iSHARES ASIA TRUST

a Hong Kong unit trust authorised under
Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong[1]
(the "Trust")

iShares MSCI China Index ETF (Stock Code: 2801)
(the "MSCI China ETF")

Addendum to the Prospectus

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

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

This Addendum forms an integral part of and should be read in conjunction with the prospectus of the MSCI China ETF dated 21 December 2009 as supplemented by the addenda dated 25 June 2011 and 7 May 2013, and the Product Key Facts Statement dated 7 May 2013 (together the "Prospectus"). The Manager accepts full responsibility for the accuracy of the information contained in this Addendum and confirm, having made all reasonable enquiries, that to the best of its knowledge and belief, there are no other facts the omission of which would make any statement misleading.

Unless otherwise specified all capitalized terms shall have the same meaning as that in the Prospectus.

Effective from 18 July 2013, the section "Trustee and Custodian" on page 18 of the Prospectus is deleted in its entirety and replaced by the following:

"Trustee and Custodian

The Trustee of the Trust is HSBC Institutional Trust Services (Asia) Limited, which is a registered trust company in Hong Kong. The Trustee is an indirect wholly owned subsidiary of HSBC Holdings plc, a public company incorporated in England.

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) or have such person(s) appointed, to hold, as agent, nominee, custodian, joint custodian, co-custodian or sub-custodian, all of any investments, assets or other property comprised in a fund and may empower any such person to appoint, with the prior consent in writing of the Trustee, additional co-custodians and/or sub-custodians (each such agent, nominee, custodian, joint custodian, co-custodian or sub-custodian a "Correspondent". The Trustee is required to exercise reasonable skill, care and diligence

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[1] *SFC authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.*

in the selection, appointment and monitoring of such Correspondents 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 Correspondents are appointed to act as custodian. The Trustee will remain responsible for the acts or omissions of such Correspondents in the same manner as if such acts or omissions were those of the Trustee, except where such Correspondents 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 Connected Person appointed in respect of an emerging market. In the event any appointment of emerging market custodian is proposed, the Trustee will notify the Manager and the SFC will be notified by the Manager accordingly. Prior approval of the SFC has to be obtained in the event such emerging market custodian proposed to be appointed is not a Connected Person of the Trustee. As at the date of this Prospectus, the emerging market sub-custodians appointed for the assets of the MSCI China ETF are the Trustee's Connected Persons.

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 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 Prospectus may only be distributed if accompanied by this Addendum.

BlackRock Asset Management North Asia Limited
18 July 2013

iSHARES ASIA TRUST

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This Addendum forms an integral part of and should be read in conjunction with the Prospectus of the MSCI China ETF dated 21 December 2009 as supplemented by the Addendum and Product Key Facts dated 25 June 2011 (together the "Prospectus"). The Manager accepts full responsibility for the accuracy of the information contained in this Addendum and confirm, having made all reasonable enquiries, that to the best of its knowledge and belief, there are no other facts the omission of which would make any statement misleading.

The amendments in this Addendum shall take effect on 7 May 2013 and unless otherwise specified all capitalized terms shall have the same meaning as that in the Prospectus.

(1) Replace the first paragraph in the sub-section "Distribution Policy" under "Section 1 – General Information Relating to the Trust" on page 29 with the following:

"Distribution Policy

Income net of withholding tax earned by an Index Fund will, at the discretion of the Manager, be distributed by way of annual cash distribution in December (if any) and details of the distribution declaration dates, distribution amounts and ex-dividend payment dates will be published on the iShares website www.ishares.com.hk. There can be no assurance that a distribution will be paid. Distributions may be made out of capital as well as income at the Manager's discretion. The Manager may amend the policy with respect to distribution out of capital subject to the SFC's prior approval and by giving not less than one month's prior notice to investors.

Information relating to the composition of any dividends paid (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months on or after 8 November 2012 will be available from the Manager on request. Investors should also refer to "Information on the Internet" for more details. Unitholders are encouraged to refer to the information available on the iShares website on a regular basis."

[1] *SFC authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors..*

(2) Replace the "Dividend Payout" row of the summary table of the sub-section titled "Key Information" on page 33 with the following:

Dividend Payout	Annually, at the Manager's discretion (December each year) (if any). Distributions may be made out of capital as well as income at the Manager's discretion.

(3) Add the following as the last bullet point under the sub-section "Information on the Internet" under "Further Information about the MSCI China ETF" on page 34:

- "Composition of any dividends paid (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months on or after 8 November 2012;"

(4) Replace the last sentence in the sub-section "Benchmark Index Information" under "The Index" on page 34 with the following:

"As at 15 April 2013, the Index contained 138 stocks with a free float-adjusted market capitalisation, based on free float-adjusted shares in issue, of about US$667 billion and HK$5,177 billion."

(5) Add the following sentence at the end of the sub-section "Distribution Policy" under "Section 2 –Information Relating to the MSCI China ETF" on page 35:

"Please also refer to the section "Distribution Policy" under "Section 1 – General Information Relating to the Trust" on page 29."

(6) Add the following risk factor on page 38 after "Dividends are contingent on dividends paid on Index Shares" under "Risk Factors Relating to the MSCI China ETF – General Risk Factors":

"Dividends payable out of capital. The Manager may at its discretion pay dividends out of the capital of the MSCI China ETF. Payment of dividends out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of the MSCI China ETF's capital may result in an immediate reduction of the Net Asset Value per Unit."

(7) Replace the first paragraph and the table under "Appendix I – The MSCI China Index" on page 44 with the following:

"As at 15 April 2013, the Index comprised 138 stocks. The companies are classified into industry sectors. As at 15 April 2013, the 10 largest constituent stocks of the Index, as listed below, represented about 51.42 per cent of the total market capitalisation, based on total shares in issue, of the Index.

Name of Constituent Company	Weight %	Sector
China Mobile Ltd.	9.55	Telecommunication Services
China Construction Bank Corporation	8.51	Financials
Industrial and Commercial Bank of China Ltd.	6.50	Financials
Bank of China Ltd.	5.06	Financials
Tencent Holdings Limited	4.84	Information Technology
CNOOC Ltd.	4.74	Energy
PetroChina Co. Ltd.	3.94	Energy
China Petroleum & Chemical Corporation	3.26	Energy
China Life Insurance Co., Ltd.	2.90	Financials
Ping An Insurance (Group) Co. of China Ltd.	2.12	Financials”

The Prospectus may only be distributed if accompanied by this Addendum.

BlackRock Asset Management North Asia Limited
7 May 2013

iSHARES ASIA TRUST

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This Addendum forms an integral part of and should be read in conjunction with the Prospectus of the MSCI China ETF dated 21 December 2009 (the "Prospectus"). The Manager accepts full responsibility for the accuracy of the information contained in this Addendum and confirm, having made all reasonable enquiries, that to the best of its knowledge and belief, there are no other facts the omission of which would make any statement misleading.

Unless otherwise specified, the amendments shall take effect on 25 June 2011.

(1) Amendment in the sub-section headed "Stock Lending" of the section headed "Investment and Borrowing Restrictions"

The sub-section headed "Stock Lending" of the section headed "Investment and Borrowing Restrictions" shall be deleted in its entirety, and shall be replaced by the following:

"The MSCI China ETF currently does not intend to engage in any securities lending activities or repurchase transactions or other similar over the counter transactions. One month's prior notice will be given to Unitholders in the event the Manager intends to engage in such activities."

(2) Amendment in the Section headed "Reports and Accounts"

The section headed "Reports and Accounts" shall be deleted in its entirety, and shall be replaced by the following:

"The financial year-end of the Trust and the MSCI China ETF is 31 December every year. Audited accounts are to be prepared according to International Financial Reporting Standards and half-yearly unaudited reports are also to be prepared up to the last Dealing Day in June of each year.

[1] SFC authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

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 the Index, if any, that each accounts for more than 10% of the weighting of the Index as at the end of the relevant period and their respective weighting showing any limits adopted by the MSCI China ETF have been complied with). The reports shall also provide a comparison of the MSCI China ETF's performance and the actual Index performance over the relevant period and such other information as is required under the Code.

Audited accounts in English and Chinese will be available from the Manager's website at www.ishares.com.hk within four months of the end of each financial year-end and unaudited reports will be available from the same website within two months of the end of the semi-financial year-end. Hard copies of these financial reports may also be obtained from the Manager free of charge. Unitholders will be notified of the means of getting access to the financial reports as and when the financial reports are issued and available.

Unitholders will be given at least one month's prior notice of any change to the mode of delivery of these financial reports."

(3) Change of the Manager's and Listing Agent's address

The address of the Manager and Listing Agent as appeared under the "Directors and Other Parties" section shall be amended to:

"16th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong."

(4) Addition of a new sub-section headed "Enquiries and Complaints" in the section headed "Miscellaneous Information"

The following sub-section headed "Enquiries and Complaints" shall be added as the last sub-section under the section headed "Miscellaneous Information":

"Investors may contact the Manager at 16th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong, or by phone at its telephone number: (852) 3903 2823 or by email: iSharesAsiaEnquiry@blackrock.com to seek any clarification regarding the Trust or the MSCI China ETF or to file a complaint. If a query or complaint is received by phone, the Manager will respond orally. If a query or complaint is received in writing, the Manager will respond in writing. Under normal circumstances the Manager will respond to any query or complaint as soon as practicable and in any event within 21 days."

(5) Amendment in the sub-section headed "Index Construction" of the section headed "The Index"

(a) The first paragraph in the sub-section headed "Index Construction" of the section headed "The Index" shall be deleted in its entirety, and shall be replaced with the following:

"Securities eligible for inclusion in the Index include Chinese securities (H shares, Red Chips and P chips) listed on the SEHK and B shares of Chinese securities listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange."

(b) The last paragraph in the sub-section headed "Index Construction" of the section headed "The Index" shall be deleted in its entirety, and shall be replaced with the following:

"Investors are referred to the website of the Index Provider at http://www.msci.com/products/indices/country_and_regional/all_country/methodology.html for information about the MSCI Global Investable Market Indices Methodology which applies to the Index."

(6) Deletion of Appendix II of the Prospectus

Appendix II of the Prospectus shall be deleted in its entirety.

Consequentially, the sentence "Appendix II – 'The MSCI Indices' describes how the MSCI China Index is compiled" shall be deleted from the risk factor "Composition of and weightings in the Index may change" under the sub-section headed "Risk factors relating to the Index".

(7) Amendment in the sub-section headed "The Manager's Fee" of the section headed "Fees Payable"

The first paragraph in the sub-section headed "The Manager's Fee" of the section headed "Fees Payable" shall be deleted in its entirety, and shall be replaced by the following:

"The Manager is entitled to receive a management fee, currently at the rate of 0.59 per cent per annum of the Net Asset Value of the MSCI China ETF accrued daily and calculated as at each Dealing Day and payable monthly in arrears."

BlackRock Asset Management North Asia Limited
25 June 2011

BLACKROCK 貝萊德 iShares 安碩

Product Key Facts

iShares MSCI China Index ETF

BlackRock Asset Management North Asia Limited 7 May 2013

This is an exchange traded fund.

This statement provides you with key information about this product.

This statement is a part of the Prospectus.

You should not invest in this product based on this statement alone.

Quick facts

Stock code:	2801	**Trading lot size:**	200 units
Manager:	BlackRock Asset Management North Asia Limited		
Trustee:	HSBC Institutional Trust Services (Asia) Limited		
Total Expense Ratio:	Estimated 0.59% p.a.#		
Underlying Index:	MSCI China Index		
Base currency:	Hong Kong Dollars		
Financial year end of this fund:	31 December		
Dividend policy:	Annually, at Manager's discretion (December each year) (if any). Distributions may be made out of capital as well as income at the Manager's discretion. Please refer to the risk factor "Dividends payable out of capital" on page 3 below.		
ETF website:	www.ishares.com.hk (Please refer to the section Additional Information on how to access the product webpage)		

What is this product?

This is a fund constituted in the form of a unit trust. The units of the iShares MSCI China Index ETF (the "**MSCI China ETF**") are listed on The Stock Exchange of Hong Kong Limited ("**SEHK**"). These units are traded on SEHK like listed stocks.

Objective and Investment Strategy

Objective

The MSCI China ETF aims to provide investment results that, before fees and expenses, closely correspond to the performance of the MSCI China Index (the "**Underlying Index**").

Strategy

The MSCI China ETF may adopt either a representative sampling strategy or a replication strategy to achieve its investment objective.

Estimated total expense ratio equals to the Management Fee but does not represent the estimated tracking error and does not include extraordinary costs that may be borne by the MSCI China ETF. Such costs may have an adverse impact on the net asset value and performance of MSCI China ETF and may result in tracking error.

Objective and Investment Strategy (Cont'd)

A representative sampling strategy involves investing in a representative sample of the securities in the Underlying Index (either directly or indirectly) selected by the Manager.

The Manager will select securities based on their contribution to certain capitalisation, industry and fundamental investment characteristics and by doing so, seeking to construct a portfolio that perform like the Underlying Index.

A replication strategy involves investing in substantially all the securities (either directly or indirectly) in substantially the same weightings as those securities comprised in the Underlying Index. The Manager may switch between the replication and the representative sampling strategies without notice to investors and in its absolute discretion.

The MSCI China ETF may invest in financial derivative instruments for reducing tracking error, hedging purposes or to achieve its investment objective. The MSCI China ETF currently does not intend to engage in any securities lending activities or repurchase transactions or other similar over the counter transactions. One month's prior notice will be given to unitholders in the event the Manager intends to engage in such activities.

Underlying Index

The Underlying Index is a free-float adjusted market capitalisation weighted index that is compiled and published by MSCI Inc. It is designed to track the equity market performance of Chinese securities (H shares, Red Chips and P chips) listed on the SEHK and B shares of Chinese securities listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. As at 15 April 2013, the Underlying Index contained 138 stocks.

As at 15 April 2013, the following were the top 10 index constituents:-

Rank	Constituent name	Sector	% of Index
1	China Mobile Ltd.	Telecommunication Services	9.55
2	China Construction Bank Corporation	Financials	8.51
3	Industrial and Commercial Bank of China Ltd.	Financials	6.50
4	Bank of China Ltd.	Financials	5.06
5	Tencent Holdings Limited	Information Technology	4.84
6	CNOOC Ltd.	Energy	4.74
7	PetroChina Co. Ltd.	Energy	3.94
8	China Petroleum & Chemical Corporation	Energy	3.26
9	China Life Insurance Co., Ltd.	Financials	2.90
10	Ping An Insurance (Group) Co. of China Ltd.	Financials	2.12

For details (including the latest index level and other important news), please refer to the index website at www.msci.com.

What are the key risks?

Investment involves risks. Please refer to the Prospectus for details including the risk factors.

1. **Emerging market risk**
- Generally, investments in emerging markets such as the PRC are subject to a greater risk of loss than investments in developed markets due to greater political, economic, taxation and regulatory uncertainty and risks linked to volatility and market liquidity.

2. **Concentration risk**
- The exposure of the MSCI China ETF is concentrated in companies with business operations based and/or controlled by shareholders in the PRC and may be more volatile than funds adopting a more diversified strategy.

- The exposure of the MSCI China ETF is concentrated in the financials and energy sectors and the top ten constituent companies of the Underlying Index. Therefore, variations in the performance of these sectors or companies may have a larger effect on the net asset value of the MSCI China ETF.

3. **Risks related to the PRC**
- There can be no assurance that the PRC Government will continue to pursue economic or tax reform policies which will result in economic growth and social progress or continue its existing foreign exchange policy which have significantly reduced government foreign exchange controls. There is also significant uncertainty in interpretation and enforcement of PRC regulations.

4. **Liquidity risk**
- The Shanghai Stock Exchange and Shenzhen Stock Exchange in which B Shares are traded are undergoing development. This may result in higher market volatility, settlement difficulties and potential lack of liquidity due to low trading volume in the B Shares markets, which may in turn result in significant price fluctuations and changes in the net asset value of the MSCI China ETF.

5. **Foreign security risk**
- The MSCI China ETF invests in PRC companies which are subject to special risks not typically associated with investing in Hong Kong companies including the possibility of expropriation or confiscatory taxation, adverse changes in investment or exchange control regulations, political instability which may affect local investments in foreign countries and potential restrictions on the flow of international capital.

6. **Passive investment**
- The MSCI China ETF is not actively managed and will not adopt any temporary defensive position against any market downturn. Therefore when there is a decline in the Underlying Index, the MSCI China ETF will also decrease in value. Investors may suffer significant losses accordingly.

7. **Tracking error risk**
- Changes in the net asset value of the MSCI China ETF may deviate from the performance of the Underlying Index due to factors such as fees and expenses, liquidity of the index constituents, as well as, changes to the Underlying Index.

8. **Dividends payable out of capital**
- The Manager may at its discretion pay dividends out of the capital of the MSCI China ETF. Payment of dividends out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of the MSCI China ETF's capital may result in an immediate reduction of the Net Asset Value per Unit.

What are the key risks? (Cont'd)

9. **Trading risk**

- Generally, retail investors can only buy or sell units on SEHK. The trading price of the units of the MSCI China ETF on SEHK is subject to market forces and may trade at a substantial premium or discount to the net asset value.

Is there any guarantee?

This fund does not have any guarantees. You may not get back the amount of money you invest.

What are the fees and charges?

Charges incurred when trading the fund on SEHK

Fee	What you pay
Brokerage fee	Market Rate
Transaction levy	0.003%[1]
Trading fee	0.005%[2]
Stamp duty	0.1%[3]

Ongoing fees payable by the fund

The following expenses will be paid out of the fund. They affect you because they reduce the net asset value of the fund which may affect the trading price.

	Annual rate (as a % of the fund's value)
Management fee	0.59% p.a. of net asset value calculated daily
Custodian fee	Included in the Management fee
Administration fee	Included in the Management fee

Other Costs

Please refer to the Prospectus for other fees and expenses payable by the fund.

[1] Transaction levy of 0.003% of the price of the units payable by the buyer and the seller.
[2] Trading fee of 0.005% of the price of the units, payable by the buyer and the seller.
[3] Stamp duty of 0.1% of the price of the units, payable by the buyer and the seller (i.e. 0.2% in total), except in respect of qualifying market maker transactions.

Additional information

You can find the following information of the fund at the following website at www.ishares.com.hk.

- The MSCI China ETF's Prospectus and this statement (as revised from time to time)
- Latest financial reports
- Latest closing net asset value
- Estimated net asset value throughout each dealing day
- Latest closing level of the Underlying Index
- Notices and announcements
- Composition of any dividends paid (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months on or after 8 November 2012

All of the information outlined above can be found on the product webpage of the MSCI China ETF. The product webpage of the MSCI China ETF can be located by using the search function and inserting the ticker number of the MSCI China ETF (i.e. 2801) at www.ishares.com.hk. The product webpage also provides a link to the announcements and notices section of the website where public announcements and notices can be found.

Important

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.

IMPORTANT: Investments involve risks, including loss of principal. Investors should refer to the Fund prospectus for further details, including the product features and risk factors. Investors are advised to consider their own investment objectives and circumstances in determining the suitability of an investment in this Fund. An investment in the Fund may not be suitable for everyone. If you are in any doubt, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. Investors should note:

- investment in emerging market countries may involve heightened risks such as increased volatility and lower trading volume, and may be subject to a greater risk of loss than investments in a developed country.
- prices on the SEHK are based on secondary market trading factors and may deviate significantly from the net asset value of the Fund.

iShares MSCI 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: 2801

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

Preliminary

This prospectus relates to the offer in Hong Kong of Units in the iShares MSCI China Index ETF (the "MSCI 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 between Barclays Global Investors North Asia Limited (now known as BlackRock Asset Management North Asia Limited) (the "Manager") and HSBC Institutional Trust Services (Asia) Limited (the "Trustee") as revised and amended by amendments dated 2 January 2002, 27 October 2004, 13 October 2006, 14 November 2008, 11 March 2009, 27 March 2009 and 4 November 2009.

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 MSCI 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 Trust and the MSCI China ETF are 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 MSCI China ETF or for the correctness of any statements made or opinions expressed in this prospectus. Such authorisation does not indicate the SFC's official approval or recommendation of the Trust and the MSCI China ETF.

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 MSCI China ETF on the SEHK commenced on 28 November 2001. Units in the MSCI 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 28 November 2001. 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 CCASS with effect from the date of commencement of dealings in the Units in 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 MSCI China ETF or the distribution of this prospectus in any jurisdiction other than Hong Kong and, accordingly, the prospectus does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Furthermore, distribution of this prospectus shall not be permitted unless it is accompanied by a copy of the latest annual report and accounts of the MSCI 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 MSCI 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 only be posted on the Manager's website (www.iShares.com.hk).

iShares® is a registered trademark of BlackRock Inc.

Directors and Other Parties

Directors of the Manager
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Definitions

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

"Application" means, in respect of the MSCI China ETF, an application by a Participating Dealer for the creation or redemption of Units through CCASS, 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, in respect of the MSCI China ETF, a portfolio of Index Shares which constitute the Index Basket fixed by the Manager for the relevant Index Fund at the start of business on the relevant Dealing Day for the purpose of the creation and redemption of Units relating to the Index Fund in an Application Unit size, notified on the relevant date by the Manager in accordance with the Operating Guidelines for Applications.

"Application Basket Value" means, in respect of the MSCI China ETF, the aggregate value of the Index Shares constituting the Application Basket at the Valuation Point on the relevant Dealing Day.

"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 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.

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

"Cash Component" means the difference between the aggregate Net Asset Value of the Units comprising an Application Unit and the Application Basket Value.

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

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

"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.

"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 which at the date of the Prospectus means in relation to a company:

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

(b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or

(c) any member of the group of which that company forms part; or

(d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c).

"Conversion Agent" means HK Conversion Agency Services Limited or such other person as may from time to time be appointed to act as conversion agent in relation to an Index Fund.

"Creation Application" means, in respect of the MSCI China ETF, an application by a Participating Dealer for the creation and issue of Units of an Index Fund in an Application Unit size (or whole multiples thereof) in exchange for Index Shares constituting the Application Basket relevant to the Index Fund in respect of which the application is made and any applicable Cash Component.

"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.

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

"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 Component payments received or receivable by the Trustee for the account of the relevant Index Fund; 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 MSCI China Index.

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

“Index 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.

“Index Shares” means shares of those companies which are at the relevant time the constituent companies of the relevant Underlying Index listed on a Market.

“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.

“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.

“MSCI” means Morgan Stanley Capital International Inc.

“MSCI China ETF” means iShares MSCI China Index ETF, the first Index Fund of the Trust.

“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 an Index Fund, the guidelines for the creation and redemption of Units of the relevant class set out in the Schedule to the Participation Agreement as amended from time to time by the Manager with the approval of the Trustee, the Conversion Agent and HKSCC and following consultation, to the extent reasonably practicable, with the Participating Dealers and as notified in writing to the Participating Dealers (for the avoidance of doubt, different Operating Guidelines may be established for different classes of Units). Unless otherwise specified, references to the Operating Guidelines shall be to the Operating Guidelines for the relevant class of Units applicable at the time of the relevant Application.

“Participating Dealer” means, in respect of the MSCI 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, the Trustee, the Conversion Agent and HKSCC.

“Participation Agreement” means an agreement entered into between the Trustee, the Manager, HKSCC, the Conversion Agent and a Participating Dealer setting out, (amongst other things), the arrangements in respect of the issue of Units for cash and/or Index Shares constituting the Application Basket of an Index Fund and the related Cash Component and the redemption and cancellation of Units for Index Shares constituting the Application Basket of an Index Fund and the related Cash Component.

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

“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 MSCI China ETF, an application by a Participating Dealer for the redemption of Units of an Index Fund in Application Unit size (or whole multiples thereof) in exchange for Index Shares constituting an Application Basket relevant to the Index Fund in respect of which the application is made, and any applicable Cash Component.

“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 MSCI China ETF, Hong Kong Registrars 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.

“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.

"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.

"Takeovers Code" means The Code on Takeovers and Mergers dated October 2005 issued by the SFC (as amended, or replaced, from time to time).

"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 Conversion Agent 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 MSCI 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.

"Underlying Index" means, in respect of an Index Fund, the index against which the relevant Index Fund is benchmarked and in respect of the MSCI 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 Conversion Agent 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 MSCI China ETF, the official close of trading on the Market on which the Index Shares in question are listed on each Dealing Day and, in the case of an Index Fund investing in Index 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.

Section 1 – General Information Relating to the Trust

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

The Trust

The Trust is an umbrella unit trust created by a trust deed (the "Trust Deed") dated 16 November 2001, as amended, made under Hong Kong law between Barclays Global Investors North Asia Limited (now known as BlackRock Asset Management North Asia Limited) (the "Manager") and HSBC Institutional Trust Services (Asia) Limited (the "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 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 Trust was established initially with only one Index Fund, the MSCI China ETF and, since 15 November 2004, also comprises a second Index Fund, the iShares FTSE/Xinhua A50 China Index ETF (which is also authorised by the SFC and listed on the SEHK). The Manager reserves the right to establish other Index Funds and to issue further classes of Units in the future.

Investment Objective

The investment objective of each Index Fund (more specifically in respect of the MSCI China ETF as described in Section 2) is to provide investment results that, before expenses, closely correspond to the performance of the Underlying Index relevant to the Index Fund by investing all, or substantially all, of the assets of such Index Fund in Index Shares in substantially the same weightings as constituted in the Underlying Index.

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.

Exchange Listing And Trading

Dealings in the Units in the MSCI China ETF on the SEHK commenced on 28 November 2001.

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.

Dealings on the SEHK in Units issued after the Initial Offer Period are expected to begin on the trading day after the Initial Issue Date (two Dealing Days after the close of the Initial Offer Period). Units trade on the SEHK in board lots of 200 Units or in such other board lots as may be specified in respect of a particular Index Fund. Participating Dealers should note that they will not be able to sell or otherwise deal in the Units on SEHK until dealings begin on SEHK.

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

Units of an Index Fund are offered and issued at their Net Asset Value only in aggregations of a specified number of Units (each, an "Application Unit") generally in exchange for a basket of equity securities included in the Index Fund's Underlying Index (Index Shares constituting the relevant Application Basket) together with the payment of a specified cash payment ("Cash Component"). Units are redeemable only in Application Unit size and in multiples thereof, and, generally, in exchange for portfolio securities and payment of a Cash Component. The exact size of the Application Unit of each Index Fund may vary.

Investors should note that the Index Funds differ from a typical unit trust offered in Hong Kong. Normally creation and redemption of Units will be effected "in kind" by transferring the Securities constituting an Application Basket for the relevant Units. The Creation Application and the Redemption Application may only be effected in cash at the Manager's discretion. Further, the creation and redemption of Units can only be facilitated by or through Participating Dealers who are under no obligation to accept instructions to create or redeem Units on behalf of retail investors.

Investment Policies

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 closely corresponds, before expenses, to 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 shares comprised in the Underlying Index, based on one of the principal investment strategies described below, except, in limited circumstances, to help meet Redemption Applications. To manage corporate actions and index changes in smaller markets, some Index Funds will at all times have at least 80 per cent of their total assets invested (directly or indirectly) in Securities comprised in the Underlying Index, based on one of the principal investment strategies, and at least half of the remaining 20 per cent of their total assets invested in such Securities or in Securities included in the relevant market, but not in the relevant Underlying Index.

The Manager may invest an Index Fund's remaining assets, using other investment strategies described below, in 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 that are intended to provide an Index Fund with exposure to a stock.

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

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 Index Shares, 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 stock 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 All Index Funds

Each Index Fund is subject to the following principal risks. Additional risks associated with the MSCI China ETF are discussed in Section 2 below. Some or all of 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.

- **Market Risk.** 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. 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 its Underlying Index. The Manager does not attempt to select stock individually or to take defensive positions in declining markets.

- **Tracking Error Risk.** 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, 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. *See Additional Information About Principal Risk Factors below.*

- **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.

- **Foreign Exchange Risk.** If an Index Fund's assets are generally invested in non-Hong Kong securities, and if a substantial portion of the revenue and income of an Index Fund is received in a currency other than Hong Kong dollar, any fluctuation in the exchange rate of the Hong Kong dollar relative to the relevant foreign currency will affect the Net Asset Value of an Index Fund regardless of the performance of its underlying portfolio. Because each Index Fund's Net Asset Value is determined on the basis of Hong Kong dollar, you may lose money if you invest in any Index Fund if the local currency of a foreign market depreciates against the Hong Kong dollar, even if the local currency value of an Index Fund's holdings goes up. *See Additional Information About Principal Risk Factors below.*

- **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 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. *See Additional Information About Principal Risk Factors below.*

- **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.

- **Emerging Market Risk.** Some overseas markets in which Index Funds may invest are considered to be emerging market countries. Investment in these countries subjects an Index Fund to a greater risk of loss than investments in a developed country. This is due to, among other things, greater market volatility, lower trading volume, political and economic instability, settlement risk, greater risk of market shut down and more governmental limitations on foreign investment than those typically found in a developed market.

- **Trading Risk.** While the creation/redemption feature of the Trust is designed to make it likely that Units will trade close to their Net Asset Value, disruptions to creations and redemptions (for example, as a result of imposition of capital controls by a foreign government) may result in trading prices that differ significantly from Net Asset Value. Also, there can be no assurance that an active trading market will exist for Units of an Index Fund on any securities exchange on which Units may trade. *See Additional Information About Principal Risk Factors below.*

- **Foreign Exchange Transaction Risk.** Foreign exchange transactions involve a significant degree of risk and the markets in which foreign exchange transactions are effected are highly volatile, highly specialised and highly technical. Significant changes, including changes in liquidity, may occur in such markets within very short periods of time, often within minutes.

  Foreign exchange transaction risks include, but are not limited to:

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

  If the Manager utilises foreign exchange transactions at an inappropriate time or judges market conditions, trends or correlations incorrectly, foreign exchange transactions may not serve their intended purpose of improving the correlation of an Index Fund's return with the performance of the Underlying Index and may lower the Index Fund's return. The 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. In addition, each Index Fund may incur transaction costs, including trading commissions, in connection with certain of its foreign exchange transactions.

- **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 NAV 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.

Additional Information About Principal Risk Factors

Tracking Error

Due to the use of the representative sampling technique described above under Representative Sampling Strategy and other factors discussed under "Investment of Assets" in this prospectus, an Index Fund is not expected to track its Underlying Index with the same degree of accuracy as would an investment vehicle that invested in every component security of its Underlying Index. The Manager expects that an Index Fund's tracking error will generally be greater if its Underlying Index has fewer rather than greater numbers of the relevant shares comprised in the Underlying Index. An expected tracking error of 5 per cent means that there is a 68 per cent probability that the change in Net Asset Value of an Index Fund over a year will be within plus or minus 5 per cent of the change in its Underlying Index level over that year, without rebalancing the portfolio composition. Thus, actual tracking error in a period may exceed 5 per cent, possibly significantly, even though the expected tracking error is less than 5 per cent. In addition, it is possible that future developments (e.g., the domination of an Index Fund's Underlying Index by a small number of stocks) may result in an Index Fund having an unexpected tracking error of greater than 5 per cent. A tracking error of 0 per cent would indicate perfect tracking, which would be achieved when the Net Asset Value of an Index Fund increases or decreases in exact proportion to changes in its Underlying Index.

The following factors may adversely affect the tracking of an Index Fund to that of its Underlying Index:

- since the investment portfolios of the Index Funds might not generally replicate the Underlying Indices, their investment performance is likely to differ from that of the Underlying Indices;

- the Index Funds must pay various expenses, while the Underlying Indices do not reflect any expenses;

- an Index Fund must comply with regulatory constraints that do not affect the calculation of its corresponding Underlying Index;

- the existence of uninvested assets in the Index Funds (principally cash and deferred administrative expenses) while the Underlying Indices do not have uninvested assets; Index Funds receive interest income on uninvested cash and most Index Funds receive income from stock lending activities, whereas the Underlying Indices do not have such sources of income; and

- the fact that an Index Fund may be subject to a different foreign withholding tax rate than that assumed by its Underlying Index.

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

Foreign Security Risk

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

- less liquid and less efficient securities markets;

- greater price volatility;

- exchange rate fluctuations and exchange controls;

- less publicly available information about issuers;

- the imposition of restrictions on the expatriation of funds or other assets of an Index Fund;

- higher transaction and custody costs and delays and risks of loss attendant in settlement procedures;
- difficulties in enforcing contractual obligations;
- lesser levels of regulation of the securities markets;
- different accounting, disclosure and reporting requirements;
- more substantial government involvement in the economy;
- higher rates of inflation; and
- greater social, economic, and political uncertainty and the risk of nationalization or expropriation of assets and risk of war or terrorism.

Trading Risk

The Net Asset Value of Units of an Index Fund will also fluctuate with changes in the market value of an Index Fund's holdings of Securities and changes in the exchange rate between the Hong Kong dollar and the subject foreign currency. The 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. Price differences may be due, in large part, to the fact that supply and demand forces in the secondary trading market for Units will be closely related, but not identical, to the same forces influencing the prices of the Index Shares trading individually or in the aggregate at any point in time. 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.

Investment and Borrowing Restrictions

The investment restrictions applicable to each Index Fund are set out in the Trust Deed and (unless varied in Section 2) 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 or 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 Section 2 of this prospectus or any addendum to this 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

The 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, 6 and 9 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 MSCI China ETF.

The 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 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 investment management for an international bank in the Middle East and was previously a fund manager at two leading fund management firms.

Trustee and Custodian

The Trustee of the Trust is HSBC Institutional Trust Services (Asia) Limited, which is a registered trust company in Hong Kong. The Trustee is an indirect wholly owned subsidiary of HSBC Holdings plc, a public company incorporated in England.

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 the assets of the Trust or to otherwise 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 Connected Person 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 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 is entitled to the fees set out below under the section headed "Charges and Expenses".

Registrar and Conversion Agent

Hong Kong Registrars Limited acts as the registrar of the MSCI China ETF under the terms of the registrar agreement between the Manager and Hong Kong Registrars Limited (the "Registrar Agreement"). The Registrar will charge a monthly fee in respect of the establishment and maintenance of the register of Unitholders of the relevant Index Fund.

HK Conversion Agency Services Limited will act as conversion agent under the terms of the Conversion Agency Agreement entered into among the Manager, the Conversion Agent and HKSCC. The Conversion Agent will perform, through HKSCC, certain of its services in connection with the creation and redemption of Units in the MSCI China ETF by Participating Dealers. Such services include receiving Applications from, and issuing settlement instructions to, Participating Dealers as well as facilitating the exchange of cash, shares and Units on the Settlement Day.

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 authorised 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 Dollars

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 as any of its Connected Persons) will not retain any cash rebates from any broker or dealer.

Creation and Redemption of Application Units

Procedures for Creation of Application Unit Size

The Manager shall instruct the Trustee to effect, for the account of the Trust, the creation of Units of a class in Application Unit size:

(A) in kind: in exchange for a transfer, by the Participating Dealer, to or for the account of the Trustee of Index Shares constituting an Application Basket for the relevant Units, a cash amount equivalent to any Duties and Charges payable plus, if the Cash Component is a positive value, a cash payment equivalent to the amount of the Cash Component. If the Cash Component is a negative value, the Trustee shall be required to make a cash payment equivalent to the amount of the Cash Component (expressed as a positive figure) to the Participating Dealer. In the event that the relevant Index Fund has insufficient cash required to pay any Cash Component payable by the relevant Index Fund, the Manager may effect sales of the Deposited Property of the relevant Index Fund, or may borrow moneys to provide the cash required; or

(B) for cash: if permitted by the Manager in relation to a particular Index Fund in exchange for a cash payment equivalent to the relevant Application Basket Value (which shall be accounted for as Deposited Property) plus an amount equivalent to any Cash Component, which the Manager shall use to purchase the Index Shares to replicate the Underlying Index applicable to that Index Fund, provided that the Manager shall be entitled in its discretion to charge (for the account of the relevant Index Fund) to the applicant of any Units for which cash is paid in lieu of delivering any Index Shares an estimated additional sum as represents the appropriate provision for Duties and Charges,

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 the Index Shares constituting an Application Basket would have certain adverse tax consequences for the relevant Index Fund; (ii) the Manager reasonably believes that the acceptance of the Index Shares constituting an Application Basket would be unlawful; (iii) the acceptance of the Index Shares constituting an Application Basket would otherwise, in the opinion of the Manager, have an adverse effect on the Index Fund; (iv) circumstances outside control of the Manager make it for all practicable purposes impossible to process Creation Applications; or (v) the Manager has suspended the rights of Participating Dealers pursuant to the Trust Deed.

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 (unless otherwise determined by the Manager) 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 on the Dealing Day on which the Creation Application is received (or deemed received) and accepted in accordance with the Operating Guidelines but, for valuation purposes only, 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.

No Units shall be issued to any Participating Dealer unless (i) 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, (ii) the Trustee and the Manager receive copies of the certifications required under the Participation Agreement in respect of the creation of new Units and (iii) the Trustee and the Manager receive such other certifications and opinions of counsel as each may consider necessary to ensure compliance with applicable securities and other laws in relation to the creation and issue of Units which are the subject of the Creation Application.

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 same Index Fund). The Transaction Fee shall be paid by or on behalf of the Participating Dealer applying for such Units (and may be set off and deducted against any Cash Component due to the Participating Dealer in respect of such Creation Application(s)) for the benefit of the Trustee and/or the Conversion 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

The Trustee shall cancel Units created and issued in respect of a Creation Application if:

- in relation to a Creation Application made by way of transfer of Index Shares, all the Index Shares constituting the Application Basket deposited for exchange have not been vested by or on the relevant Settlement Day upon the trusts hereof in the Trustee or to the Trustee's satisfaction or evidence of title and instruments of transfer satisfactory to the Trustee have not been produced to or to the order of the Trustee; or the full amount of (i) the Cash Component (if applicable) and (ii) any Duties and Charges and Transaction Fee payable have not been received in cleared funds by or on behalf of the Trustee by such time on the Settlement Day as prescribed in the Operating Guidelines; and

- in relation to a Creation Application made by way of cash payment equivalent to the relevant Application Basket Value, (i) the cash payment representing an amount equivalent to the relevant Application Basket Value plus an amount equivalent to the Cash Component; or (ii) any Duties and Charges and Transaction Fee payable have not been received by, or for the account of the Trustee, in cleared funds by such time on the Settlement Day as prescribed in the Operating Guidelines,

provided that, in either event the Manager may at its discretion, with the approval of the Trustee, extend the settlement period (either for the Creation Application as a whole or for a particular Index Share or Index Shares) 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.

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, such Index Shares constituting the Application Basket deposited for exchange (or equivalent Index Shares of the same type) as have been vested in the Trustee and any cash received by or on behalf of the Trustee in connection with a Creation Application (in either case in respect of such cancelled Units) shall be redelivered to the Participating Dealer 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$15,000;

- the Manager may at its discretion require the Participating Dealer to pay to the Trustee for the account of the relevant Index Fund in respect of each Unit so cancelled Cancellation Compensation, being the amount (if any) by which the Issue Price of each such Unit exceeds the Redemption Value which would have applied in relation to each such Unit if a Participating Dealer had, on the date on which such Units are cancelled, made a Redemption Application;

- the Trustee and/or the Conversion 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.

The Manager's Discretion to Accept Cash for Creation and Issue of Units

- If the Manager determines in its discretion (following an Application by a Participating Dealer) that an Index Share is likely to be unavailable for delivery or available in insufficient quantity for delivery to the Trustee in connection with a Creation Application, then the Manager shall have the right in its discretion to accept cash equal to the market value at the Valuation Point for the relevant Dealing Day of such Index Share in lieu of accepting such Index Share as constituting part of the relevant Application Basket; or

- If the Manager (following an Application by a Participating Dealer) is satisfied that in connection with the issue of any Units the Participating Dealer in question is prevented by regulation or otherwise from investing or engaging in a transaction in any Index Share, the Manager shall have the right in its discretion to accept cash equal to the market value at the Valuation Point for the relevant Dealing Day of such Index Share(s) in lieu of accepting such Index Share(s) constituting part of the relevant Application Basket, provided that the Manager shall be entitled in its discretion to charge (for the account of the Trust) to the applicant of any Units for which cash is paid in lieu of delivering any Index Shares such additional sum as represents the appropriate provision for Duties and Charges.

The Manager's Discretion to Accept Cash Collateral for Creation and Issue of Units

- If the Manager determines in its discretion (following a partial delivery request by a Participating Dealer) that any Index Shares are likely to be unavailable for delivery or available in insufficient quantity for delivery to the Trustee in connection with a Creation Application pursuant to the Trust Deed, then the Manager shall have the right in its discretion to accept an amount of cash determined by reference to the market value at the Valuation Point for the relevant Dealing Day of such Index Shares as collateral for such Index Share(s) until they are delivered. Any such collateral will be held for the account of the Trust in an interest bearing account and shall be redelivered to the Participating Dealer together with accrued interest thereon after delivery of such Index Shares (by 4:00 p.m. on the Business Day on which the delivery is made (the "Delivery Date") if such Index Shares have been successfully debited by 2:00 p.m. on the Delivery Date or, by 2:00 p.m. on the Business Day immediately following the Delivery Date if such Index Shares have been successfully debited after 2:00 p.m. on the Delivery Date) or, immediately upon demand in the circumstances described in (b) below provided that no accrued interest shall be payable to the Participating Dealer if the cash collateral is less than the minimum amount prescribed by the Trustee from time to time. The unavailable Index Shares will be marked to market daily by the Manager by reference to their closing price on the previous trading day and if the cash collateral (a) falls below the prescribed percentage of such market value, the Manager may, in its discretion, request the Participating Dealer to provide additional cash collateral to make up the shortfall; or (b) exceeds the prescribed percentage of such market value, the Manager shall inform the Participating Dealer and shall offer to return any such excess cash collateral to the Participating Dealer.

The Manager may, subject to the provisions of the Participation Agreement, charge the Participating Dealer for the account of the Trustee a fee for such partial delivery request, currently HK$15,000.

Procedures for Redemption of Application Unit Size

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 the surrender of certificates (if any) to or to the order of the Trustee for the cancellation of the Units represented thereby and 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.

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 Manager shall, on receipt of an effective Redemption Application for a particular Index Fund from a Participating Dealer, effect the redemption of the relevant Units and shall require the Trustee to transfer to the Participating Dealer the appropriate number of Index Shares constituting the Application Basket for the relevant Units plus, where the Cash Component is a positive value, a cash payment equivalent to the amount of the Cash Component. In the event that the relevant Index Fund has insufficient cash required to pay any Cash Component payable by the relevant Index Fund, the Manager may effect sales of the Deposited Property of the relevant Index Fund, or borrow moneys to provide the cash required. If the Cash Component is a negative value, the Participating Dealer shall be required to make a cash payment equivalent to the amount of the Cash Component (expressed as a positive figure) to or to the order of the Trustee.

To be effective, a Redemption Application must:

- be given by a Participating Dealer in accordance with a Participation Agreement;
- specify the number and class of Application 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 of the relevant class 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 Component 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 Component 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 Index Fund to or to the order of the Trustee. The Trustee shall not be obliged to deliver (and shall have a general lien over) the Index Shares constituting the Application Basket to be transferred in respect of the relevant Redemption Application until such shortfall and any Cash Component, 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.

Unless specifically requested to do so by the Participating Dealer concerned, not later than one month after the relevant Dealing Day, the Trustee shall be under no obligation to check the calculation of the Redemption Value in connection with any redemption or cancellation of Units but shall be entitled at any time before the audited accounts of the Trust, covering the relevant Dealing Day, have been prepared, to require the Manager to justify its calculation of the Redemption Value.

Any Index Shares transferable and Cash Component payable (less any amount deducted) to a Participating Dealer in respect of a Redemption Application may be transferred or paid sooner but shall be transferred and paid, 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 Component 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 the Index Shares constituting the Application Basket relevant to the Redemption Application out of the Deposited Property of the relevant Index Fund to the Participating Dealer and shall pay any Cash Component (with such deductions as are permitted by the Trust Deed) payable by the Trustee.

No Index Shares shall be transferred and no Cash Component shall be 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 Conversion Agent;

- the Manager may charge the Participating Dealer for the account of the Trustee and/or the Registrar an Application Cancellation Fee, currently HK$15,000;

- the Manager may at its discretion require the Participating Dealer to pay to the Trustee, for the account of the relevant Index Fund, in respect of each Unit Cancellation Compensation, being the amount (if any) by which the Redemption Value of each such Unit is less than the Issue Price which would have applied in relation to each such Unit if a Participating Dealer had, on the final day permitted for delivery of Units the subject of the Redemption Application, made a Creation Application; 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 same Index Fund). The Transaction Fee shall be paid by or on behalf of the Participating Dealer submitting the Redemption Application(s) (and may be set off and deducted against any Cash Component due to the Participating Dealer in respect of such Redemption Application(s)) for the benefit of the Trustee and/or the Conversion Agent.

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.

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.

Evidence of Unitholdings

A certificate will normally be issued (expected to be in the name of HKSCC Nominees Limited) by the Registrar as soon as practicable after the delivery of the relevant Index Shares and any applicable Cash Component to the Trustee.

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 he is holding or owning Units in breach of any of the above restrictions is required either to redeem his Units in accordance with the Trust Deed or to transfer his Units to a person whose holding would be permissible under this prospectus and the Trust Deed.

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

The rate of the Manager's fee in respect of the MSCI China ETF is set out in Section 2 of this prospectus. 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 MSCI 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, 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 MSCI 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. The rate of the Registrar's fee in respect of an Index Fund is set out in Section 2 of this prospectus, any addendum to this prospectus or any separate prospectus relating to the relevant 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.

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

Conversion Agent's fee

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

Further details of the Conversion Agent's fee in respect of the MSCI 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 inception fees of US$25,000 in respect of the Trust and US$5,000 in respect of the MSCI China ETF paid to the Trustee), including the preparation of this prospectus, 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.

Taxation

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

Hong Kong

The Trust

Profits Tax: As the Trust has been authorised by the SFC, profits of the Trust arising from the sale or disposal of securities, net investment income received by or accruing to the Trust and other profits of the Trust 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 Index Shares to the Trust by an investor pursuant to an Index Basket Application will be remitted or refunded. Similarly, Hong Kong stamp duty on the transfer of Index Shares by the Trust to an investor upon redemption of Units will also be remitted or refunded.

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

The sale and purchase of Hong Kong stocks by the Trust will be subject to stamp duty in Hong Kong at the current rate of 0.2 per cent of the price of the shares being sold and purchased. The Trust will be liable to one half of such Hong Kong stamp duty.

The Unitholders

Profits Tax: 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 Trust.

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 Index Shares to the Trust by an investor pursuant to an Index Basket Application will be remitted or refunded. Similarly, Hong Kong stamp duty on the transfer of Index Shares by the Trust to an investor upon redemption of Units will also be remitted or refunded.

The sale and purchase of Units by an investor will attract Hong Kong stamp duty at the current rate of 0.2 per cent of the price of the Units being sold or purchased, whether or not the sale or purchase is on or off the SEHK. The investor selling Units and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer.

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

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 Security (being a component of the relevant Underlying Index) has its primary listing, or the official clearing and settlement depositary (if any) of such Market, is closed; or

(ii) any period when dealings on a Market on which a Security (being a component of the relevant Underlying Index) 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.

No Units will be issued or realised during any period of suspension.

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 Accounting 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, 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, 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.

Miscellaneous Information

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.

Part XV of the Securities and Futures Ordinance

Pursuant to section 323(1)(c)(i) of the Securities and Futures Ordinance, an interest in shares in the relevant share capital of a company which subsists by virtue of a collective investment scheme authorised by the SFC under section 104 of the Securities and Futures Ordinance shall be disregarded. Accordingly, for the purposes of disclosure of interests under the Securities and Futures Ordinance, a legal or beneficial holder of Units will not be deemed to have an interest in those Index Shares comprised in the relevant share capital of a company listed on the SEHK which form part of the assets of the relevant Index Fund.

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.

Takeovers Code

Unitholders are advised that any shareholding resulting from redemption of Units will normally be subject to the application of the Takeovers Code. Furthermore, where a Unitholder holds one million Units or more, while one or more of the companies whose shares constitute Index Shares are subject to the governance of the Takeovers Code (such as during an offer period) and the Unitholder is acting in concert with the relevant parties (such as an offeror or offeree company), the Takeovers Code will be applicable. In these circumstances, a Unitholder should consult a solicitor or financial adviser to ensure full compliance with the Takeovers Code.

Section 2 – Information Relating to the MSCI China ETF

This section of the prospectus sets out specific information applicable to the MSCI China ETF. Prospective investors' attention is drawn to "Risk Factors relating to the MSCI China ETF" below.

Key Information

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

Investment Type	Exchange Traded Fund ("ETF")
Tracked Index	MSCI China Index
Listing Date	28 November 2001
Exchange Listing	SEHK - Main Board
Stock Code	2801
Trading Board Lot Size	200 Units
Trading Currency	Hong Kong dollars (HK$)
Dividend Payout	Annually (if any)
In-kind Creation/Redemption (only Participating Dealers)	Minimum 600,000 Units (or multiples thereof)
Manager	BlackRock Asset Management North Asia Limited
Trustee	HSBC Institutional Trust Services (Asia) Limited
Conversion Agent	HK Conversion Agency Service Limited
Registrar	Hong Kong Registrars Limited
Website	www.iShares.com.hk

Investment Objective

The iShares MSCI China Index ETF (the "MSCI China ETF") seeks to provide investment results that closely correspond with the performance of the MSCI China Index (the "Index").

Morgan Stanley Capital International Inc. ("MSCI") or its affiliates are the proprietors and absolute owners of the Index and the designations "Morgan Stanley Capital International", "MSCI®" and "MSCI CHINA INDEX". MSCI has granted to the Manager, by way of licence, subject to the terms of an index licence agreement between them, among other things the non-transferable and non-exclusive right to use the Index as the basis for determining the composition of the Underlying Index in respect of the MSCI China ETF and to sponsor, issue, establish, market, list and distribute the MSCI China ETF.

Further Information about the MSCI China ETF

Real Time Information

The Reference Underlying Portfolio Value (RUPV) is updated at 15-second intervals via Bloomberg (ticker: MCRUPV) during Hong Kong stock exchange trading hours.

The Index is calculated in HK$ and published in real time via Bloomberg (MXCN) and Reuters (MSCICN) every 15 seconds during Hong Kong, Shanghai and Shenzhen stock exchange market hours.

Information on the Internet

The Manager will publish information with respect to the MSCI China ETF, both in the English and in the Chinese languages, on the Manager's 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 MSCI China ETF;
- any public announcements made by the MSCI 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 closing Net Asset Value and Net Asset Value per Unit and daily fund performance information and useful Internet links.

The Index

Benchmark Index Information

The Index was originally designed as a benchmark representing PRC companies that are freely available only to non-PRC domestic investors. However, since 26 February 2001 certain of its constituent stocks, namely B shares, are available to PRC domestic investors. As at 30 November 2009, the Index contained 109 stocks with a free float-adjusted market capitalisation, based on free float-adjusted shares in issue, of about US$560.9801 billion and HK$4,347.6796 billion.

Index Construction

Securities eligible for inclusion in the Index include equity securities issued by companies incorporated in China, and listed in the form of B shares on the Shanghai Stock Exchange (in US$) or Shenzhen Stock Exchange (in HK$), H shares in Hong Kong (in HK$) or N shares in New York (in US$). As at 31 August 2009, there are no N shares included in the Index. It also includes companies:-

1. which are incorporated in the Hong Kong and listed on the SEHK; and
2. whose major shareholders (directly and indirectly) are organisations or enterprises owned by the state, provinces or municipalities of the PRC or companies incorporated in the PRC.

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 MSCI indices globally. The reason for a company being heavily weighted is simply that it has a relatively larger market capitalisation than the rest of the constituents in the Index. The constituents of the Index are frequently reviewed to ensure that the Index continues to reflect the state and structure of the underlying market it measures.

Investors are referred to:

- Appendix I for more information about major constituent stocks of the Index; and
- Appendix II for the methodology used by MSCI for compiling indices including the Index.

Investment Restrictions

The investment restrictions set out on pages 15 to 17 apply to the MSCI China ETF, subject to the following:-

1. 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 MSCI China ETF and nature of the Index, the Manager has applied for, and has been granted, a waiver from the Code to allow the MSCI China ETF to hold investments in Securities of any single issuer exceeding 10 per cent of the MSCI China ETF's latest available Net Asset Value. This waiver is limited to any Security that accounts for more than 10 per cent of the weighting of the Index and the MSCI China ETF's exposure to any particular Security may not exceed the weighting given to that security in the Index provided that such weightings may be exceeded from time to time as agreed with the SFC subject to further guidelines issued by the SFC.

2. As a result of the Representative Sampling Strategy, the Manager is permitted under Paragraph 11(d) of the SFC's Guidelines for Regulating Index Tracking Exchange Traded Funds (the "ETF Guidelines") to overweight the holdings of the MSCI China ETF relative to their respective weightings in the Index. Such overweighting of holdings may be necessary as certain securities in the Index may be excluded in view of the comparative illiquidity and possible settlement difficulties which may be experienced with such Securities. In adopting the Representative Sampling Strategy, the Manager selects Securities, based on their contribution to certain capitalisation, industry and fundamental investment characteristics, that will, in the aggregate, provide performance like that of the Index. As a result, the MSCI China ETF may not hold all shares in all the constituent companies of the Index. The basis for adopting the Representative Sampling Strategy is to reduce tracking error so that the MSCI China ETF can meet its investment objective, which is to provide investment results that closely correspond with the performance of the Index. The MSCI China ETF is allowed to overweight (taking into account any representative sampling strategy) on condition that the maximum extra weighting in any constituent will not exceed 3 per cent. Under the ETF Guidelines, 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 MSCI China ETF) if there is any non-compliance with this limit during such period by the MSCI China ETF. The annual and semi-annual reports of the MSCI China ETF shall also disclose whether or not such limit has been complied with during such period.

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

Distribution Policy

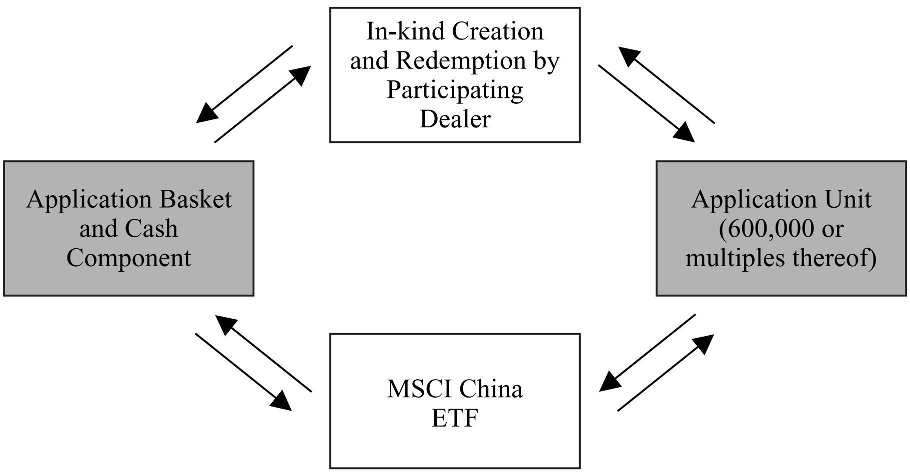
Any income earned by the MSCI China ETF will be distributed in accordance with provisions of the Trust Deed.

Operation of the MSCI China ETF

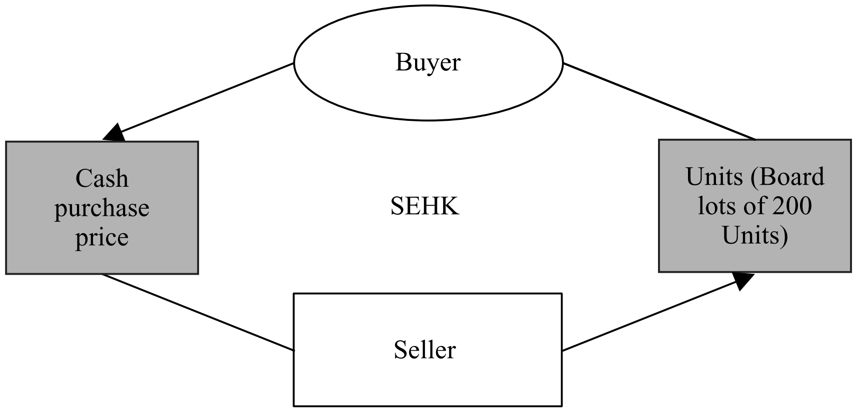
Investment in the MSCI China ETF

There are two types of investor in the MSCI 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 (and not a retail investor) can create and redeem Units directly with the MSCI China ETF. The second type of investor is any person, other than a Participating Dealer, who buys and sells the Units on the SEHK. The diagrams below illustrate the two methods of acquiring and disposing Units in the MSCI China ETF after listing:

Direct creation and redemption by the Participating Dealer:



Trading Units in the secondary market on the SEHK:



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. Subject to applicable regulatory requirements, the Manager intends to ensure that there is at least one market maker for the MSCI China ETF to facilitate efficient trading. The list of market markers in respect of the MSCI China ETF from time to time will be displayed on www.hkex.com.hk.

Creation and Redemption by Participating Dealers

Creation Procedure

Only Participating Dealers may create Units. Units in the MSCI China ETF are continuously offered to Participating Dealers who may apply for them on any Dealing Day on their own account or for the account of their clients in accordance with the Operating Guidelines. 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.

There will be no creation of Units in cash only.

Dealings in Units

Dealings in Units in the MSCI China ETF on SEHK commenced on 28 November 2001. Units in the MSCI China ETF 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 Size

Units may only be created in Application Unit size, which is currently 600,000 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 the MSCI China ETF is one Unit.

Redemption Procedure

Only Participating Dealers may redeem Units. Investors cannot acquire or redeem Units directly from the MSCI 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.

Participating Dealers may apply to HKSCC in accordance with the Operating Guidelines for the redemption of Units on any Dealing Day for the Index Shares, comprising the Index Basket for the MSCI China ETF, plus or minus (in which case the relevant Participating Dealer will be required to make a payment to the MSCI China ETF) a Cash Component as determined by the Manager. Units may only be redeemed in kind by way of a Redemption Application in Application Unit size and whole multiples thereof. There will be no redemption of Units in cash only.

Dealing on the SEHK

Investors other than Participating Dealers, cannot create or redeem Units in the MSCI China ETF. Only Participating Dealers may submit creation or redemption applications to the Manager.

However, as the MSCI China ETF is listed on the SEHK, 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. The trading price of Units of the MSCI 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.

Retail 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 – a retail 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 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 by Retail Investors Dealing in Units on the SEHK” below.

Risk Factors Relating to the MSCI China ETF

In addition to the principal risk factors common to all Index Funds set out in Section 1 of this prospectus, investors should also note the following additional risk factors associated with investing in the MSCI 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 MSCI 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 MSCI China ETF. Authorisation of the MSCI China ETF by the SFC does not imply official approval or endorsement of the Index by the SFC.

General Risk Factors

The MSCI China ETF is different from a typical unit trust offered to the public in Hong Kong

Investors should note that the MSCI China 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 through Participating Dealers and Units may not be subscribed for, or redeemed, in cash. In particular, Units may only be redeemed in kind by investors in Application Unit size (currently 600,000 Units) or whole multiples thereof through Participating Dealers. Participating Dealers are under no obligation to accept instructions to apply for or redeem Units on behalf of investors. Participating Dealers will not be able to create or redeem Units during any period when, amongst other things, dealings on the SEHK are restricted or suspended, settlement or clearing of securities in CCASS is disrupted or the Index is not compiled or published. Redeeming investors will receive Index Shares (plus or minus a cash payment) calculated by reference to Net Asset Value. Redeeming investors may not be able to realise the value of Index Shares received on a redemption of Units in a timely manner or at any particular price if there is no liquid trading market for the Index Shares. Investors who do not hold Application Unit sizes may only be able to 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 for cash in comparatively smaller multiples of units.

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 markers may cease to fulfil that role. Further, there can be no assurance that Units will experience trading or pricing patterns similar to those of exchange traded funds which are issued by investment companies in other jurisdictions or those traded on the SEHK which are based upon indices other than the Index.

Operating risk

There is no assurance that the performance of the MSCI China ETF will be identical to the performance of the Index. The level of fees and expenses payable by the MSCI China ETF will fluctuate in relation to the Net Asset Value. Although the amounts of certain ordinary expenses of the MSCI China ETF can be estimated, the growth rate of the MSCI China ETF, and hence its Net Asset Value, cannot be anticipated. Accordingly, no assurance can be given as to the performance of the MSCI China ETF or the actual level of its expenses. Under the terms of the Trust Deed, the Manager may terminate the MSCI China ETF if after three years from the date of the Trust Deed the aggregate Net Asset Value of Units outstanding in the Trust or the MSCI China ETF is less than HK$150 million. On the termination of the MSCI China ETF, the MSCI China ETF will be liquidated and investors will receive distributions of cash although the Manager has the power to decide to make distributions in specie. Please see the section entitled “Termination”.

Dividends are contingent on dividends paid on Index Shares

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

Dependence upon trading market for Index Shares

The existence of a liquid trading market for the Index Shares may depend on whether there is supply of, and demand for, such Index Shares. There can be no assurance that there will be active trading in any of the Index Shares. The price at which the Index Shares may be purchased or sold by the MSCI China ETF upon any rebalancing activities or otherwise and the Net Asset Value of the MSCI China ETF may be adversely affected if trading markets for the Index Shares are limited or absent. Investors should note that the Shanghai Stock Exchange and Shenzhen Stock Exchange in which B Shares are traded are undergoing development and the market capitalisation of, and trading volumes on, those exchanges are much lower than those in more developed financial markets. Market volatility, settlement difficulties and potential lack of liquidity due to low trading volume in the B Share markets may result in significant fluctuations in the prices of securities traded on such markets and thereby changes in the value of the MSCI China ETF.

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. The SEHK imposes certain requirements for the continued listing of securities, including the Units, on the SEHK. Investors cannot be assured that the MSCI China ETF 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. The MSCI China ETF may be terminated if Units are delisted from the SEHK. Dealings of Units on the SEHK may not necessarily be suspended in the event that the creation and redemption of Units is temporarily suspended by the Manager in accordance with the terms of the Trust Deed. If the creation and redemption of Units is temporarily suspended, the trading price of the Units may be adversely affected and differ from the Net Asset Value of the MSCI China ETF.

Right of the SFC to withdraw authorisation of the MSCI China ETF

The MSCI China ETF seeks to provide investment results that closely correspond with the performance of the Index. The MSCI China ETF 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 the MSCI China ETF if the Index is no longer considered acceptable to the SFC.

Risk factors relating to the Index

The Index is subject to fluctuations

The performance of the Units should correspond closely with the performance of the Index. In the past, the Index has experienced periods of volatility and decline. If the Index experiences volatility or declines, the price of the Units will vary or decline accordingly.

Concentration of the Index in certain economic sectors and companies

As at 30 November 2009 the financials sector and the energy sector together account for approximately 57.0631 per cent of the market weighting of the Index and the top ten companies by weighting in the Index accounted for around 54.1487 per cent of the total market capitalisation of the Index's constituent companies. As a result, variations in the performance of these sectors or companies could have a larger effect on the price of the Units than a similar variation in the performance of other sectors or companies comprised in the Index. Also, as disclosed in the paragraph headed "Tracking Error", under "Additional Information About Principal Risk Factors" in Section 1 of this prospectus, the existing domination of the Index by a single stock increases the risk of a tracking error.

Composition of and weightings in the Index may change

The companies which comprise the Index are changed by MSCI from time to time. The price of the Units may rise or fall as a result of such changes. The composition of the 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 Index. If this happens, the weighting or composition of the shares owned by the MSCI China ETF 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 Index as its constituents change from time to time, and not necessarily the way it is comprised at the time of an investment in the Units. Appendix II – "The MSCI Indices" describes how the MSCI China Index is compiled.

Licence to use the Index may be terminated

The Manager has been granted a licence by MSCI to use the Index as a basis for determining the composition of the MSCI China ETF and to use certain trade marks or any copyright in the Index. The MSCI China ETF may be terminated if the Index licence agreement is terminated and the Manager is unable to identify or agree with any index provider terms for the use of a suitable replacement index, using, in the opinion of the Manager, the same or substantially similar formula for the method of calculation as used in calculating the Index and which meets the acceptability criteria under Rule 8.6(e) of the Code. Any such replacement 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 the MSCI China ETF to track the Index depends on the continuation in force of the Index licence agreement in respect of the Index or a suitable replacement. The MSCI China ETF may also be terminated if the Index ceases to be compiled or published and there is no replacement index, using, in the opinion of the Manager, the same or substantially similar formula for the method of calculation as used in calculating the Index.

Compilation of the Index

No warranty, representation or guarantee is given as to the accuracy or completeness of the Index and its computation or any information related thereto. The process and the basis of computing and compiling the Index and any of its related formulae, constituent companies and factors may at any time be changed or altered by MSCI without notice.

Disclaimer by MSCI

The MSCI China ETF is not sponsored, endorsed, sold or promoted by MSCI or any affiliate of MSCI. Neither MSCI, any of its affiliates nor any other party involved in making or compiling any MSCI index makes any representation or warranty, express or implied, to the Unitholders of the MSCI China ETF or any member of the public regarding the advisability of investing in funds generally or in the MSCI China ETF particularly or the ability of any MSCI index to track general stock market performance. MSCI is the licensor of certain trademarks, service marks and trade names of MSCI and of the indices which is determined, composed and calculated by MSCI without regard to the MSCI China ETF or the Manager. MSCI has no obligation to take the needs of the Manager or the Unitholders of the MSCI China ETF into consideration in determining, composing or calculating any MSCI index. MSCI is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the MSCI China ETF to be issued or in the determination or calculation of the equation by which the MSCI China ETF is redeemable for cash. Neither MSCI, any of its affiliates nor any other party involved in making or compiling any MSCI index has any obligation or liability to Unitholders of the MSCI China ETF in connection with the administration, marketing or trading of the MSCI China ETF. No purchaser, seller or holder of the Units in the MSCI China ETF, or any other person or entity, should use or refer to MSCI's trade name, trademark or service mark rights to the designations Morgan Stanley Capital International, MSCI®, Morgan Stanley Capital International Perspective®, EAFE® or any other MSCI mark, to sponsor, endorse, market or promote the Units in the MSCI China ETF without first contacting MSCI to determine whether MSCI's permission is required. Under no circumstances may any person or entity claim any affiliation with MSCI without the prior written permission of MSCI.

Although MSCI shall obtain information for inclusion in or for use in the calculation of the indices from sources which MSCI considers reliable, neither MSCI, any of its affiliates nor any other party involved in making or compiling any MSCI index guarantees the accuracy and/or the completeness of the indices or any data included therein. Neither MSCI, any of its affiliates nor any other party involved in making or compiling any MSCI index makes any warranty, express or implied, as to results to be obtained by licensee, licensee's customers and counterparties, Unitholders of the MSCI China ETF, or any other person or entity from the use of the indices or any data included therein in connection with the rights licensed hereunder or for any other use. Neither MSCI, any of its affiliates nor any other party involved in making or compiling any MSCI index shall have any liability for any errors, omissions or interruptions of or in connection with the indices or any data included therein. Neither MSCI nor any other party makes any express or implied warranties, and MSCI hereby expressly disclaims all warranties of merchantability or fitness for a particular purpose with respect to the indices or any data included therein. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any other party involved in making or compiling any MSCI index have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

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 MSCI 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 MSCI 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 investments held by the underlying securities of the MSCI China ETF in the PRC.

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

Various PRC companies derive their revenues in Renminbi 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 Renminbi to foreign currency.

Foreign exchange transactions under the capital account, including principal payments in respect of foreign currency-denominated obligations, 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 Renminbi 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. Although the Renminbi to HK dollar exchange rate has been relatively stable since 1994, the Manager cannot predict nor give any assurance of its future stability. Fluctuations in exchange rates may adversely affect the MSCI 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 are relatively new, 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.

Differences between PRC and Hong Kong company law

Certain PRC regulations governing PRC companies listed overseas contain provisions that are required to be included in the articles of association of these PRC companies and are intended to regulate the governance of these companies. In addition, certain requirements are imposed by the SEHK's listing rules with a view to reducing the magnitude of differences between Hong Kong company law and PRC company law. The articles of association of all PRC companies listed on the SEHK must incorporate such requirements.

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 B Shares are traded are undergoing development and the market capitalisation and trading volume are much lower than those in more developed financial markets. Market volatility and potential lack of liquidity due to low trading volume in the B Share markets may result in significant fluctuation in the prices of securities traded on such markets and thereby changes in the Net Asset Value of the MSCI 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.

Fees Payable

The Manager's Fee

The Manager is entitled to receive a management fee, currently at the rate of 0.99 per cent per annum of the Net Asset Value of the MSCI China ETF accrued daily and calculated as at each Dealing Day and payable monthly in arrears.

Apart from the Application Cancellation Fee, Extension Fee, Transaction Fee and any partial delivery request fees relating to the cash collateral partial delivery arrangements, the Manager will pay all other fees chargeable by the Trustee and the Registrar in connection with the MSCI China ETF.

Fees Payable by Participating Dealers

The fees payable by Participating Dealers in respect of the MSCI China ETF are summarised as follows:

Creation of Units:	
Transaction Fee	See Note 1
Application Cancellation Fee	HK$15,000[2] per Application
Extension Fee	HK$15,000[3] per Application
Partial delivery request fee	HK$15,000[2] per Application
Stamp duty	Nil
Transaction levy and trading fee	Nil

Redemption of Units:	
Transaction Fee	See Note 1
Application Cancellation Fee	HK$15,000[2] per Application
Extension Fee	HK$15,000[3] per Application
Unit Cancellation Fee	HK$1 per board lot[4]
Ad valorem stamp duty	Nil

Fees Payable by Retail Investors Dealing in Units on the SEHK

The fees payable by retail investors dealing in Units in the MSCI China ETF on the SEHK are summarised as follows:

Brokerage	Market rates
Transaction levy	0.005%[5]
Trading fee	0.005%[6]
Stamp duty	0.2%[7]
Investor compensation levy	0.002%[8]

The information presented in Appendices I to 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.

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1 A Transaction Fee is payable by the Participating Dealer to the Manager for the benefit of the Conversion Agent. The Conversion Agent will charge a fee for each Application which will be met out of the Transaction Fee. The Conversion Agent's fees will be based on the total aggregated Application Basket Values of the Creation and Redemption Applications transacted daily as follows:-

Total Aggregated Basket Value Transacted Daily	**HK$**
HK$0 to HK$2,000,000	5,000
HK$2,000,001 to HK$5,000,000	8,000
HK$5,000,001 to HK$10,000,000	10,000
Over HK$10,000,000	12,000

2 Payable to the Trustee by the Participating Dealer.

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

4 Payable to the Conversion Agent by the Participating Dealer.

5 Transaction levy of 0.005% 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 Stamp duty of 0.2% of the price of the Units, one half is payable by the buyer and the other half payable by seller.

8 Investor compensation levy of 0.002% of the price of Units, payable by the buyer and the seller.

Appendix I - The MSCI China Index

As at 30 November 2009, the Index comprised 109 stocks. The companies are classified into industry sectors. As at 30 November 2009, the 10 largest constituent stocks of the Index, as listed below, represented about 54.1487 per cent of the total market capitalisation, based on total shares in issue, of the Index.

Name of Constituent Company	Weight %	Sector
CHINA MOBILE LTD	10.0473	Telecommunication Services
CHINA CONSTRUCTION BANK - H Shares	7.1319	Financials
IND & COMM BK OF CHINA - H Shares	6.8821	Financials
CHINA LIFE INSURANCE CO - H Shares	6.6407	Financials
BANK OF CHINA LTD - H Shares	5.7308	Financials
CNOOC LTD	4.9070	Energy
PETROCHINA CO LTD - H Shares	4.6588	Energy
TENCENT HOLDINGS LTD	2.9706	Information Technology
CHINA SHENHUA ENERGY CO - H Shares	2.8145	Energy
CHINA PETROLEUM & CHEMICAL - H Shares	2.3650	Energy

Source: The Index is updated and available for public viewing on MSCI's web site at http://www.msci.com/equity/index2.html

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 B shares comprised in the Index. This means that the MSCI China ETF may not hold all shares in all the constituent companies of the 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 MSCI China ETF by tracking the Index as closely as possible for the benefit of investors.

Appendix II - The MSCI Indices

General. The MSCI Indices were founded in 1969 by Capital International S.A. as the first international performance benchmarks constructed to facilitate accurate comparison of the world's developed markets. Morgan Stanley acquired rights to the MSCI Indices in 1986 and commenced coverage of the world's emerging markets in 1988. In November 1998, Morgan Stanley transferred all rights to the MSCI Indices to Morgan Stanley Capital International Inc. ("MSCI"), a Delaware corporation of which Morgan Stanley Dean Witter is the majority owner.

Although local stock exchanges have traditionally calculated their own indices, these are generally not comparable with one another, due to differences in the representation of the local market, mathematical formulas, base dates and methods of adjusting for capital changes. MSCI applies the same criteria and calculation methodology across all markets for all indices, developed and emerging.

In recent years, the issue of "investability" has been highlighted by a number of developments, including:

- a significant rise in cross-border portfolio investments;
- the growth in passive investment management;
- a large number of IPOs and partial privatizations of large companies with restricted free floats; and
- an increased focus on controlling the risk of portfolios, including the portfolio's benchmark risk.

In view of the likely continuation of these trends, there is a growing need to adjust the index weights of companies with a limited free float, for which the availability of shares can be an important constraint. Including these companies in the index at a weight higher than the available free float could result in insufficient supply, which may potentially lead to distortions in price. MSCI defines "free float" as total shares in issue excluding shares held by strategic investors such as governments, corporations, controlling shareholders and management, and shares subject to foreign ownership restrictions.

MSCI began to address the impact of the trends on investability of benchmarks in 1996, when it introduced its Partial Inclusion Policy and the use of Market Capitalization Factors in certain large companies with low free float at a fraction of their full market capitalization. Further refinements and enhancements were made to this policy in 1999 and 2000.

Also in the last few years, the significant rise in domestic and cross-border mergers and acquisitions activity has led to the emergence of large global companies, especially in certain industries. This trend has resulted in increased equity market and sector concentration, making it difficult to represent the diversity of business activities in the MSCI Standard Equity Indices with a target market representation of 60 per cent.

In light of the trends described above, and following an extensive consultation with clients and other market participants, MSCI decided to make certain enhancements to its methodology to account for (a) the investability of securities with limited free float by free float adjusting constituent weights and (b) the increasing concentration in equity markets globally by increasing the target market representation in its equity indices.

As a result, in December 2000, MSCI announced that it would adjust all of its equity indices for free float and increase the target market representation of its Standard Index Series from 60 per cent of total market capitalization to 85 per cent of free float-adjusted market capitalization. The combined changes will be implemented in the Standard Index Series in two separate phases. The first phase has been implemented as of the close of 30 November 2001, and the second phase has been implemented as of the close of 31 May 2002.

The phased implementation of the Enhanced Methodology in the Standard Index Series is designed to spread out the turnover in this index series and its potential market impact, and to allow ample time for investors to adapt to the changes. Another important feature of MSCI's implementation plan is the calculation, since 31 May 2001, of the MSCI Provisional Index Series based upon MSCI's Enhanced Methodology.

The MSCI Provisional Index Series has been created to assist investors in understanding the changes that would occur if the Enhanced Methodology were immediately implemented in the MSCI Standard Index Series. The MSCI Provisional Index Series also provides increased flexibility for investors who wish to transition to the Enhanced Methodology at a time schedule that suits their needs. In addition, the MSCI Provisional Index Series is an official series and, as such, may be used as the basis for new investment mandates and for a variety of investment vehicles such as passive mutual funds, exchange traded funds and listed and over-the-counter derivative contracts.

The MSCI Indices are notable for the depth and breadth of their coverage. MSCI generally seeks to have 85 per cent of free-float adjusted market capitalisation of a country's stock market reflected in the MSCI Index for such country.

Weighting. All single-country MSCI Standard Equity Indices including the MSCI China Index are free-float weighted, i.e., companies will be included in the indices at the value of their free public float (the product of total shares outstanding and free float adjusted factor, multiplied by price converted into US Dollars).

Free indices. MSCI calculates two indices in some countries in order to address the issue of restrictions on foreign ownership in such countries. The additional indices are called "free" indices, and they generally exclude companies and share classes not purchasable by foreigners. Free indices are currently calculated for Brazil, China, Indonesia, Malaysia, Mexico, the Philippines, Singapore and Thailand, and for those regional and international indices which include such markets. Effective as of the close of 14 November 2001, the free versions of the MSCI indices in respect of the markets of Brazil, China, Indonesia, Malaysia, Mexico, Philippines and Thailand were renamed as follows in both the Standard and Provisional Index Series:

Old Name	**Current Name**
MSCI Brazil Free	MSCI Brazil
MSCI China Free	MSCI China
MSCI Indonesia Free	MSCI Indonesia
MSCI Malaysia Free	MSCI Malaysia
MSCI Mexico Free	MSCI Mexico
MSCI Philippines Free	MSCI Philippines
MSCI Thailand Free	MSCI Thailand

The corresponding Value/Growth and All Country Sector indices for the above country indices were similarly renamed.

Indonesia, Malaysia, Singapore and Thailand currently impose foreign ownership limits on domestic stock, and when the foreign ownership limit is reached, foreigners may only trade with other foreigners, frequently at a price that is higher than the price available to domestic investors. The Free Indices for such countries are designed to reflect the actual investment conditions for international investors by using the foreign prices for stocks where relevant. The Free Indices for Indonesia, Malaysia, Singapore and Thailand use foreign prices only when a foreign ownership limit is reached on a constituent stock and a determination is made that there is sufficient long-term liquidity at the foreign price. To compensate for the distorting inflation of a company's weight that may occur as a result of using the higher foreign prices for its shares, a compensating factor called a Free Market Capitalization Factor ("FMCF") may be applied to the total number of shares of a "foreign priced" constituent stock in the respective Index. A FMCF is the approximate ratio of domestic price to foreign price and is applied in an effort to align the free market capitalization weight with the domestic market capitalization weight.

Regional Weights. Market capitalization weighting, combined with a consistent target of 85 per cent of free float-adjusted market capitalization, helps ensure that each country's weight in regional and international indices approximates its weight in the total universe of developing and emerging markets. Maintaining consistent policy among MSCI developed and emerging market indices is also critical to the calculation of certain combined developed and emerging market indices published by MSCI.

Selection Criteria

The Universe of Securities. The constituents of a country index are selected from the full range of securities available in the market, excluding issues which are either small or highly illiquid. Non-domiciled companies and investment trusts are also excluded from consideration. Stocks are then classified according to the Global Industry Classification Standard ("GICS"), developed by MSCI in conjunction with Standard & Poor's. GICS includes 10 sectors, 23 industry groups, 59 industries and 123 sub-industries. Stocks are assigned a sub-industry. MSCI then aims to capture representation in the market by choosing stocks across the industry groups to capture 85 per cent of free float-adjusted market capitalization in each industry group, within each country.

The Optimization Process. The process of choosing index constituents from the universe of available securities is consistent among MSCI Standard Index Series. Determining the constituents of an index is an optimization process which involves maximizing float and liquidity, reflecting accurately the market's size and industry profiles and minimizing cross-ownership (when the MSCI Enhanced Methodology comes into effect, cross-ownership will be addressed through free float-adjustments). The optimization variables and their targets are:

Market Coverage	Target 85 per cent of free float-adjusted market capitalization
Industry Representation	Mirror the local market
Liquidity	Maximize
Float	Maximize
Cross-Ownership	Avoid/Minimize
Size	Sample with size characteristics of universe

Coverage. To reflect accurately country-wide performance as well as the performance of industry groups, MSCI aims to capture 85 per cent of free float-adjusted market capitalization at both the country and industry group level. To reflect local market performance, an index should contain a percentage of the market's overall capitalization sufficient to achieve a high level of tracking. The greater the coverage, however, the greater the risk of including securities which are illiquid or have a restricted float. MSCI's 85 per cent of free float-adjusted market capitalisation coverage target reflects a balance of these considerations.

Industry Representation. Within the overall target of 85 per cent of free float-adjusted market capitalization coverage, MSCI aims to capture 85 per cent of free float-adjusted market capitalization of each industry group. MSCI believes this target assures that the index reflects the industry characteristics of the overall market and permits the construction of accurate industry indices.

MSCI may exceed the 85 per cent of free float-adjusted market capitalization target in the index for a particular country because, e.g., one or two large companies dominate an industry. Similarly, MSCI may underweight an industry in an index if, e.g., the companies in such industry lack good liquidity and float, or because of extensive cross-ownership.

Liquidity. Liquidity is measured by trading value, as reported by the local exchanges. Trading value is monitored over time in order to determine "normal" levels exclusive of short-term peaks and troughs. A stock's liquidity is significant not only in absolute terms (i.e., a determination of the market's most actively traded stocks), but also relative to its market capitalization and to average liquidity for the country as a whole.

Float. Float, or the percentage of shares freely tradeable, is one measure of potential short-term supply. Low float raises the risk of insufficient liquidity. MSCI monitors float for every security in its coverage, and low float may exclude a stock from consideration. However, float can be difficult to determine. In some markets good sources are generally not available. In other markets, information on smaller and less prominent issues can be subject to error and time lags. Government ownership and cross-ownership positions can change over time, and are not always made public. Float also tends to be defined differently depending on the source. MSCI seeks to maximize float. As with liquidity, float is an important determinant, but not a hard-and-fast screen for inclusion of a stock in, or exclusion of a stock from, a particular index.

Cross-ownership. Cross-ownership occurs when one company has an ownership position in another. In situations where cross-ownership is substantial, including both companies in an index may skew industry weights, distort country-level valuations and over-represent buyable opportunities. An integral part of MSCI's country research is identifying cross-ownerships in order to avoid or minimize them. Cross-ownership cannot always be avoided, especially in markets where it is prevalent. When MSCI makes exceptions, it strives to select situations where the constituents operate in different economic sectors, or where the subsidiary company makes only a minor contribution to the parent company's results.

Size. MSCI attempts to meet its 85 per cent of free float-adjusted market capitalization coverage target by including a representative sample of large, medium and small capitalization stocks, in order to capture the sometimes disparate performance of these sectors. In the emerging markets, the liquidity of smaller issues can be a constraint. At the same time, properly representing the lower capitalization end of the market risks overwhelming the index with names. Within these constraints, MSCI strives to include smaller capitalization stocks, provided they exhibit sufficient liquidity.

Calculation Methodology. All MSCI Standard Equity Indices are calculated daily using Laspeyres' concept of a weighted arithmetic average together with the concept of "chain-linking", a classical method of calculating stock market indices. The Laspeyres method weights stocks in an index by their beginning-of-period market capitalization. Share prices are "swept clean" daily and adjusted for any rights issues, stock dividends or splits. Most MSCI Standard Equity Indices are currently calculated in local currency and in US dollars, without dividends, with gross dividends reinvested and with net dividends reinvested. The Index Funds utilize MSCI Standard Equity Indices calculated with net dividends reinvested. "Net dividends" means dividends after reduction for taxes withheld at source at the rate applicable to holders of the underlying stock that are resident in Luxembourg.

Dividend Treatment. The amount of an announced dividend is reinvested on the day the security is quoted ex-dividend. The actual reinvestment takes place at the close of the ex-dividend date.

Index Structure. Restructuring an index involves a balancing of constituent additions and deletions. There are two broad categories of changes to the MSCI Indices: structural changes and market-driven changes.

Structural changes reflect the evolution of a market and may occur on only four dates throughout the year: as of the close of the last business day of February, May, August and November. Details of changes are announced two weeks in advance.

Market-driven changes consist of new issues, mergers, acquisitions, bankruptcies, and other similar corporate events. These changes are announced and implemented as they occur.

All MSCI announcements are communicated to the public via MSCI's web site at www.msci.com and through Reuters (MSCIA) and Bloomberg (MSCN).

Newly Listed Company. Each situation is reviewed on a case-by-case basis. MSCI only considers newly listed companies for immediate inclusion if the companies in question comply with all other inclusion criteria and the Minimum Size Guidelines for Early Inclusion of new securities outside quarterly index review.

The inclusion will be announced no later than the opening of their third day of trading in the market where the companies have their primary listing.

MSCI's policy is to announce only inclusions of companies in its indices. Therefore, no announcement is made when a company is not included.

Price and Exchange Rates

Prices. Prices used to calculate the MSCI Standard Equity Indices are the official exchange closing prices. All prices are taken from the dominant exchange in each market. In countries where there are foreign ownership limits, MSCI uses the price quoted on the official exchange, regardless of whether the limit has been reached.

Exchange Rates. MSCI uses WM/Reuters Closing Spot Rates for all developed and emerging markets. The WM/Reuters Closing Spot Rates were established by a committee of investment managers and data providers, including MSCI, whose object was to standardize exchange rates used by the investment community. Exchange rates are taken daily at 4 pm London time by the WM Company and are sourced whenever possible from multi-contributor quotes on Reuters. Representative rates are selected for each currency based on a number of "snapshots" of the latest contributed quotations taken from the Reuters service at short intervals around 4 pm. WM/Reuters provides closing bid and offer rates. MSCI uses these to calculate the mid-point to 5 decimal places.

MSCI continues to monitor exchange rates independently and may, under exceptional circumstances, elect to use an alternative exchange rate if the WM/Reuters rate is believed not to be representative for a given currency on a particular day.

Changes to the Indices. In changing the constituents of the indices, MSCI attempts to balance representativeness versus undue turnover. An index must represent the current state of an evolving marketplace, yet at the same time minimize turnover, which is costly as well as inconvenient for managers.

Additions (All new additions follow the Enhanced Methodology). Restructuring an index involves a balancing of additions and deletions. MSCI aims to maintain continuity and minimize turnover while reflecting the underlying market. As markets grow because of privatizations, investor interest, or the relaxation of regulations, index additions (with or without corresponding deletions) may be needed to bring industry representations up to 85 per cent of free float-adjusted market capitalization target. Companies are considered not only based on their industry group, but also based on their industry and sub-industry, in order to achieve, if possible, a broader range of economic activity. Beyond industry representativeness, new constituents are selected based on the criteria discussed above, i.e. float, liquidity, cross-ownership (when the MSCI Enhanced Methodology comes into effect, cross-ownership will be addressed through free float adjustment), etc.

In the emerging markets, however, it is not uncommon that a large new issue, usually a privatization, comes to market and substantially changes the country's industry profile. In exceptional circumstances, where the issue's size, visibility and investor interest assure high liquidity, and where excluding it would distort the characteristics of the market, MSCI may decide to include it immediately in the MSCI Standard Equity Indices.

In other cases, MSCI may decide not to include a large new issue even in the normal process of restructuring, and in spite of its substantial size and liquidity.

Deletions. MSCI's primary concern when considering deletions is the continuity of the Indices. Of secondary concern are the turnover costs associated with deletions. The Indices must represent the full investment cycle, including bear as well as bull markets. Out-of-favour stocks may exhibit declining price, market capitalization or liquidity, and yet continue to be good representatives of their industry.

Companies may be deleted because they have diversified away from their industry classification, because the industry has evolved in a different direction from the company's thrust, or because a better industry representative exists (either a new issue or an existing company). In addition, in order not to exceed the 85 per cent target coverage of industries and countries, adding new index companies may entail corresponding deletions. Usually such deletions take place within the same industry, but there are occasional exceptions. Each situation is reviewed on a case-by-case basis. In the event of a temporary suspension, the suspended company will continue to be included in the Index at its last traded price. In cases where this is not so, an MSCI announcement will be made on www.msci.com, Reuters (MSCIA) and Bloomberg (MSCN).

MSCI will remove from the MSCI Standard Index Series as soon as practicable securities of companies that file for bankruptcy, companies that file for protection from their creditors and/or are suspended and for which a return to normal business activity and trading is unlikely in the near future. When the primary exchange price is not available, MSCI will delete securities at an over-the-counter or equivalent market price when such a price is available and deemed relevant. If no over-the-counter or equivalent price is available, the company will be deleted at the smallest price (unit or fraction of the currency) at which a security can trade on a given exchange.

Securities may also be considered for early deletion in other significant cases, such as decreases in free float and FOLs. In addition, when a constituent company acquires or merges with a non-constituent company or spins-off another company, the securities of the constituent company may be removed from the index, if, for example, these securities are no longer representative of the industry as a result of the event. For securities that are suspended, MSCI will carry forward the market price immediately prior to the suspension during the suspension period.