CAAPs or cash.

Cancellation of Units due to inability to invest

In addition to the preceding circumstances, the Manager may also cancel any Units if it determines by such time as it specifies in the Operating Guidelines that it is unable to invest the cash proceeds of the relevant Creation Application. This may occur if insufficient Index CAAPs with terms which are acceptable to the Manager are available to the A50 China ETF to process cash Creation Application on the relevant Dealing Day.

Fees and Charges relating to Cancellation of Units

Upon the cancellation of any Units as provided for above or if a Participating Dealer otherwise withdraws a Creation Application other than in the circumstances contemplated in the Trust Deed, any Index CAAPs or cash received by or on behalf of the Trustee in connection with a Creation Application shall be redelivered to the Participating Dealer (without interest) and the relevant Units shall be deemed for all purposes never to have been created and the applicant therefor shall have no right or claim against the Manager or the Trustee in respect of such cancellation provided that:

- the Manager may charge the Participating Dealer for the account of the Trustee and/or the Registrar an Application Cancellation Fee, currently HK$10,000;

- the Manager may at its discretion require the Participating Dealer to pay to the Trustee for the account of the A50 China ETF in respect of each Unit so cancelled Cancellation Compensation, being (a) the amount (if any) by which the Issue Price of each such Unit exceeds the Redemption Value which would have applied in relation to each such Unit if a Participating Dealer had, on the date on which such Units are cancelled, made a Redemption Application, plus (b) such other amount as the Manager reasonably determines as representing any charges, expenses and losses incurred by the A50 China ETF as a result of any such cancellation;

- the Registrar and/or the Service Agent shall be entitled to the Transaction Fee payable in respect of a Redemption Application; and

- no previous valuations of the Trust Fund shall be re-opened or invalidated as a result of the cancellation of such Units.

Procedures for Redemption of Application Unit Size

Only Participating Dealers may redeem Units. The Manager shall have the exclusive right, at any time and from time to time following a Redemption Application made by a Participating Dealer in accordance with the Operating Guidelines, by notice in writing to the Trustee to effect a reduction of the Trust Fund on the relevant Settlement Day by requiring the Trustee to cancel the number of Units specified in such notice.

A Redemption Application shall only be made or accepted (as the case may be) on a Dealing Day and shall only be in respect of Units constituting an Application Unit size or whole multiples thereof and shall only be accepted if made by or through a Participating Dealer in accordance with the terms of a Participation Agreement.

Investors cannot acquire or redeem Units directly from the A50 China ETF. Only Participating Dealers may submit redemption applications to the Manager. The Manager expects that Participating Dealers will generally accept and submit redemption requests received from third parties, subject to normal market conditions and their client acceptance procedures. Participating Dealers may impose fees and charges in handling any redemption request which would increase the cost of investment and or reduce the redemption proceeds. Investors are advised to check with the Participating Dealers as to relevant fees and charges. You should note although the Manager has a duty to closely monitor the operations of the Trust, neither the Manager nor the Trustee is empowered to compel any Participating Dealer to disclose its fees agreed with specific clients or other proprietary or confidential information to the Manager, or to accept any such application requests received from third parties. In addition, neither the Trustee nor the Manager can ensure effective arbitrage by the Participating Dealer.

If a Redemption Application is received on a day which is not a Dealing Day or is received after the Dealing Deadline on a Dealing Day, that Redemption Application shall be treated as having been received at the opening of business on the next following Dealing Day, which shall be the relevant Dealing Day for the purposes of that Redemption Application. For the purpose of valuation, the relevant Valuation Point shall be the Valuation Point for the Dealing Day on which the Redemption Application is treated as having been received. The Dealing Deadline is 3.00 pm for in specie Redemption Applications and 1.00 pm for cash Redemption Applications.

The Manager shall, on receipt of an effective Redemption Application for the A50 China ETF from a Participating Dealer, effect the redemption of the relevant Units and shall require the Trustee to transfer to the Participating Dealer Index CAAPs or cash or a combination of Index CAAPs and cash in accordance with the Operating Guidelines.

To be effective, a Redemption Application must:

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

A Redemption Application once given cannot be revoked or withdrawn without the consent of the Manager. The Registrar may charge a Unit Cancellation Fee in connection with each accepted Redemption Application.

The Redemption Value of Units tendered for redemption and cancellation shall be the Net Asset Value per Unit in the A50 China ETF rounded to the nearest 2 decimal places. The Redemption Value of Units will be rounded to 4 decimal places from 1 January 2010.

The Manager may deduct from and set off against any cash payable to a Participating Dealer on the redemption of Units such sum (if any) as the Manager may consider represents the appropriate provision for Duties and Charges and the Transaction Fee. To the extent that the cash amount is insufficient to pay such Duties and Charges and the Transaction Fee payable on such redemption the Participating Dealer shall promptly pay the shortfall in the currency of account for the A50 China ETF to or to the order of the Trustee. The Trustee shall not be obliged to deliver (and shall have a general lien over) any Index CAAP to be transferred in respect of the relevant Redemption Application until such shortfall and any cash amount, Transaction Fee and Extension Fee payable by the Participating Dealer is paid in full in cleared funds to or to the order of the Trustee.

Any accepted Redemption Application will be effected by the transfer or payment of Index CAAPs and/or cash on the Settlement Day provided that a Redemption Application duly signed by a

Participating Dealer (to the satisfaction of the Manager and, where any amount is to be paid by telegraphic transfer to a bank account in Hong Kong or New York State, verified in such manner as may be required by, and to the satisfaction of, the Trustee) has been received in accordance with the Operating Guidelines and provided further that the Manager shall have received (unless otherwise provided in the Operating Guidelines) the original (and not a faxed copy) of the certificates (if any) representing the Units to be cancelled (or an indemnity in terms acceptable to the Trustee) and the full amount of any cash amount payable by the Participating Dealer and any Duties and Charges and the Transaction Fee payable have been deducted or otherwise paid in full.

Provided that on the relevant Settlement Day in relation to an effective Redemption Application:

- the Units, which are the subject of the Redemption Application, shall be redeemed and cancelled;

- the Trust Fund shall be reduced by the cancellation of those Units but, for valuation purposes only, such Units shall be deemed to have been redeemed and cancelled after the Valuation Point as at the Dealing Day on which the Redemption Application was received; and

- the name of the holder of such Units shall be removed from the register in respect of those Units on the relevant Settlement Day,

the Trustee shall transfer Index CAAPs and/or cash relevant to the Redemption Application out of the Deposited Property of the A50 China ETF to the Participating Dealer in accordance with the Operating Guidelines.

No Index CAAP or cash shall be transferred or paid in respect of any Redemption Application unless Units, which are the subject of the Redemption Application, have been delivered to the Manager for redemption by such time on the Settlement Day as the Trustee and the Manager shall for the time being prescribe for Redemption Applications generally. In the event that Units, which are the subject of a Redemption Application, are not delivered to the Manager for redemption in accordance with the foregoing:

- the Redemption Application shall be deemed never to have been made except that the Transaction Fee in respect of such application shall remain due and payable and once paid, shall be retained by the Trustee and/or the Service Agent;

- the Manager may charge the Participating Dealer for the account of the Trustee and/or the Registrar an Application Cancellation Fee, currently HK$10,000;

- the Manager may at its discretion require the Participating Dealer to pay to the Trustee, for the account of the A50 China ETF, in respect of each Unit Cancellation Compensation, being (a) the amount (if any) by which the Redemption Value of each such Unit is less than the Issue Price which would have applied in relation to each such Unit if a Participating Dealer had, on the actual date when the Manager is able to repurchase the replacement Index CAAPs, made a Creation Application, plus (b) such other amount as the Manager reasonably determines as representing any charges, expenses and losses incurred by the A50 China ETF as a result of any such cancellation; and

- no previous valuations of the Trust Fund shall be re-opened or invalidated as a result of an unsuccessful Redemption Application.

The Manager, with approval of the Trustee, may at its discretion extend the settlement period such extension to be on such terms and conditions (including as to the payment of an Extension Fee to the Manager or the Trustee or their Connected Persons or otherwise as it may determine) as the Manager may determine but, in any event, not later than one month from the receipt of an effective Redemption Application.

The Manager may charge a Transaction Fee in respect of Redemption Applications and may on any day vary the amount of the Transaction Fee it charges (but not as between different Participating Dealers in respect of the A50 China ETF). The Transaction Fee shall be paid by or on behalf of the Participating Dealer submitting the Redemption Application(s) (and may be set off and deducted against any cash amount due to the Participating Dealer in respect of such Redemption Application(s)).

Directed Cash Dealing

Where a Participating Dealer subscribes or redeems in cash, the Manager may at its sole discretion (but shall not be obliged to) transact for Index CAAPs with a CAAP Issuer nominated by the Participating Dealer. Should the nominated CAAP Issuer default on, or change the terms for, any part of the transaction, the Participating Dealer shall bear all the associated risks and costs. In such circumstances the Manager has the right to transact with another CAAP Issuer and amend the terms of the Creation or Redemption Application to take into account the default and the changes to the terms.

Risk Factors relating to the A50 China ETF

In addition to the principal risk factors set out in Section 1 of this prospectus, investors should also note the following additional risk factors associated with investing in the A50 China ETF. The following statements are intended to be summaries of some of those risks. They are by no means exhaustive and they do not offer advice on the suitability of investing in the A50 China ETF. 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 of the A50 China ETF. Authorisation of the A50 China ETF by the SFC does not imply official approval or endorsement of the Index by the SFC.

General Risk Factors

Investment in A50 China ETF is not the same as direct investment in A Shares

In order that the A50 China ETF may track the Index, the Manager will acquire, hold and dispose of CAAPs on behalf of the A50 China ETF as if these were the relevant A Shares. A Shares, the underlying Securities to which the Index relates, may not be directly invested by non PRC persons, such as the A50 China ETF, unless the person is a QFII. Accordingly, in order to meet its investment objective the A50 China ETF will purchase Index CAAPs from, and sell Index CAAPs to, a CAAP Issuer. The Index CAAPs do not provide any beneficial or equitable entitlement or interest in the relevant A Shares to which each CAAP is linked. Investors should therefore note that an investment in A50 China ETF is not the same as owning the constituent A Shares of the Index. The Unitholders will not have any proprietary or beneficial interest in such A Shares. Because an Index CAAP is an obligation of the CAAP Issuer, rather than a direct investment in A Shares, the A50 China ETF may suffer losses potentially equal to the full value of the Index CAAP if the CAAP Issuer fails to perform its obligations under the Index CAAPs.

Counterparty risk of CAAP Issuers

The Index CAAPs constitute direct, general and unsecured contractual obligations of the issuer of the CAAPs. The Index CAAPs do not provide the A50 China ETF (or the Manager) with any legal or equitable interest of any type in the underlying A Shares comprising the Index. Each Index CAAP is designed to replicate the economic benefit of holding either an A Share or the Index. The value of the A50 China ETF's assets will, and may always, therefore depend entirely on the credit risk of the CAAP Issuers of all the Index CAAPs held by the A50 China ETF. Any Insolvency Event in relation to, or other failure to perform obligations under an Index CAAP or related agreement of, any of the CAAP Issuers will have an adverse impact on the Net Asset Value of the A50 China ETF. The A50 China ETF is subject to counterparty risk associated with each CAAP Issuer and may suffer losses potentially up to the full value of the CAAPs issued by a CAAP Issuer if such CAAP Issuer fails to perform its obligations under the CAAPs. Any loss would result in a reduction in the Net Asset Value and impair the ability of the A50 China ETF to achieve its investment objective to track the Underlying Index. In the event of any default by a CAAP Issuer, dealing may be suspended and the A50 China ETF may ultimately be terminated.

The Manager seeks to mitigate the counterparty risk by diversifying the number of, and the relative exposure of the A50 China ETF to, CAAP Issuers by managing each CAAP Issuer to a target exposure of 15% of the Net Asset Value. To achieve this, the Manager may implement measures such as seeking to obtain credit support (such as Securities collateral) from the CAAP Issuer (or an affiliate) and/or the orderly disposal of relevant Index CAAPs. Investors should note that such measures may involve risks of their own such as settlement, operational and realisation risks arising out of credit support. Please refer to the risk factor "Credit support risks" below. Investors should note the A50 China ETF will continue to be subject to counterparty risk. The A50 China ETF may incur additional fees, charges and expenses as a result of the employment of such measures.

In any event, there can be no assurance that the Manager can always implement measures to achieve the target level for each CAAP Issuer in an orderly and timely way. At various times, the target of 15% for one or more CAAP Issuers may not be achievable. In these circumstances the Manager may, in consultation with the Trustee, take such other action (if any) as it considers appropriate and reasonably available.

Credit Support risk

Credit support may involve risks including settlement, operational and realisation risks. For example, collateral is subject to fluctuations in market value and the prices of subject Securities may go down as well as up. The value of the collateral Securities may be lower upon realisation of the Securities. In case of collateral Securities which are listed securities, the listing of such Securities may be suspended or revoked or the trading of such Securities on the stock exchanges may be suspended, and during the period of suspension or upon revocation, it may not be possible to realise the relevant collateral Securities. In such circumstances the Manager may seek to obtain additional collateral. While the Manager will endeavour to use a tax efficient arrangement in respect of any collateral, there is no guarantee that such arrangement will not be challenged by the tax authorities. If such arrangement is successfully challenged, the A50 China ETF may be required to pay the requisite tax (such as stamp duties) and other penalties.

Accordingly, the value of the collateral realized may not be sufficient to cover the value of the Index CAAPs secured by such collateral.

No obligation for CAAP Issuers or their Connected Persons to hedge

Although CAAP Issuers or their Connected Persons will generally hedge their exposure in respect of any Index CAAP issuance for risk management purposes, either by purchasing the underlying A Shares of the Index or entering into a swap agreement, neither the CAAP Issuers nor their Connected Person are under an obligation to perform hedging. In any event, the A50 China ETF will not receive any beneficial interests that may arise from any hedging exercise performed by a CAAP Issuer or its Connected Person.

Possible limited duration of the A50 China ETF

The CAAPs are of limited duration and those CAAPs issued at the launch of the A50 China ETF may settle automatically in the fifth year following their issue. Whilst it has been agreed that the Index CAAPs to be bought by and sold to the A50 China ETF from time to time may be “rolled over” for such period as the CAAP Issuer and the Manager may agree, there is no assurance that the relevant CAAP Issuer will agree to continue this arrangement indefinitely. Accordingly, the duration of the A50 China ETF depends upon the ability of the A50 China ETF to renew the expiration period of the relevant CAAPs held by it. Although the Manager believes that the CAAP Issuers will be willing to do this, such renewal cannot be guaranteed and such renewal may be uneconomical for the A50 China ETF. In the event that no satisfactory alternative to tracking the Index through Index CAAPs is available, the A50 China ETF may in such circumstance redeem all Units outstanding and the Manager would terminate the A50 China ETF. Such termination may cause outstanding Units to be redeemed at a discount to Net Asset Value.

Dependence on the CAAP Issuers

The Manager’s ability to manage the A50 China ETF depends upon the continuing availability of Index CAAPs. As stated above under “Index CAAPs” on pages 30 to 33, in certain limited circumstances such as (i) any limit imposed by the Manager on the issue of Index CAAPs, (ii) material changes to the rules relating to PRC securities such that CAAPs may no longer be sold, (iii) where it is no longer economically viable to issue CAAPs or to sell CAAPs, (iv) where a CAAP Issuer incurs a materially increased cost to perform its duties, or (v) a CAAP Issuer or the Guarantor (as the case may be) ceasing to possess a satisfactory credit rating, a CAAP Issuer may no longer be willing or able to issue CAAPs to the A50 China ETF and the A50 China ETF may no longer be willing or able to hold the relevant CAAPs. In the worst case scenario the A50 China ETF may be terminated.

Participating Dealers may only deal in certain CAAPs

Although the terms of CAAPs issued by different CAAP Issuers will be similar, investors should note that the A50 China ETF may face practical limitations that effectively limit it delivering to a Participating Dealer in respect of a Redemption Application Index CAAPs other than those that have been either issued by an affiliate of the Participating Dealer or are otherwise acceptable to the Participating Dealer. This may from time to time limit the flexibility of the Manager in responding to Redemption Applications and prevent the Manager from maintaining the A50 China ETF’s credit exposure to CAAP Issuers at desired levels.

QFII system generally

The QFII system was introduced in 2002. Although the CSRC may in due course relax QFII eligibility requirements, making investment in A Shares easier and more widespread, this cannot be guaranteed. It is not possible to predict the future development of the QFII system and the CSRC may even impose restrictions on QFII’s operations. Such restrictions may adversely affect the issuance of Index CAAPs and/or cause Units in the A50 China ETF to trade at a discount on the SEHK.

PRC tax risk

As mentioned in the PRC tax section, 10% PRC withholding tax has been enforced on payment of dividends and interest to foreign investors from PRC listed companies. However, the PRC tax authorities have not been reported to have sought to collect such withholding tax to date on capital gains realised by QFIIs on the selling of A Shares. Notwithstanding that, withholding tax is legally applicable to such capital gains from a technical perspective under the Corporate Income Tax Law)

There is a risk the PRC tax authorities would seek to collect this tax on capital gains realised by QFIIs on sale of PRC A Shares without giving any prior warning, and possibly on a retrospective basis in the worst case. If such tax is collected, the tax liability will be payable by the QFII. In such event, under the terms of the CAAPs or as otherwise agreed between the Manager and a CAAP Issuer, any tax levied on and payable by the QFII in the PRC may be passed on to and borne by the A50 China ETF to the extent such tax is indirectly attributable to the A50 China ETF through its holdings of Index CAAPs. In addition, when the Manager sells an Index CAAP, the sale price may be reduced on account of the QFII's tax liability. Under current PRC foreign exchange regulations, the withholding tax applicable to the QFII generally arises when the QFII repatriates funds overseas from the PRC; hence where it is that the incidence of withholding tax liability may not have been crystallized, the QFII may not have been required to deduct the necessary withholding tax from the trades to the extent that no foreign exchange remittance is made. In such circumstance the Net Asset Value per Unit and the value of Index CAAPs held by the A50 China ETF may be reduced against the value of the underlying A Shares to which the Index CAAPs are linked, if and to the extent that any PRC tax liability will ultimately be recharged to and be borne by the A50 China ETF.

Certain CAAP Issuers have however indicated their intention to withhold an amount equal to 10% of any gain, representing the PRC tax in respect of any capital gains which would be payable on an actual sale of the underlying A share of each Index CAAP issued to the A50 China ETF. The amounts withheld will be retained for a period of up to 5 years, pending further clarification of the tax rules and tax collection measures adopted by the PRC authorities.

Investor should refer to the latest financial report of the A50 China ETF, for details of the amounts withheld by CAAP Issuers on account of capital gains, as well as the amount of any crystallised and uncrystallised gains.

For accounting purposes, the Manager does not presently propose to accrue for the 10% withholding referred to above but is keeping the matter under review (and which position may be subject to change depending on the position adopted by the CAAP issuers and the extent to which the QFII may seek to economically recover any PRC withholding tax imposed through contractual arrangements). In practice, any amount to be withheld will be taken either at the time of the A50 China ETF's quarterly portfolio rebalancing, ad-hoc CAAP sales or on a redemption of Units and will have an effect on the A50 China ETF's Net Asset Value.

The Trustee and the Manager may, in their discretion from time to time, establish a reserve for potential tax liabilities if in their opinion such a reserve is warranted. Any such reserve would have the effect of reducing the Net Asset Value per Unit by the pro rata amount of estimated tax liability. In the event that the A50 China ETF is required to make payments reflecting tax liabilities for which no reserves have been taken, the Net Asset Value per Unit may decrease substantially, without notice, by the pro rata amount of the unreserved tax exposure.

Please refer to pages 58 and 60 for further information about PRC taxation.

Repatriation of funds from the PRC

The Index CAAPs are issued outside the PRC and restrictions on or suspension of the ability of QFIIs in general to repatriate US dollars should not affect the operation of A50 China ETF, although restrictions on the repatriation of US dollars might result in the Participating Dealers choosing not to create or redeem Units as a result. Where the CAAP Issuer is also a QFII, the inability to repatriate US dollars may give rise to liquidity problems for that CAAP Issuer, which may impact the A50 China ETF if that CAAP Issuer is unable to perform its obligations under the CAAPs it has issued and are held by the A50 China ETF. However, any further restrictions on or suspension of the ability of QFIIs in general to repatriate US dollars from the PRC, insofar as they affect the CAAP Issuers, may cause Units in the A50 China ETF to trade at a discount on the SEHK.

QFII investment quota

Under the QFII system, a QFII must obtain SAFE approval to increase its investment quota. In the event that any QFII wishes to increase its respective investment quota from time to time, such increase may take time to obtain SAFE approval. Where insufficient investment quota is available, additional Index CAAPs may not be available in which case, because the A50 China ETF cannot buy more Index CAAPs, further Units in the A50 China ETF cannot be created. Although the continued operation of the A50 China ETF should not be affected, where further increases in QFII investment quota is restricted, suspended or halted, the supply of PRC A Share Access Products, such as Index CAAPs, will be affected and this may cause Units in the A50 China ETF to trade at a premium to Net Asset Value.

QFII investment restrictions

Although the Manager does not anticipate that QFII investment restrictions will impact the ability of the A50 China ETF to achieve its investment objective, investors should note that the relevant PRC laws and regulations may limit the ability of the QFII to acquire A Shares in certain PRC issuers from time to time and, in addition, a QFII may not be able to acquire A Shares to hedge the Index CAAPs. In such case, this may accordingly restrict the issuance, and therefore the purchase, of Index CAAPs linked to these A Shares by the A50 China ETF. This may occur in a number of circumstances, such as (i) where the QFII holds in aggregate 10 per cent of the total share capital of a listed PRC issuer (regardless of the fact that the QFII may hold its interest on behalf of a number of different ultimate clients), and (ii) where the aggregated holdings in A Shares of all QFIIs (whether or not connected in any way to the A50 China ETF) already equal 20 per cent of the total share capital of a listed PRC issuer. In the event that these limits are exceeded the relevant QFIIs will be required to dispose of the A Shares in order to comply with the relevant requirements and, in respect of (ii), each QFII will dispose of the relevant A Shares on a “last in first out” basis. As a consequence, in such circumstances, the Manager may need to adopt a Representative Sampling Strategy in order to achieve the A50 China ETF’s investment objective. This may cause increased tracking error in general.

QFII regulation

The QFII policy and rules are subject to change and any such change could adversely impact the A50 China ETF. In the worst case scenario, this could lead to CAAPs not being able to be issued and the A50 China ETF having to be terminated. Should it be necessary to terminate the A50 China ETF, we would anticipate an orderly unwind, with the net cash proceeds to be distributed to the existing Unitholders.

Foreign exchange risk

The A50 China ETF is denominated in Hong Kong dollars whilst the Index CAAPs are denominated in US dollars and the underlying A Shares represented by the Index CAAPs are denominated in Rmb. Accordingly the ability of the A50 China ETF to track the Index is in part subject to foreign exchange fluctuations as between the Hong Kong dollar, the US dollar and the Rmb. The terms of the CAAPs require the payment of the US dollar equivalent of the Rmb distributions and dividends received by the QFII, meaning that the A50 China ETF is exposed to foreign exchange risk and fluctuations in value between the US dollar and Rmb (and between the US dollar and the Hong Kong dollar when the Manager makes any distribution to Unitholders). Notwithstanding the foregoing, investors should note that the CAAP Issuer is not required, by virtue of the issuance of the CAAPs, to remit or repatriate US dollars out of the PRC. In addition the A50 China ETF will buy and sell the Index CAAPs in Hong Kong dollars. Accordingly PRC foreign exchange restrictions will not impact the purchase and sale of the Index CAAPs by the A50 China ETF or the payment of distributions in US dollars by the CAAP Issuer to the A50 China ETF.

Disruption of creation and redemption

Index CAAPs may only be bought from, or sold to, the A50 China ETF from time to time where the corresponding A Shares may be sold or purchased on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, as appropriate. Given that the A Share market is considered volatile and unstable (with the risk of suspension of a particular stock or government intervention), the creation and redemption of Units may also be disrupted. A Participating Dealer is unlikely to redeem or create Units if it considers that the underlying A Shares or Index CAAPs may not be available.

Liquidation of CAAPs

Although the Index CAAPs to be held by the A50 China ETF are listed, the Index CAAPs have no active secondary market. In addition, the Manager may have to agree with each CAAP Issuer that, in any event, the Manager will not sell any CAAP to (i) any Taiwanese person or (ii) to any PRC individual, PRC corporate, PRC bank, or insider of the issuer of the A Share to which a CAAP is linked or (iii) to investors whose source of funding for the CAAP is derived or originates from the PRC, in compliance with applicable PRC law.

Euroclear/Clearstream settlement cycle

The Index CAAPs are cleared and settled in Euroclear and Clearstream. In order to match the HKSCC settlement cycle in Hong Kong, Participating Dealers will need to achieve fast settlement on a “T+2” basis in Euroclear and Clearstream (which is normally achieved on a “T+3” basis). Although small, there is a risk that the CAAP Issuers may not always be able to do this for all new issues to the A50 China ETF of the Index CAAPs when the Manager needs to rebalance the A50 China ETF’s holding of CAAPs.

Risk of market pricing

The market price of an ETF typically depends on the supply and demand imbalance. In the case of the A50 China ETF, since the supply and demand imbalance can only be addressed by the Participating Dealer(s) creating and redeeming additional Units, the liquidity of the underlying A Share market and the nature of the QFII regime will likely result in the A50 China ETF trading at a higher premium or discount to the Net Asset Value per Unit than may normally be the case for an ETF.

Tracking error due to CAAP structure

The tracking error of the A50 China ETF may be increased by the overall costs of maintaining the CAAPs. Such costs include the CAAP Commission, the CAAP maintenance charge, any cost of credit support (please see under "Fees and Charges Relating to CAAPs" below) as well as any taxes and the spread and foreign exchange costs to the A50 China ETF from investing in the CAAPs. As a result of such costs the value of the Index CAAPs may differ from the price of the A Shares to which such Index CAAPs are linked, leading to an increased tracking error, although the Manager does not believe that this will be significant.

Operating cost

There is no assurance that the performance of the A50 China ETF will achieve its investment objective. The level of fees and expenses payable by the A50 China ETF will fluctuate in relation to the Net Asset Value. Although the amounts of certain ordinary expenses of the A50 China ETF can be estimated, the growth rate of the A50 China ETF, and hence its Net Asset Value, cannot be anticipated. Accordingly, no assurance can be given as to the performance of the A50 China ETF or the actual level of its expenses.

Dividends are contingent on synthetic dividends paid on Index CAAPs

The ability of the A50 China ETF to pay dividends on the Units is subject to the Manager's distribution policy and also depends on dividends declared and paid by the relevant PRC companies (whose A Shares are replicated by the Index CAAPs held by the A50 China ETF) net of any PRC dividend withholding tax and the level of fees and expenses payable by the A50 China ETF. Dividend payment rates of companies which issue the underlying A Shares 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 without which no distribution is payable on the Index CAAPs. In addition, changes to the composition of the Index (for example, the substitution of one constituent stock in the Index with another paying higher or lower dividends) will affect the level of synthetic dividends received by the A50 China ETF under the Index CAAPs. To the extent possible, the A50 China ETF's fees and expenses will be paid out of the synthetic dividends it receives. To the extent such dividends received by the A50 China ETF are insufficient to meet its fees and expenses, the excess will be met out of the assets of the A50 China ETF or by borrowing, which may cause the 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 Index CAAPs or the PRC companies to whose A Shares the Index CAAPs relate.

Dependence upon trading market for A Shares

The existence of a liquid trading market for the A Shares may depend on whether there is supply of, and demand for, such A Shares. The price at which the Index CAAPs may be purchased or sold by the A50 China ETF upon any rebalancing activities or otherwise and the Net Asset Value of the A50 China ETF may be adversely affected if trading markets for the A Shares are limited or absent. Investors should note that the Shanghai Stock Exchange and Shenzhen Stock Exchange on which A Shares are traded are undergoing development and the market capitalisation of, and trading volumes on, those exchanges are lower than those in more developed financial markets. Market volatility and settlement difficulties in the A Share markets may result in significant fluctuations in the prices of securities traded on such markets and thereby changes in the value of the A50 China ETF.

Risk Factors Relating to the PRC

World Trade Organisation (the "WTO") increases competition for PRC companies

China's accession to the WTO occurred on 11 December 2001. As a member of the WTO, China is required to significantly reduce the trade barriers for imports that have historically existed and that currently exist in China, such as: reducing restrictions on trading for certain kinds of products on foreign companies; lifting prohibitions, quantitative restrictions or other measures maintained against imports over time and significantly reducing tariffs. Any present or future increase in foreign competition may have a material adverse effect on PRC companies and their business operations.

PRC economic, political and social conditions as well as government policies

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

Although the majority of productive assets in China are still owned by the PRC government at various levels, in recent years, the PRC government has implemented economic reform measures emphasising utilisation of market forces in the development of the economy of China and a high level of management autonomy. The economy of China has experienced significant growth in the past 20 years, but growth has been uneven both geographically and among various sectors of the economy. Economic growth has also been accompanied by periods of high inflation. The PRC government has implemented various measures from time to time to control inflation and restrain the rate of economic growth.

For more than 20 years, the PRC government has carried out economic reforms to achieve decentralisation and utilisation of market forces to develop the economy of the PRC. These reforms have resulted in significant economic growth and social progress. There can, however, be no assurance that the PRC government will continue to pursue such economic policies or, if it does, that those policies will continue to be successful. Any such adjustment and modification of those economic policies may have an adverse impact on the securities market in the PRC as well as the underlying securities of the A50 China ETF. Further, the PRC government may from time to time adopt corrective measures to control the growth of the PRC economy which may also have an adverse impact on the capital growth and performance of the A50 China ETF.

Political changes, social instability and adverse diplomatic developments in the PRC could result in the imposition of additional government restrictions including expropriation of assets, confiscatory taxes or nationalisation of some or all of the property held by the underlying issuers of the A Shares in the Index.

PRC government control of currency conversion and future movements in exchange rates

Although the Index CAAPs are denominated in US dollars, the distributions made under the Index CAAPs will reflect the dividends and distributions received by the QFII in Rmb and are converted at the prevailing foreign exchange rate (see "Distribution Policy" above).

Various PRC companies derive their revenues in Rmb but have requirements for foreign currency, including for the import of materials, debt service on foreign currency denominated debt; purchases of imported equipment and payment of any cash dividends declared in respect of e.g. H shares and N shares.

The existing PRC foreign exchange regulations have significantly reduced government foreign exchange controls for transactions under the current account, including trade and service related foreign exchange transactions and payment of dividends. However, the Manager cannot predict whether the PRC government will continue its existing foreign exchange policy and when the PRC government will allow free conversion of the Rmb to foreign currency.

Foreign exchange transactions under the capital account, including principal payments in respect of foreign currency-denominated obligations, currently continue to be subject to significant foreign exchange controls and require the approval of the State Administration for Foreign Exchange. Since 1994, the conversion of Rmb into Hong Kong dollars and United States dollars has been based on rates set by the People's Bank of China, which are set daily based on the previous day's PRC interbank foreign exchange market rate. The Manager cannot predict nor give any assurance of any future stability of the Rmb to Hong Kong dollar exchange rate. Fluctuations in exchange rates may adversely affect the A50 China ETF's Net Asset Value and any declared dividends.

PRC laws and regulations

The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference but have no precedent value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce taxation and trade. Two examples are the promulgation of the Contract Law of the PRC to unify the various economic contract laws into a single code, which went into effect on 1 October 1999, and the Securities Law of the PRC, which went into effect on 1 July 1999. However, because these laws and regulations affecting securities markets are relatively new and evolving, and because of the limited volume of published cases and judicial interpretation and their non-binding nature, interpretation and enforcement of these regulations involve significant uncertainties. In addition, as the PRC legal system develops, no assurance can be given that changes in such laws and regulations, their interpretation or their enforcement will not have a material adverse effect on their business operations.

Legal System of the PRC

The legal system of the PRC is based on written laws and regulations. Despite the PRC government's effort in improving the commercial laws and regulations, many of these laws and regulations are still at an experimental stage and the implementation of such laws and regulations remains unclear.

Potential Market Volatility

Investors should note that the Shanghai Stock Exchange and Shenzhen Stock Exchange in which A Shares are traded are undergoing development. Market volatility may result in significant fluctuation in the prices of securities traded on such markets and thereby changes in the Net Asset Value of the A50 China ETF.

Accounting and Reporting Standards

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

Taxation in the PRC

The PRC Government has implemented a number of tax reform policies in recent years. There can be no assurance that the current tax laws and regulations will not be revised or amended in the future. Any revision or amendment in tax laws and regulations may affect the after-taxation profit of PRC companies and foreign investors in such companies.

Prospective investors' attention is drawn to the "Risk Factors relating to the A50 China ETF" above, in particular the "PRC tax risk" on pages 48 above.

Fees Payable

There are 3 levels of fees and expenses applicable to investing in the A50 China ETF as set out in the following table, current as at the date of the Prospectus.

Fees and expenses payable by Participating Dealers on in respect of creation and redemption of Units (primary market)	Amount
Transaction Fee	HK$16,000[1] per Application
Application Cancellation Fee	HK$10,000[2] per Application
Extension Fee	HK$10,000[3] per Application
Partial Delivery Request Fee	HK$10,000[4] per Application
Stamp duty	Nil
Transaction levy and trading fee	Nil
Fees and expenses payable by investors on SEHK (secondary market)	**Amount**
Brokerage	Market rates
Transaction levy	0.004%[5]
Trading fee	0.005%[6]
Stamp duty	Nil
No money should be paid to any intermediary in Hong Kong which is not licensed or recognised to carry on Type 1 regulated activity under Part V of the SFO.	
Fees and expenses payable by the A50 China ETF (see further disclosure below)	**Amount**
Management fee[7]	0.99% p.a. of Net Asset Value (estimated TER of 1.39% p.a.)

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1 HK$15,000 is payable to the Registrar and HK$1,000 is payable to the Service Agent.

2 An Application cancellation fee is payable to the Trustee and / or Registrar by the Participating Dealer in respect of either a withdrawn or failed Creation Application or Redemption Application. Cancellation compensation may also be payable pursuant to the terms of the Operating Guidelines.

3 An extension fee is payable by the Participating Dealer to the Trustee on each occasion the Manager grants the Participation Dealer's request for extended settlement in respect of a Creation or Redemption Application.

4 A partial delivery request fee is payable by the Participating Dealer for the benefit of the Trustee or Registrar on each occasion the Manager grants the Participation Dealer's request for partial settlement.

5 Transaction levy of 0.004% of the price of the Units payable by the buyer and the seller.

6 Trading fee of 0.005% of the price of the Units, payable by the buyer and the seller.

7 Accrued daily and payable monthly in arrears.

Fees and Expenses Payable by A50 China ETF

The A50 China ETF employs a single management fee structure, paying all of its fees, costs and expenses (and its due proportion of any costs and expenses of the Trust allocated to it) as a single flat fee (the "Management Fee"). Fees and expenses taken into account in determining the Management Fee include, but are not limited to, the Manager's fee, Trustee's fee, fees and expenses of the auditor, service agents, ordinary legal and out-of-pocket expenses incurred by the Trustee or Manager, and the costs and expenses of licensing the Index. The Management Fee does not include brokerage and transaction costs including the fees and charges relating to CAAPs, costs of collateral and extraordinary items such as litigation expenses.

The A50 China ETF will not be responsible for any promotional expenses including those incurred by any marketing agents and any fees imposed by such marketing agents on their customers investing in the A50 China ETF will not be paid (either in whole or in part) out of the A50 China ETF.

Fees and Charges Relating to CAAPs

CAAP Commission: The CAAP Issuer charges a 0.30 per cent commission (excluding stamp duty) on each purchase and sale of each Index CAAP acquired for the account of the A50 China ETF. The CAAP Commission is included in the purchase price per Index CAAP and the sale price per Index CAAP payable or receivable respectively by the A50 China ETF and is accordingly an expense borne by the A50 China ETF. When the A50 China ETF buys an Index CAAP, the relevant Index CAAP price payable by the A50 China ETF will equal the US dollar equivalent of the Rmb price for the relevant A Share, plus the additional CAAP Commission of 0.30 per cent thereon converted from US dollars to Hong Kong dollars. When the A50 China ETF sells an Index CAAP to the CAAP Issuer, the relevant CAAP price receivable by the A50 China ETF will equal the US dollar equivalent of the Rmb price for the relevant A Share, less the CAAP Commission of 0.40 per cent (including stamp duty) thereof, converted from US dollars to Hong Kong dollars. The CAAP Commission will be adjusted for any change in stamp duty on the sale and purchase of A shares, currently 0.10% per cent on the sale of A Shares.

The CAAP Commission may be increased generally or in respect of specific CAAP Issuers or transaction.

CAAP Maintenance Charge: In addition to the CAAP Commission, each CAAP Issuer shall also be entitled to a CAAP maintenance charge, equal to 0.30 per cent per annum of the daily mark to market value of the CAAPs issued by the relevant CAAP Issuer, payable at the end of each quarter based on the period's number of actual days.

Other Expenses: The A50 China ETF is generally required to bear all taxes and expenses including depositary charges transaction or exercise charges which may be or would be (i) incurred in connection with the exercise or redemption of the Index CAAPs and/or any payment and/or delivery in respect thereof, (ii) incurred by the CAAP Issuer or its affiliate had such entity established, unwound or varied any underlying related hedging arrangements in respect of the Index CAAP; (iii) withheld by the PRC (or any political subdivision of taxing authority thereof or therein); or (iv) payable in the PRC by or on behalf of a foreign investor or its agent. Any such amounts are ordinarily built into the price of the Index CAAPs.

Where the Manager believes it is in the best interests of Unitholders, the Manager may, in consultation with the Trustee, require the provision of credit support and/or the repurchase of Index CAAPs in certain circumstances affecting the CAAP Issuers such as a credit downgrade below the minimum rating described under "CAAP Issuer" above, or the holding of Index CAAPs in excess of any limit imposed by the Manager. The A50 China ETF may incur additional fees, charges and expenses as a result of such measures.

General Expenses

The costs of establishing the A50 China ETF, the costs of preparation of this prospectus and the costs of seeking and obtaining SFC authorisation as well as the SEHK listing and all initial legal and printing costs in respect of the A50 China ETF are borne by the Manager.

Total Expense Ratio

The Total Expense Ratio (the "TER") of the A50 China ETF is estimated to be 1.39% p.a. of the Net Asset Value of the A50 China ETF. The TER percentage is the sum of anticipated charges to the A50 China ETF and includes the Management Fee, CAAP commission and CAAP maintenance charges and other expenses. The TER does not include extraordinary items such as litigation. The Manager will update unitholders in the event that the TER is increased in any material respect.

Taxation

The following summary of Hong Kong taxation is of a general nature, is for information purposes only, and is not intended to be an exhaustive list of all of the tax considerations that may be relevant to a decision to purchase, own, redeem or otherwise dispose of Units. This summary does not constitute legal or tax advice and does not purport to deal with the tax consequences applicable to all categories of Unitholders. The information below is based on the law and practice in force in Hong Kong at the date of this Prospectus. The relevant laws, rules and practice relating to tax are subject to change and amendment (and such changes may be made on a retrospective basis). As such, there can be no guarantee that the summary provided below will continue to be applicable after the date of this Prospectus.

Hong Kong

The A50 China ETF

Profits Tax: As the A50 China ETF has been authorised as a collective investment scheme by the SFC pursuant to section 104 of the Securities and Futures Ordinance, profits of the A50 China ETF arising from the sale or disposal of securities, net investment income received by or accruing to the A50 China ETF and other profits of the A50 China ETF 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, any Hong Kong stamp duty on the transfer of Securities to the A50 China ETF by an investor pursuant to an application in specie will be remitted or refunded. Similarly, Hong Kong stamp duty on the transfer of Securities by the A50 China ETF to an investor upon redemption of Units will also be remitted or refunded.

No Hong Kong stamp duty is payable by the A50 China ETF on an issue or redemption of Units.

Hong Kong stamp duty is ordinarily payable on the transfer of Hong Kong stock. As at the date of this Prospectus, the A50 China ETF does not buy or sell Hong Kong stock and it is not the Manager's intention to do so.

The Unitholders

<u>Profits Tax</u>: Hong Kong profits tax will not be payable by the Unitholder (other than Unitholders 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 the Units and on any distributions made by the A50 China ETF. In accordance with the practice of the Inland Revenue Department of Hong Kong (as at the date of this Prospectus) tax should not be payable in Hong Kong in respect of dividends payable to Unitholders.

<u>Stamp Duty</u>: Approval has been given by Financial Services and the Treasury Bureau on 18 November 2004 for remission or refund in full of stamp duty payable or paid in respect of any contract notes or instruments of transfer relating to transactions in Units in the A50 China ETF.

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

China

The A50 China ETF

*<u>Corporate Income Tax (“**CIT**”)</u>*: The Manager and the Trustee intend to manage and operate the Trust in such a manner that the Trust should not be treated as a tax resident enterprise of the PRC or a non-tax resident enterprise with an establishment or place of business in the PRC for CIT purposes. As such, it is expected that the Trust should not be subject to CIT on an assessment basis and would only be subject to CIT on a withholding basis to the extent the Trust directly derives PRC sourced income. As the A50 China ETF would hold CAAPs (an offshore instrument) rather than the legal interest in A Shares, any distribution from or gains realised on settlement of CAAPs should also not be considered to be PRC sourced income. As such, PRC withholding tax should also not apply to the A50 China ETF, on income derived from disposition of CAAPs.

The Unitholders

*<u>Individual Income Tax (“**IIT**”)</u>*: Non-PRC national individual Unitholders should not be subject to IIT as a result of their investment in the Trust. There should be no PRC withholding taxes applicable to investment distributions from or gains realised on disposal of units in the Trust as such distributions and gains should not be considered to be PRC-sourced (because it is expected that the Trust will not be a tax resident enterprise of the PRC).

Individual Unitholders who are domiciled in the PRC or non-PRC national individual Unitholders who have resided in the PRC for five consecutive full years will be subject to IIT on investment distributions derived from the Trust on a receipts basis.

CIT: Corporate Unitholders who are considered to be non-tax resident enterprises without an establishment or place of business in the PRC should not be subject to CIT as a result of their investment in the Trust. There should also be no PRC withholding taxes applicable to investment distributions from the Trust to such Unitholders as such distributions would not be considered to be PRC-sourced (because it is expected that the Trust will not be a tax resident enterprise of the PRC).

Corporate Unitholders who are considered to be: (i) tax resident enterprises of the PRC; or (ii) non-PRC tax resident enterprises who have an establishment or place of business in the PRC (and where such establishment holds the Units in the Trust as part of its business) would likely be subject to CIT on investment distributions derived from the Trust on an accrual basis.

The QFIIs

The A50 China ETF will obtain an economic exposure to the A Shares through the Manager acquiring or disposing the CAAPs as if these were the relevant A Shares. The CAAP Issuers may implement hedge arrangements on the CAAPs through QFIIs, which would acquire or dispose of the underlying A Share to which the CAAPs are linked. As the QFIIs are the legal owners of the A Shares under PRC law, any PRC taxes arising from the QFIIs' investments in such securities would be legally borne by the QFII directly. Given that any PRC tax liabilities accruing to the QFII in respect of the securities to which the CAAPs are linked arise because of the trading activities of the A50 China ETF, such tax liabilities may ultimately be recharged to and borne by the A50 China ETF and would likely have an economic effect on the value of the A50 China ETF.

CIT: Under current PRC tax law, there are no specific rules or regulations governing the taxation of gains realised by a QFII on the disposal of A Shares, although a recent notice by the PRC's tax authority however confirmed that withholding tax is applicable on dividends paid by A Share companies to QFIIs.

With no specific rules relating to QFIIs (other than the recent notice about dividends), the tax treatment for a QFII investing in A Shares is governed by the general taxing provisions of the Corporate Income Tax Law ("**CIT Law**").

Under the general taxing provision of the CIT Law, a QFII would be subject to 10% PRC withholding tax on interest income, dividends and capital gains from PRC listed securities. This is on the basis that the QFII would be managed and operated such that it would not be considered a tax resident enterprise in China and it would not be considered to have a permanent establishment in the PRC. A double tax treaty (if any) between the PRC and the country in which of the QFII is a tax resident may further reduce the 10% withholding tax rate depending on the QFII's ability to meet the relevant requirements under the relevant tax treaty.

To date, PRC withholding tax has been enforced on dividend and interest payments from PRC listed securities to QFIIs. However, as a matter of practice PRC withholding tax has not been strictly enforced on capital gains realised by QFIIs from sale of A Shares; this is not withstanding that such gains are technically subject to the 10% withholding tax under the CIT law.

Certain CAAP Issuers have however indicated that they intend to withhold an amount equal to 10% of any gain, representing the PRC tax in respect of any capital gains which would be payable on an actual sale of the underlying A share of each Index CAAP issued to the A50 China ETF from 28 November 2008. The amounts withheld will be retained for a period of up to 5 years, pending further clarification of the tax rules and tax collection measures adopted by the PRC authorities. In the event that, at the end of the 5 year period such capital gains withholding tax has not been enforced against the CAAP Issuer (or its affiliate), or the amount withheld is greater than the actual capital gains tax liability, the amount withheld (or the excess withholding) will be returned to the A50 China ETF, although the A50 China ETF will remain liable for any attributable tax. Accrued interest is payable on the amounts withheld and is payable to the A50 China ETF on a periodic basis.

Investors should refer to the latest financial report of the A50 China ETF, for details of the amounts withheld by CAAP Issuers on account of capital gains, as well as the amount of any crystallised and uncrystallised gains.

For accounting purposes the Manager does not presently propose to accrue for the 10% withholding referred to above but is keeping the matter under review. In practice, any amount to be withheld will be taken either at the time of the A50 China ETF quarterly portfolio rebalancing, ad-hoc CAAP sales or on a redemption of Units and will have an effect on the A50 China ETF Net Asset Value.

Business Tax and stamp duty: Under PRC laws and regulations, QFIIs are specifically exempt from PRC Business Tax on gains arising from trading in A Shares. There is no PRC Business Tax on dividend income or profit distributions on equity investment in the PRC.

From 19 September 2008 onwards, only the seller is taxable to stamp duty at the rate of 0.1% on the sale of PRC listed shares and the buyer is not liable to any stamp duty.

DEFINITIONS

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

"A50 China ETF" means iShares FTSE/Xinhua A50 China Index ETF, the second Index Fund of the Trust.

"A Shares" means shares or interests issued by PRC companies and listed on either the Shanghai Stock Exchange or the Shenzhen Stock Exchange.

"Access Product" means a derivative instrument such as a warrant, note or participation certificate linked to either a Security comprised in the Application Basket or the Underlying Index.

"Application" means, in respect of an Index Fund, an application by a Participating Dealer to the Registrar for the creation or redemption of Units, in accordance with the procedures for creation and redemption of Units set out in the Operating Guidelines and the terms of the Trust Deed.

"Application Basket" means a portfolio of Securities determined by the Manager for the relevant Sub-Fund at the start of business on the relevant Dealing Day for the purpose of the creation and redemption of Units in an Application Unit size, notified on the relevant date by the Manager to Participating Dealers for the relevant Index Fund.

"Application Cancellation Fee" means the fee payable by a Participating Dealer in respect of a default, as set out in the Operating Guidelines applicable at the time the relevant Creation Application or Redemption Application is made.

"Application Unit" means, in relation to each Index Fund, such number of Units of a class or multiples thereof as specified in this prospectus for the relevant Index Fund or such other multiple of Units of a class from time to time determined by the Manager, approved by the Trustee and notified to Participating Dealers, either generally or for a particular class or classes of Units.

"Business Day" means a day (other than a Saturday) on which the SEHK is open for normal trading and on which the relevant Underlying Index is compiled and published (and in respect of the Index, a day on which the Shanghai Stock Exchange and the Shenzhen Stock Exchange are both open for normal trading), and on which banks in Hong Kong are open for general business provided that, where as a result of a Number 8 Typhoon Signal, Black Rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee otherwise determine.

"CAAP" means a US dollar denominated Chinese A Share Access Product being a derivative instrument (such as a warrant, note or participation certificate) linked to (a) an A Share or (b) the Underlying Index with the characteristics described in this Prospectus.

"CAAP Commission" means the commission payable by the A50 China ETF as commission for purchasing or unwinding an Index CAAP.

"CAAP Issuer" means a substantial financial institution which has agreed to issue and repurchase Index CAAPs to and from the A50 China ETF.

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

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

"CCASS Operational Procedures" means the CCASS Operational Procedures as amended from time to time.

"China" or "PRC" means the People's Republic of China but, for the purposes of this prospectus for geographical reference excludes Taiwan, Macau and Hong Kong.

"Clearstream" means Clearstream, Banking, société anonyme.

"CSRC" means the China Securities Regulatory Commission of the PRC.

"Code" means the Code on Unit Trusts and Mutual Funds dated April 2003 issued by the SFC (as amended or replaced from time to time).

"collective investment scheme" has the same meaning as in the Securities and Futures Ordinance.

"Connected Person" has the meaning as set out in the Code.

"Creation Application" means, in respect of an Index Fund, an application by a Participating Dealer for the creation and issue of Units in an Application Unit size (or whole multiples thereof).

"Dealing Day" means each Business Day during the continuance of the Trust, and/or such other day or days as the Manager may from time to time determine with the approval of the Trustee either generally or for a particular class or classes of Units.

"Dealing Deadline" in relation to any particular place and any particular Dealing Day, means 15 minutes after the SEHK officially closes for trading on that Dealing Day or such other time on that Dealing Day as the Manager (with the approval of the Trustee) may from time to time determine either generally or for a particular class or classes of Units.

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

"Duties and Charges" means, in relation to any particular transaction or dealing, all stamp and other duties, taxes, government charges, brokerage, bank charges, transfer fees, registration fees, transaction levies and other duties and charges whether in connection with the constitution of the Deposited Property or the increase or decrease of the Deposited Property or the creation, issue, transfer, cancellation or redemption of Units or the acquisition or disposal of Securities or otherwise which may have become or may be payable in respect of, and whether prior to, upon or after the occasion of, any transaction or dealing and including, in relation to an issue of Units or redemption of Units, a charge (if any) of such amount or at such rate as is determined by the Manager to be made for the purpose of compensating or reimbursing the Trust for the difference between (a) the prices used when valuing the Securities of the Trust for the purpose of such issue or redemption of Units and (b) (in the case of an issue of Units) the prices which would be used when acquiring the same Securities if they were acquired by the Trust with the amount of cash received by the Trust upon such issue of Units and (in the case of a redemption of Units) the prices which would be used when selling the same Securities if they were sold by the Trust in order to realise the amount of cash required to be paid out of the Trust upon such redemption of Units.

"Enhanced Methodology" means improvements made by an Index Provider to the manner in which an Underlying Index is determined.

"Euroclear" means the Euroclear System, operated by Euroclear Bank S.A./N.V.

"Extension Fee" means any fee payable by a Participating Dealer in accordance with the Operating Guidelines because of the extension of any settlement period.

"FTSE" means FTSE Group.

"FTSE/Xinhua" means FTSE/Xinhua Index Limited, a joint venture between FTSE and Xinhua.

"Futures Contract" means any futures contract which is traded on the Futures Exchange or a Recognised Futures Exchange.

"Futures Exchange" means the Hong Kong Futures Exchange Limited or its successors.

"Future Index Share" means a share listed or to be listed on a stock exchange and which an Index Provider has announced will be included in the relevant Underlying Index or which the Manager and the Trustee reasonably believe will be included in the relevant Underlying Index within 30 days.

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

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

"Hong Kong dollar" or "HK$" mean the lawful currency for the time being and from time to time of Hong Kong.

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

"Index" means the FTSE/Xinhua China A50 Index.

"Index CAAPs" means CAAPs linked to either (a) an A Share of a PRC company which is at the relevant time a constituent company of the Index or (b) the Index.

"Index Fund" means a segregated pool of assets and liabilities established under the Trust.

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

"Initial Issue Date", in respect of each Index Fund, means the date of the first issue of Units relating to the Index Fund, which shall be two Dealing Days following the close of the Initial Offer Period.

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

"Issue Price" means, in respect of each Index Fund, the price at which Units in that Index Fund may be issued, determined in accordance with the Trust Deed.

"Initial Offer Period", in respect of each Index Fund, means such period as may be agreed between the Trustee and the Manager.

"Listing Agent" means BlackRock Asset Management North Asia Limited or its successors.

"Manager" means BlackRock Asset Management North Asia Limited or its successors.

"Market" means the following, in any part of the world:-

(A) in relation to any Security: the SEHK or a Recognised Stock Exchange; and

(B) in relation to any Futures Contract: the Futures Exchange or any Recognised Futures Exchange.

"Net Asset Value" means the net asset value of an Index Fund or, as the context may require, of a Unit calculated pursuant to the Trust Deed.

"Operating Guidelines" means, in relation to the A50 China ETF, the guidelines for the creation and redemption set out in the Schedule to the Participation Agreement as amended from time to time by the Manager with the approval of the Trustee following consultation, to the extent reasonably practicable, with the Participating Dealers and as notified in writing to the Participating Dealers. Unless otherwise specified, references to the Operating Guidelines shall be to the Operating Guidelines for the Units in the A50 China ETF.

"Participating Dealer" means, in respect of the A50 China ETF, any dealer (licensed for type 1 regulated activity under the Securities and Futures Ordinance) which has entered into a Participation Agreement in form and substance acceptable to the Manager and the Trustee.

"Participation Agreement" means, in respect of the A50 China ETF, an agreement entered into between the Trustee, the Manager, and a Participating Dealer setting out, (amongst other things), the arrangements in respect of the issue of Units and the redemption and cancellation of Units.

"Provisional Index" means an Underlying Index as adjusted to take account of Enhanced Methodology.

"QFII" means a qualified foreign institutional investor approved under the QFII Measures.

"QFII Measures" means the Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors Regulations, issued by the China Securities Regulatory Commission, the SAFE and the People's Bank of China, effective 1 September 2006.

"Recognised Futures Exchange" means an international futures exchange which is recognised by the SFC or which is approved by the Trustee and the Manager.

"Recognised Stock Exchange" means an international stock exchange which is recognised by the SFC or which is approved by the Trustee and the Manager.

"Redemption Application" means, in respect of the A50 China ETF, an application by a Participating Dealer to the Registrar for the redemption of Units in Application Unit size (or whole multiples thereof).

"Redemption Value" means, in respect of a Unit of an Index Fund, the price per Unit at which such Unit is redeemed, calculated in accordance with the Trust Deed.

"Registrar" means, in respect of the A50 China ETF, HSBC Institutional Trust Services (Asia) Limited or such other person as may from time to time be appointed by the Manager to keep the register of Unitholders of an Index Fund.

"Rmb" means Renminbi Yuan, the lawful currency for the time being and from time to time of the PRC.

"SAFE" means the State Administration of Foreign Exchange of the PRC.

"Securities" means any share, stock, debenture, unit, loan stock, bond, security, commercial paper, acceptance, trade bill, treasury bill, instrument or note of, or issued by or under the guarantee of, any body, whether incorporated or unincorporated, or of any government or local government authority or supranational body, whether paying interest or dividends or not and whether fully-paid, partly paid or nil paid and includes (without prejudice to the generality of the foregoing):

(A) any right, option or interest (howsoever described) in or in respect of any of the foregoing, including units in any Unit Trust (as defined in the Trust Deed);

(B) any certificate of interest or participation in, or temporary or interim certificate for, receipt for or warrant to subscribe or purchase, any of the foregoing;

(C) any instrument commonly known or recognised as a security;

(D) any receipt or other certificate or document evidencing the deposit of a sum of money, or any rights or interests arising under any such receipt, certificate or document; and

(E) any bill of exchange and any promissory note.

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

"Securities and Futures Ordinance" means the Securities and Futures Ordinance (Cap. 571) of Hong Kong.

"Service Agent" means, in respect of the A50 China ETF, HK Conversion Agency Services Limited, or such other person as may from time to time be appointment to act as service agent in relation to the A50 China ETF.

"Settlement Day" means the Business Day which is two Business Days after the relevant Dealing Day (or such later Business Day as is permitted in relation to such Dealing Day pursuant to the Operating Guidelines) or such other number of Business Days after the relevant Dealing Day as the Manager and the Trustee may from time to time agree and notify to the relevant Participating Dealers, either generally or for a particular class or classes of Units.

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

"Transaction Fee" means the fee in respect of an Index Fund which may at the discretion of the Manager be charged for the benefit of the Service Agent, Registrar and/or the Trustee to each Participating Dealer on each Dealing Day upon which an Application has been or Applications have been made by the relevant Participating Dealer, the maximum level of which shall be as determined by the Manager from time to time and, in respect of the A50 China ETF, set out in this prospectus.

"Trust" means the umbrella unit trust constituted by the Trust Deed and called iShares Asia Trust or such other name as the Trustee and the Manager may from time to time determine.

"Trust Deed" means the trust deed dated 16 November 2001 between the Manager and the Trustee, as amended.

"Trust Fund" means all the property for the time being held or deemed to be held upon the trusts of the Trust Deed including all Deposited Property and Income Property and subject to the terms and provisions of the Trust Deed, except any amount for the time being standing to the credit of any Distribution Account (as defined in the Trust Deed).

"Trustee" means HSBC Institutional Trust Services (Asia) Limited or its successors.

"Unauthorised US Person" means (i) a US person within the meaning of Rule 902 of the United States Securities Act of 1933, as amended, (ii) a US resident within the meaning of the United States Investment Company Act of 1940, as amended, or (iii) any person that would not qualify as a Non-United States person within the meaning of United States Commodity Futures Trading Commission Rule 4.7(a)(1)(iv).

"Underlying Index" means, in respect of an Index Fund, the index against which the relevant Index Fund is benchmarked and in respect of the A50 China ETF means the Index.

"Unit" means one undivided share in the Index Fund to which it relates.

"Unit Cancellation Fee" means the fee charged by the Registrar in respect of the cancellation of Units in connection with an accepted Redemption Application.

"Unitholder" means a holder of Units in respect of an Index Fund of the Trust.

"US dollar" or "US$" means the lawful currency for the time being and from time to time of the United States of America.

"Valuation Point" means, in respect of the A50 China ETF, the official close of trading on the Market on which the underlying A Shares are listed on each Dealing Day and, in the case of the A50 China ETF investing (directly or indirectly) in A Shares trading on more than one Market, the official close of trading on the last relevant Market to close or such other time or times as determined by the Manager and the Trustee from time to time provided that there shall always be a Valuation Point on each Dealing Day other than where there is a suspension of the creation and redemption of Units.

"Xinhua" means Xinhua Finance Limited.

The information presented in Appendices I and II has been extracted from publicly available documents that have not been prepared or independently verified by the Manager, the Trustee or the Listing Agent or advisers in connection with the offering and listing of Units and none of them makes any representation as to or takes any responsibility for the accuracy or completeness of such Appendices.

APPENDIX I – THE INDEX

As at 30 November 2009, the 10 largest constituent stocks of the Index (all 50 of such constituents which are listed below in order of market capitalisation), represented 48.8050% per cent of the total market capitalisation, based on total shares in issue, of the Index.

Rank	SEDOL	Constituent Name	Mkt. Cap. after investability weight (Rmb million)	% of Index
1	B1SVWB6	Ping An Insurance (Group) Company Of China (A)	271,963.7955	8.8439
2	6518723	China Merchants Bank (A)	202,976.7841	6.6005
3	B1P13B6	Industrial Bank (A)	192,100.0000	6.2468
4	B1W9Z06	Bank of Communications (A)	164,719.7886	5.3565
5	6182043	Shanghai Pudong Development Bank (A)	145,828.2037	4.7421
6	6579355	Citic Securities (A)	145,157.5207	4.7203
7	6803708	China Vanke (A)	111,613.3373	3.6295
8	6310747	China Minsheng Banking (A)	108,701.6963	3.5348
9	B2QZ4S8	Zijin Mining Group (A)	79,019.0183	2.5696
10	B1G2JY3	Industrial and Commercial Bank of China (A)	78,751.9848	2.5609
11	B29WFR2	China Pacific Insurance Group (A)	75,675.6000	2.4609
12	6802006	Shenzhen Development Bank (A)	75,337.8231	2.4499
13	B1WLHY0	Aluminum Corp of China (A)	69,746.1996	2.2681
14	6766555	Haitong Securities (A)	66,069.4042	2.1485
15	B281JM3	China Shenhua Energy (A)	64,306.8025	2.0912
16	B01Y312	Suning Appliance (A)	63,865.4983	2.0768
17	6711630	China Yangtze Power (A)	63,343.3351	2.0598
18	B1JPCH3	Datang International Power Generation (A)	59,038.9110	1.9199
19	6547998	China United Network Communications (A)	55,365.5088	1.8004
20	B28SLD9	PetroChina (A)	54,527.2597	1.7732
21	6109901	Wuliangye Yibin (A)	53,978.6468	1.7553
22	B24G126	China Construction Bank (A)	53,370.0000	1.7355
23	6373728	China Petroleum & Chemical (A)	51,057.0086	1.6603
24	B1LBS82	China Life Insurance (A)	50,942.6838	1.6566
25	6086974	Saic Motor Corporation (A)	49,859.8824	1.6214
26	6281519	Shanxi Xishan Coal and Electricity Power (A)	49,643.5200	1.6143
27	6414832	Kweichow Moutai (A)	49,240.8774	1.6012
28	B1G9126	Shanghai International Port (A)	48,614.4462	1.5809
29	B19RB38	Poly Real Estate Group (A)	43,820.5277	1.4250
30	6073062	ZTE (A)	42,945.1820	1.3965
31	6307954	Baoshan Iron & Steel (A)	42,921.9120	1.3958
32	B193HF0	Daqin Railway (A)	42,433.9958	1.3799
33	B292YZ3	China Railway Group (A)	32,561.2316	1.0588

34	B3Y6LV2	China State Construction Engineering Corp. Ltd. A	29,340.0000	0.9541
35	B180B49	Bank of China (A)	29,304.5565	0.9529
36	B2PPPG4	China Railway Construction (A)	28,413.3888	0.9240
37	B2NWDF2	China Coal Energy (A)	25,534.0811	0.8303
38	6165011	Wuhan Iron and Steel (Group) (A)	25,457.8240	0.8279
39	6441595	Anhui Conch Cement (A)	23,336.9313	0.7589
40	B249NZ2	Bank of Beijing (A)	22,058.0242	0.7173
41	B1YQ5Q1	China COSCO Holdings (A)	21,883.8427	0.7116
42	6087331	Angang Steel (A)	17,694.4248	0.5754
43	B3CPT84	China South Locomotive and Rolling Stock Corp (A)	17,256.5280	0.5612
44	B1VXHG9	China Citic Bank (A)	16,470.4124	0.5356
45	6434551	Jiangxi Copper (A)	13,871.0534	0.4511
46	B1B8WM5	Air China (A)	13,431.8023	0.4368
47	6119289	Yanzhou Coal Mining (A)	9,585.3680	0.3117
48	B24G115	China Oilfield Services (A)	9,313.6386	0.3029
49	B3FJ9X8	Shanghai Electric Group (A)	6,901.2694	0.2244
50	6422136	Huaneng Power International (A)	5,810.4000	0.1889

Source: The constituent list of the Index is updated and available for public viewing on FTSE's website at www.ftse.com

Investors should note that, in tracking the Index, the Manager may adopt a Representative Sampling Strategy in lieu of a Replication Strategy. A Representative Sampling Strategy may be more appropriate in view of the comparative illiquidity and possible settlement difficulties which may be experienced with certain A Shares comprised in the Index. This means that the A50 China ETF may not hold all shares in all the constituent companies of the FTSE/Xinhua China A50 Index. However, the Manager may swap between the strategies, without prior notice to investors, in its absolute discretion as often as it believes appropriate in order to achieve the investment objective of the A50 China ETF by tracking the Index as closely as possible for the benefit of investors.

APPENDIX II – THE FTSE/XINHUA CHINA A SHARE INDICES

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General

The FTSE Xinhua A Index Series (the "Series") is designed to represent the performance of the mainland Chinese market that is available to A Share investors. The Series comprises a number of A Share indices including the Index. References to index names in the Series are to the simplified names effective from 29 October 2004.

The Series is calculated and published in Rmb for real time calculation and Rmb, US dollars and Hong Kong dollars for end of day. The Index is published every 15 seconds. The remaining FTSE/Xinhua A Index Series indices are published every minute. Total return indices are published at the end of each working day. The total return indices are based on ex dividend adjustments. The description set out below in respect of the Series applies to the Index.

The Index opens at 9.30 am and closes at 3.15 pm each day on which the Shanghai Stock Exchange and the Shenzhen Stock Exchange are open.

Ground Rules

FTSE/Xinhua is responsible for the operation of the Series. FTSE/Xinhua will maintain records of the market capitalisation of all constituents and reserve companies, and will make changes to the constituents and their weightings in accordance with specified rules (the “Ground Rules”). The Ground Rules and news concerning the Index may be viewed on FTSE’s website at www.ftse.com.

FTSE/Xinhua will carry out a quarterly review of the Index. Changes to constituent weightings are made by FTSE/Xinhua in accordance with the Ground Rules. FTSE/Xinhua will inform the FTSE/Xinhua Index Committee of all changes to constituent weightings as soon as possible after the new weightings have been determined. FTSE/Xinhua is responsible for publicising changes to constituent weightings. FTSE/Xinhua is also responsible for monitoring the performance of the Series throughout the day and will determine whether the status of each index should be ‘firm’, ‘indicative’, ‘held’ or ‘part’. It will inform the FTSE/Xinhua Index Committee of all occasions when an index is not firm in the official index period and will inform the FTSE/Xinhua Index Committee of the reasons for all such occasions at the next regular meeting.

For the purposes of the above: “firm” means the index uses the trade prices from the relevant stock exchange for all constituents during the hours the index is open; “indicative” means that there is a system problem or a situation in the market judged to be affecting the quality of the constituent prices (the message “IND” will be displayed against the index value); “held” means, during a firm period, an index has exceeded pre-set operating parameters and calculation has been suspended pending resolution of the problem (the message “HELD” will be displayed against the index value); and “part” means the index is being calculated during the normal index open hours but there are less than seventy five per cent of the constituents by capitalisation available with firm prices (the message “PART” will be displayed against the index to indicate only a portion of the prices are included. With the exception of this message, the index will continue to be displayed and calculated as if it were firm).

Eligible Securities

All A Share classes of equity in issue are eligible for inclusion in the Series subject to conforming to the Ground Rules as described below. The entire quoted equity capital of a constituent company is included in the calculation of its market capitalisation, subject to the following free float restrictions:

(A) Free float restrictions include:

   (1) trade investments in an index constituent either by another constituent (i.e. cross-holdings) or non-constituent company or entity,

   (2) significant long term holdings by founders, their families and/or directors,

   (3) employee share schemes (if restricted),

   (4) government holdings,

   (5) portfolio investments subject to a lock in clause, for the duration of that clause.

(B) The following are not considered as restricted free float:

(1) portfolio investments,

(2) nominee holdings (including those supporting ADRs and GDRs), unless they represent restricted free float as defined in (A) above,

(3) holdings by investment companies.

(C) Free flat restrictions are calculated using available published information. The initial weighting of a constituent in the index will be applied in the following bands.

(1)	free float less than or equal to 15%	=	see (D) below
(2)	free float greater than 15% but less than or equal to 20%	=	20%
(3)	free float greater than 20% but less than or equal to 30%	=	30%
(4)	free float greater than 30% but less than or equal to 40%	=	40%
(5)	free float greater than 40% but less than or equal to 50%	=	50%
(6)	free float greater than 50% but less than or equal to 75%	=	75%
(7)	free float greater than 75%	=	100%

(D) However, a company that has a free float greater than 5 per cent or a company ranking in the top 5 by full market value that has a free float greater than 3 per cent, but less than or equal to 15 per cent will be eligible for the index providing its full market capitalisation is greater than US$2.5 billion or local currency equivalent, and it qualifies in all other respects. The actual free float will be rounded up to the next highest whole percentage number.

Treatment of Constituents

(1) Constituent companies that have free float greater than or equal to 5 per cent but less than or equal to 15 per cent will be deleted from the Index if their full market capitalisation is less than US$1.5 billion or local currency equivalent at the time of the review.

(2) Constituent companies that have a free float greater than or equal to 3 per cent, but less than 5 per cent will be deleted from the Index if they are ranked below 10th place by full market value, or their full market capitalisation is less than US$ 1.5 billion or local currency equivalent at the time of the review.

(3) Constituent companies that have a free float less than 3% will be deleted from the index.

Treatment of Non-Constituents

(1) At the time of the review, a non-constituent company that has a free float greater than or equal to 5 per cent will be eligible for inclusion in the index providing its full market capitalisation is greater than US$2.5 billion or local currency equivalent, and it qualifies in all other respects.

(2) A non-constituent company that has a free float greater than or equal to 3 per cent, but less than 5 per cent with a full marked capitalisation greater than US$2.5 billion or local currency equivalent will be eligible for inclusion in the index if it ranks in the top 5 by full market capitalisation.

(E) The Series is periodically reviewed for changes in free float. These reviews will coincide with the quarterly reviews for the Index.

(F) A constituent's free float will also be reviewed and adjusted if necessary following a corporate event. If the corporate event includes a corporate action which affects the index, any change in free float will be implemented at the same time as the corporate action. If there is no corporate action, the change in free float will be applied as soon as practicable after the corporate event.

(G) Following the application of an initial free float restriction, a constituent's free float will only be changed if its actual free float moves to more than 5 percentage points above the minimum or 5 percentage points below the maximum of an adjacent new band. This 5 percentage points threshold does not apply if the change is greater than one band; therefore a movement of 10 percentage points for the banks between 20 per cent and 50 per cent and 25 percentage points for the bands between 50 per cent and 100 per cent or to the 15 per cent limit in (C)(1) and (C)(2) above will not be subject to the 5 percentage point threshold.

Where a company's shares are issued partly, or nil, paid and the call dates are already determined and known, the market price will, for the purposes of calculating its market capitalisation, be adjusted so as to include all such calls (i.e. the fully paid price).

Liquidity criteria

Securities must be sufficiently liquid to be traded. The following criteria are used to ensure that illiquid securities are excluded:

(A) *Price* – The FTSE/Xinhua Index Committee must be satisfied that an accurate and reliable price exists for the purposes of determining the market value of a company. The FTSE/Xinhua Index Committee may exclude a security from the Series if it considers that an 'accurate and reliable' price is not available. The Series uses the last trade prices from the relevant stock exchanges, when available.

(B) *Size* – All eligible companies will be included in the Series. The FTSE/Xinhua Index Committee will determine which companies are included on an annual basis at its meeting held in July. The largest eligible companies ranked by full market capitalisation, i.e. before the application of any investability weightings, comprising 95 per cent of all companies will be included in the FTSE Xinhua A All-Share Index. The decision will take effect on the next trading day following the third Friday in July.

(C) *Liquidity* – Securities in the Series will be reviewed annually for liquidity. Securities which do not turnover at least 1.0 per cent of their shares in issue, after the application of any free float restrictions (see above), per month for ten of the twelve months prior to an annual July review by the FTSE/Xinhua Index Committee will not be eligible for inclusion in the Series. An existing constituent failing to trade at least 1.0 per cent of its shares in issue, after the application of any free float restrictions, per month for more than four of the twelve months prior to an annual July review will be removed after close of the index calculation on the next trading day following the third Friday in July. Any period when a share is suspended will be excluded from the above calculation. For indices which are reviewed quarterly, the liquidity is tested on annual basis.

(D) Securities becoming eligible for addition to the FTSE Xinhua All-Share Index at the quarterly reviews in January, April, July and October, must turnover a minimum of 1 per cent of their shares in issue, after the application of any free float restrictions, per month in at least ten of each of the twelve months prior to the quarterly review.

(E) New issues, which do not qualify as early entrants to the Series on the basis of the size of a new issue (see below), will become eligible for inclusion at the next quarterly review of constituents providing they have, since the commencement of official non-conditional trading, a minimum trading record of at least 20 trading days prior to the date of the review and turnover of a minimum of 1.0 per cent of their shares in issue, after the application of any free float restrictions, per month in each month. At the subsequent annual review, newly listed companies added to the FTSE Xinhua All-Share at a quarterly review or as Fast Entries will have their liquidity assessed on a pro-rata basis.

(F) The inclusion of "early entries", will not require a minimum trading record. Such early entries are included where the FTSE/Xinhua Committee views a new issue as so large (i.e. its full market capitalisation amounts to 0.5% or more of the FTSE Xinhua All-Share Index, before the application of individual constituent investability weightings) that the effectiveness of the Index as a market indicator would be significantly and adversely affected by its omission.

(G) In assessing liquidity, data will be obtained from a constituent's primary exchange. If the constituent fails the liquidity screen on this basis, data may (at the discretion of the FTSE/Xinhua Index Committee) also be reviewed from other eligible markets and the trading volumes aggregated for this purpose.

(H) In exceptional market conditions, if trading volumes are very low, the FTSE/Xinhua Index Committee any reduce the percentage figure stated in (C) above in order to avoid a large number of constituents being removed from the FTSE Xinhua Index Series. This discretion may not be applied to individual securities. If the FTSE/Xinhua Index Committee intends to exercise this discretion, it must make a public statement to that effect at least two weeks prior to its annual review.

In addition to the eligibility screens as set in (A) to (H), there are potential stocks that are not suitable for trade under certain Chinese market situations. A sub-committee under the FTSE/Xinhua Index Committee has been set up to exclude these ineligible stocks from the Index. The Chairman and the Vice-chairman of the FTSE/Xinhua Index Committee assign the members of the sub-committee.

Review Dates

The quarterly review of the Index constituents takes place in January, April, July and October. The meeting to review the constituents will be held on the Tuesday after the first Friday of January, April, July and October using data from the close of business on the next trading day following the third Friday in December, March, June and September. Any constituent changes will be implemented on the next trading day following the third Friday of the same month of the review meeting. Details of the outcome of the review and the dates on which any changes are to be implemented, will be published as soon as possible after the FTSE/Xinhua Index Committee meeting has concluded.

Rules for Addition and Deletion at the Quarterly and Annual Review

The rules for inserting and deleting companies at the quarterly and annual reviews are designed to provide stability in the selection of constituents of the Series while ensuring that the Index continues to be representative of the market by including or excluding those companies which have risen or fallen significantly. A security will be inserted in the Index at the periodic review if it rises above 40 by market value. A security will be deleted from the Index at the periodic review if it falls to 61 or below ranked by market value.

A constant number of constituents will be maintained for the Index. Where a greater number of companies qualify to be inserted in an index than those qualifying to be deleted, the lowest ranking constituents presently included in the index will be deleted to ensure that an equal number of companies are inserted and deleted at the periodic review. Likewise, where a greater number of companies qualify to be deleted than those qualifying to be inserted, the securities of the highest ranking companies which are presently not included in the index will be inserted to match the number of companies being deleted at the periodic review.

Where a company is deleted after the FTSE/Xinhua Index Committee has met and approved periodic changes to the index but before the periodic changes have been implemented, the highest ranking company from the new reserve list, excluding current index constituents, will replace the deleted company.

Removal and Replacement

If a constituent ceases to be an eligible constituent of an index, is delisted, or ceases to have a firm quotation, or is subject to a takeover or has, in the opinion of the Chairman and Deputy Chairman of the FTSE/Xinhua Index Committee (or their nominated deputies), ceased to be a viable constituent as defined by the Ground Rules, it will be removed from the list of constituents and be replaced by the highest ranking company by full market capitalisation eligible in the appropriate reserve list as at the close of the index calculation two days prior to the deletion.

The removal and replacement are effected simultaneously, before the start of the index calculation on the day following the day on which the event justifying removal was announced. Announcements made after the close of the index calculation are normally deemed to be made on the following business day. In the case of a takeover, the qualifying event is an announcement that the offer has been approved by any appropriate regulatory body, confirmation that at least 75 per cent acceptance levels have been received and that any new shares of the bidding company (if applicable) are listed. Constituents removed, but which continue to trade thereafter will be considered for re-inclusion to the index at the next review, subject to at least 6 months having passed between deletion and the implementation date of the changes arising from the review.

Mergers, Restructuring and Complex Takeovers

If the effect of a merger or takeover is that one constituent in the Index is absorbed by another constituent, the resulting company will remain a constituent of the appropriate index, and a vacancy will be created. This vacancy will be filled by selecting the highest ranking security in the appropriate reserve list as at the close of the index calculation two days prior to the deletion.

If a constituent company in the Index is taken over by a non-constituent company, the original constituent will be removed and replaced by the highest ranking non-constituent on the appropriate reserve list. Any eligible company resulting from the takeover will be eligible to become the replacement company if it is ranked higher than any company on the reserve list.

If a constituent company is split so as to form two or more companies, then the resulting companies will be eligible for inclusion as index constituents in the appropriate indices based on their respective full market capitalisations i.e. before the application of any investability weightings and if they qualify in all other respects, e.g. an Index constituent split into two companies may result in one or both of these companies remaining in the Index.

New Issues

If, in the view of the FTSE/Xinhua Index Committee, a new issue is so large (i.e. its full market capitalisation amounts to 0.5 per cent or more of the full capitalisation of the FTSE Xinhua All-Share Index, before the application of individual constituent investability weightings) that the effectiveness of the index as a market indicator would be significantly and adversely affected by its omission, the FTSE/Xinhua Index Committee will normally decide to include the new issue as a constituent of the Index after the close of business on the first day of official trading. In all cases, advance notification confirming the timing of the inclusion of the new constituent will be given accordingly. The security which is the lowest ranking constituent of the indices in Index will be selected for removal and related indices adjusted in accordance with the Ground Rules.

New issues of companies which do not qualify for early entry but which meet the criteria for eligible securities will be eligible for inclusion in the next quarterly review if large enough to become constituents of the Index.

For these purpose, a company which is relisted following suspension or is reorganised or renamed or which arises from a demerger or complex reorganisation of another company which is not an existing constituent, shall not be considered to be a new issue. However, an initial public offering which arises from a demerger shall be considered as a new issue. A China “B” share company that for the first time issues A Shares onto the Shanghai or Shenzhen Stock Exchange will, for the Series, be considered a new issue and will be eligible for entry into the Series. If the FTSE/Xinhua Index Committee decides to include a new issue as a constituent security other than as part of the normal periodic review procedure, this decision must be publicly announced at the earliest practicable time.

Suspension of Dealing

Where a suspension of a constituent of the Index lasts beyond noon on the second trading day, the FTSE/Xinhua Index Committee will convene (if possible, after market hours on the second day) to consider whether the constituent should be removed. When a stock has been suspended for ten consecutive trading days (and the FTSE/Xinhua Index Committee has not exercised an earlier discretion to remove it), it will normally be deleted from the Index on the eleventh trading day. When a stock is removed following suspension of its quotation, the stock will be removed at its suspension price unless otherwise decided by the FTSE/Xinhua Index Committee.

Relisting of Suspended Constituents

Where a suspended constituent which has been removed from the indices is subsequently relisted, the following rules shall apply:

(1) securities which were removed from the Index, which on relisting are larger than the smallest constituent of the Index when suspended, shall be re-instated in the Index at the price at which they were removed and the lowest ranking constituent by full market capitalisation of the Index will be selected for removal and related indices adjusted in accordance with the Ground Rules. The addition and deletion of stocks occur simultaneously, such that there are always 50 constituent companies of the Index;

(2) securities which on relisting are smaller than the smallest constituent of the index from which they were removed when suspended shall then be re-instated in the same index at the price at which they were removed after the close of the index calculation on the trading day prior to relisting. After the close of the index calculation on the first day of trading following relisting, the security shall be deleted from the index from which it was originally removed and included in the index of which it then qualifies to be a constituent. Consequently the Index may have 51 constituents for one day only.

Changes to Constituent Weighting

For the purposes of computing the Series and to prevent a large number of insignificant weighting changes, the number of shares in issue for each constituent security is amended only when the total shares in issue held within the index system changes by more than 1 per cent on a cumulative basis. If a corporate action is applied to a constituent of the Index which involves a change in the number of shares in issue, the change in shares will be applied simultaneously with the corporate action. Changes of shares in issue not arising from corporate actions, amounting to less than 10 per cent of the number of shares in issue but more than 1 per cent will be made quarterly after the close of business on the third Friday of March, June, September and December. If accumulated changes in the number of shares in issue add up to 10 per cent or more, they are implemented between quarters. A minimum of 4 days' notice will be given to users of the index. All adjustments are made before the start of the index calculations on the day concerned, unless market conditions prevent this.