

IMPORTANT: Investments involve risks, including the loss of principal. Investors are advised to consider their own investment objectives and circumstances in determining the suitability of an investment with the fund(s) described in this Addendum. An investment in a fund described in this Addendum may not be suitable for everyone. 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.

XIE Shares FTSE Chimerica ETF

(Stock Code: 3161)

XIE Shares CLSA GARY ETF

(Stock Code: 3102)

Each a sub-fund of the XIE Shares Trust II

(Each a Hong Kong unit trust authorized under Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong)

(together “**XIE Shares ETFs**”)

First Addendum to the Prospectus

The Stock Exchange of Hong Kong Limited, Hong Kong Exchanges and Clearing Limited, Hong Kong Securities Clearing Company Limited and the Hong Kong Securities and Futures Commission (the “SFC”) take no responsibility for the contents of this First 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 First Addendum. The XIE Shares Trust II and its Sub-Funds have been authorised as collective investment schemes by the SFC. 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.

This First Addendum should be read in conjunction with and forms an integral part of the Prospectus of the XIE Shares Trust II dated 29 April 2016 (the “**Prospectus**”) and the Product Key Facts Statement (“**KFS**”) dated 5 October 2016. Unless otherwise specified, all capitalized terms shall have the same meaning as that in the Prospectus.

With immediate effect, the Prospectus is updated as follows:

1. Transaction Fee

1. The first row to the fifth row of the table headed “Fees and expenses payable by Participating Dealers on creations and redemptions (as applicable) of Units (applicable both during the Initial Offer Period and After Listing)” under the section “FEES AND EXPENSES” on page 37 is deleted in its entirety and replaced with the following:

Fees and expenses payable by Participating Dealers on creations and redemptions (as applicable) of Units (applicable both during the Initial Offer Period and After Listing)	Amount
Transaction Fee ¹	
(i) Cash creation / redemption	HKD7,500 or USD1,000 as applicable per Application for the benefit of the Trustee <u>Plus</u> Service Agent’s Fee (See Note ²)
(ii) In-kind creation / redemption	HKD7,500 or USD1,000 as applicable per Application for the benefit of the Trustee <u>Plus</u> Service Agent’s Fee (See Note ²)
(iii) A combination of cash and in-kind creation /redemption	HKD7,500 or USD1,000 as applicable per Application for the benefit of the Trustee <u>Plus</u> HKD250 or USD30 as applicable per sale or purchase transaction of securities in the Basket for the cash portion for the benefit of the Trustee (For creation / redemption in combination of in-kind and in cash) <u>Plus</u> Service Agent’s Fee (See Note ²)

2. The first footnote on page 37 are deleted in their entirety and replaced by the following:

“1. The Transaction Fee comprises two components: (a)(i) HKD7,500 or USD1,000 as applicable per Application for cash creations/redemptions; or (ii) HKD7,500 or USD1,000 as applicable per Application for in-kind creations/redemptions; or (iii) HKD7,500 or USD1,000 as applicable per Application that is a combination of cash and in-kind and HKD250 or USD30 as applicable per sale or purchase transaction of securities in the Basket for the cash portion, in each case payable for the benefit of the Trustee; and (b) a Service Agent’s Fee (see Note 2). The Transaction Fee is payable in HKD unless specified as payable in USD in the relevant Appendix. A Participating Dealer may pass on to the relevant investor such Transaction Fee.”

2. Index

For XIE Shares FTSE Chimerica ETF

- Second paragraph under the subject heading of “**General Information on the Index**” of page 69 of the Prospectus is deleted in its entirety and replaced by the following:

As at 30 September 2016, the Index comprised 22 constituents with a total market capitalisation of approximately USD61,896 million. It is a free float adjusted market capitalisation index with a capping of 10% applied to a constituent’s weighting in the Index. Individual constituent weights are capped on a quarterly basis when the Index is rebalanced (and so between rebalances, a constituent’s weighting in the Index may exceed 10% of the Index). The base date of the Index is set at 15 December 2006 with a base value of 1,000. The Index is denominated and quoted in US dollars.

- Information under the subject heading of “**Top 10 Constituents**” of page 72 of the Prospectus is updated as follows:

As at 30 September 2016, the 10 largest constituents of the Index (which accounted in aggregate for approximately 83.38% of the Index) were as follows::

	Company name	Exchange	Sector	Weighting%
1	NetEase	NASDAQ	Information Technology	10.81
2	Alibaba Group Holding	NYSE	Information Technology	10.17
3	Ctrip.com International Ltd.	NASDAQ	Consumer Discretionary	10.10
4	New Oriental Education & Technology Group	NYSE	Consumer Discretionary	10.04
5	Baidu ADS	NASDAQ	Information Technology	9.57
6	JD.com ADS	NASDAQ	Consumer Discretionary	9.47
7	SINA	NASDAQ	Information Technology	6.80
8	58.com ADS	NYSE	Information Technology	6.00
9	Vipshop Holdings (ADS)	NYSE	Consumer Discretionary	5.25
10	TAL Education Group	NYSE	Consumer Discretionary	5.17

Further information on the Index is available at the website of the FTSE International Limited at www.ftse.com/products/indices/china.

For XIE Shares CLSA GARY ETF

- Fourth paragraph under the subject heading of “**General Information on the Index**” of page 81 of the Prospectus is deleted in its entirety and replaced by the following:

The Index is an equal-weighted index and has a minimum of 20 constituents at all times. As at 30 September 2016, the Index comprised 64 constituents with a total market capitalisation of approximately USD665 billion. The base date of the Index is set at 31 December 2009 with a base value of 100.

- Information under the subject heading of “**Top 10 Constituents by Market Capitalisation**” of page 87 of the Prospectus is updated as follows:

As at 30 September 2016, the 10 largest constituents by market capitalisation of the Index (which accounted in aggregate for approximately 15.54% of the Index) were as follows:*

	Company name	Exchange	Sector	Weighting%*
1	Taiwan Semiconductor Manufacturing Co Ltd	Taiwan	Information Technology	1.63
2	National Australia Bank Ltd	Australia	Financials	1.61
3	Singapore Telecommunications Ltd	Singapore	Telecommunication Services	1.36
4	Wesfarmers Ltd	Australia	Consumer Staples	1.61
5	Telekomunikasi Indonesia Tbk PT	Indonesia	Telecommunication Services	1.52
6	DBS Group Holdings	Singapore	Financials	1.40
7	Astra International Tbk PT	Indonesia	Consumer Discretionary	1.73
8	United Overseas Bank	Singapore	Financials	1.47
9	China Resources Land Ltd.	Hong Kong	Real Estate	1.66
10	Swire Properties Ltd	Hong Kong	Real Estate	1.57

** This is an equal-weighted index.*

Further information on the Index, including methodology and ground rules of the Index, is available at the Manager’s website at www.xieshares.com.hk.

Enhanced Investment Products Limited
as the Manager of XIE Shares ETFs

Date: 5 October 2016

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



EXCHANGE TRADED FUNDS

XIE Shares Trust II

(a Hong Kong umbrella unit trust authorised under Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong)

XIE Shares FTSE Chimerica ETF

Stock Code: 03161

XIE Shares CLSA GARY ETF

Stock Code: 03102

PROSPECTUS

Manager and Listing Agent

Enhanced Investment Products Limited

易亞投資管理有限公司

Hong Kong Exchanges and Clearing Limited (“HKEx”), The Stock Exchange of Hong Kong Limited (the “SEHK”), Hong Kong Securities Clearing Company Limited (“HKSCC”) and the Hong Kong Securities and Futures Commission (the “SFC”) take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus. The Trust and the Sub-Funds have each been authorised as collective investment schemes by the SFC. 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.

29 April 2016

IMPORTANT INFORMATION

This Prospectus relates to the offer in Hong Kong of units (the “Units”) in the XIE Shares Trust II (the “Trust”), an umbrella unit trust established under Hong Kong law by a trust deed dated 25 March 2015, as amended from time to time (the “Trust Deed”) between Enhanced Investment Products Limited 易亞投資管理有限公司 (the “Manager”) and Cititrust Limited (the “Trustee”). The Trust will have a number of sub-funds (the “Sub-Funds” or individually a “Sub-Fund”).

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

The Manager accepts full responsibility for the accuracy of the information contained in this Prospectus and confirms having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading. The Manager also confirms that this Prospectus includes particulars given in compliance with the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* and the *Code on Unit Trusts and Mutual Funds* (the “Code”) and the “Overarching Principles” of the *SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products* for the purposes of giving information with regard to the Units of the Sub-Funds. The Trustee is not responsible for the preparation of this Prospectus and shall not be held liable to any person for any information disclosed in this Prospectus, except for the information regarding the Trustee itself under the paragraph headed “The Trustee” in the section on “Management of the Trust and Sub-Funds”.

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

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

Dealings in the Units of XIE Shares FTSE Chimerica ETF on The Stock Exchange of Hong Kong Limited (the “SEHK”) have already commenced. The Units of XIE Shares FTSE Chimerica ETF have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“HKSCC”) for deposit, clearance and settlement in the Central Clearing and Settlement System (“CCASS”).

Application has been made to the Listing Committee of the SEHK for the listing of, and permission to deal in, the Units of XIE Shares CLSA GARY ETF. Subject to compliance with the admission requirements of HKSCC and the granting of listing of, and permission to deal in, the Units of XIE Shares CLSA GARY ETF on the SEHK, the Units of XIE Shares CLSA GARY ETF will be accepted as eligible securities by HKSCC for deposit, clearing and settlement in CCASS with effect from the date of commencement of dealings in the Units of XIE Shares CLSA GARY ETF on the SEHK or such other date as may be determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No action has been taken to permit an offering of Units or the distribution of this Prospectus in any jurisdiction other than Hong Kong and, accordingly, this Prospectus does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The Units have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”) or any other United States Federal or State law and, except in a transaction which does not violate the U.S. Securities Act, may not be directly or indirectly offered to or sold in the United States of America or any of its territories or for the benefit of a US Person (as defined in Regulation S of the U.S. Securities Act). The Trust and the Sub-Funds have not been and will not be registered as an investment company under the United States Investment Company Act of 1940, as amended. Units may not be acquired or owned by (i) an employee benefit plan, as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), that is subject to Title I of ERISA, (ii) a plan, as defined in Section 4975(e)(1) of the U.S. Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), that is subject to Section 4975 of the Internal Revenue Code, (iii) a plan that is subject to any other law, regulation, rule or restriction that is substantially similar to ERISA or Section 4975 of the Internal Revenue Code (“Similar Law”) or (iv) an entity whose assets are deemed to include the assets of such an employee benefit plan or plan for purposes of ERISA, Section 4975 of the Internal Revenue Code or Similar Law, unless the purchase, holding and disposition of units will not constitute a violation under ERISA, Section 4975 of the Internal Revenue Code and any applicable Similar Law.

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

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

Questions and Complaints

Investors may raise any questions on or make any complaints about the Trust (including the Sub-Funds) by contacting the Manager at its address as set out in the Directory of this Prospectus or calling the Manager on +852 2110 8600 during normal office hours.

DIRECTORY

Manager and Listing Agent

Enhanced Investment Products Limited

易亞投資管理有限公司

337, New Henry House

10 Ice House Street

Central

Hong Kong

Trustee

Cititrust Limited

50/F, Citibank Tower, Citibank Plaza

3 Garden Road

Central

Hong Kong

Administrator and Custodian

Citibank N.A.

50/F, Citibank Tower, Citibank Plaza

3 Garden Road

Central

Hong Kong

Registrar

Computershare Hong Kong Investor Services Limited

46/F, Hopewell Centre

183 Queen's Road East

Hong Kong

*Participating Dealers**

CLSA Limited⁺

18/F, One Pacific Place

88 Queensway

Hong Kong

*Market Makers**

CLSA Limited[#]

18/F, One Pacific Place

88 Queensway

Hong Kong

BNP Paribas Securities Services⁺

21/F PCCW Tower

Taikoo Place

979 King's Road, Quarry Bay

Hong Kong

Commerzbank AG, Frankfurt⁺

29/F Two International Finance Centre

8 Finance Street

Hong Kong

Legal Counsel to the Manager

Simmons & Simmons

13/F, One Pacific Place

88 Queensway

Hong Kong

Auditors

PricewaterhouseCoopers

22/F, Prince's Building

10 Chater Road

Central

Hong Kong

Service Agent or Conversion Agent

HK Conversion Agency Services Limited

1/F One & Two Exchange Square

8 Connaught Place

Central

Hong Kong

* Please refer to the Manager's website for the latest lists of Market Makers and Participating Dealers.

In respect of XIE Shares FTSE Chimerica ETF only.

+ In respect of XIE Shares FTSE Chimerica ETF and XIE Shares CLSA GARY ETF.

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PART 1 – GENERAL INFORMATION RELATING TO THE TRUST AND SUB-FUNDS

Part 1 of this Prospectus includes information relevant to the Trust and all Sub-Funds established under the Trust and listed on the SEHK.

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

DEFINITIONS

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

- “After Listing”** means the period which commences on the Listing Date and continues until the Sub-Funds are terminated.
- “Appendix”** means an appendix to this Prospectus that sets out specific information applicable to a Sub-Fund.
- “Application”** means an application by a Participating Dealer for the creation or redemption of Units in accordance with the procedures for creation and redemption of Units set out in the Operating Guidelines, the relevant Participation Agreement and the terms of the Trust Deed.
- “Application Unit”** means such number of Units or whole multiples thereof as specified in this Prospectus or such other whole multiple of Units determined by the Manager, approved by the Trustee and notified to the Participating Dealers.
- “Business Day”** in respect of the Sub-Funds, means, unless the Manager and the Trustee otherwise agree, a day on which (a)(i) the SEHK is open for normal trading; and (ii) the relevant securities market on which Securities comprised in the Index are traded is open for normal trading or if there are more than one such securities market, the securities market designated by the Manager is open for normal trading, and (b) the Index is compiled and published, or such other day or days as the Manager and the Trustee may agree from time to time provided that if on any such day, the period during which the relevant securities market is open for normal trading is reduced as a result of a Number 8 Typhoon Signal, Black Rainstorm warning or other similar event, such day shall not be a Business Day unless the Manager and the Trustee otherwise agree.
- “Cancellation Compensation”** means an amount payable by a Participating Dealer for the account of the Sub-Fund in respect of a Default, as set out in the Trust Deed and in the Operating Guidelines applicable at the time the relevant Creation Application or Redemption Application is made.
- “CCASS”** means the Central Clearing and Settlement System established and operated by HKSCC or any successor system operated by HKSCC or its successors.
- “CCASS Settlement Day”** means the term “Settlement Day” as defined in the General Rules of CCASS.

- “Code”** means the Code on Unit Trusts and Mutual Funds issued by the SFC (as amended, or replaced, from time to time).
- “Connected Person”** has the meaning as set out in the Code which at the date of this Prospectus means in relation to a company:
- (a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise directly or indirectly, 20% or more of the total votes in that company; or
 - (b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or
 - (c) any member of the group of which that company forms part; or
 - (d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c).
- “Conversion Agent”** means HK Conversion Agency Services Limited or such other person as may from time to time be appointed to act as conversion agent in relation to a Sub-Fund.
- “Creation Application”** means an application by a Participating Dealer for the creation and issue of Units in an Application Unit size (or whole multiples thereof) in accordance with the Operating Guidelines and the Trust Deed.
- “Dealing Day”** means each Business Day during the continuance of the Sub-Funds, and/or such other day or days as the Manager may from time to time determine with the approval of the Trustee.
- “Dealing Deadline”** in relation to any particular place and any particular Dealing Day, means the time on each Dealing Day specified in the Appendix of a Sub-Fund or such other time or day as the Manager may from time to time determine.
- “Default”** means a failure by a Participating Dealer in respect of:
- (a) a Creation Application to deliver the requisite Securities and/or any relevant cash amount; or
 - (b) a Redemption Application to deliver the Units the subject of the Redemption Application and/or relevant cash amount.

“Deposited Property”

means, in respect of a Sub-Fund, all the assets (including Income Property), received or receivable by the Trustee, for the time being held or deemed to be held upon the trusts of and subject to the Trust Deed for the account of the Sub-Fund but excluding (i) Income Property standing to the credit of the distribution account (other than interest earned thereon), and (ii) any other amount for the time being standing to the credit of the distribution account.

“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, such transaction or dealing and including but not limited to, in relation to an issue of Units or redemption of Units, a charge (if any) of such amount or at such rate as is determined by the Manager or the Trustee to be made for the purpose of compensating or reimbursing the Trust for the difference between (a) the prices used when valuing the Securities in the Trust Fund for the purpose of such issue or redemption of Units and (b) (in the case of an issue of Units) the prices which would be used when acquiring the same Securities if they were acquired by the Trust with the amount of cash received by the Trust upon such issue of Units and (in the case of a redemption of Units) the prices which would be used when selling the same Securities if they were sold by the Trust in order to realise the amount of cash required to be paid out of the Trust Fund upon such redemption of Units. For the avoidance of doubt, when calculating subscription and redemption prices, duties and charges may include (if applicable) any provision for bid and ask spreads (to take into account the difference between the price at which assets were valued for the purpose of calculating the Net Asset Value and the estimated price at which such assets shall be bought as a result of a subscription or sold as a result of a redemption), but may not include (if applicable) any commission payable to agents on sales and purchases of the Units or any commission, taxes, charges or costs which may have been taken into account in ascertaining the Net Asset Value of Units).

“Encumbrance”	means any mortgage, charge, pledge, lien, third party right or interest, any other encumbrance or security interest of any kind or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect other than any such encumbrance or security interest imposed by the terms of the relevant clearing system/depositary or otherwise created by the terms of the Participation Agreement, the Trust Deed or any agreement between the Manager, the Trustee and the relevant Participating Dealer.
“Extension Fee”	means the fee payable to the Trustee on each occasion the Manager, upon a Participating Dealer’s request, grants the Participation Dealer an extended settlement in respect of a Creation Application or Redemption Application.
“HKD”	means Hong Kong dollars, the lawful currency of Hong Kong.
“HKEx”	means Hong Kong Exchanges and Clearing Limited or its successors.
“HKSCC”	means the Hong Kong Securities Clearing Company Limited or its successors.
“IFRS”	means International Financial Reporting Standards.
“Income Property”	means, in respect of the Sub-Funds, (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 Sub-Funds (whether in cash or, without limitation, by warrant, cheque, money, credit or otherwise or the proceeds of sale or transfer of any Income Property received in a form other than cash); (b) all interest and other sums received or receivable by the Trustee in respect of (a), (c) or (d) of this definition; (c) all cash payments received or receivable by the Trustee for the account of the Sub-Funds in respect of an Application; and (d) all Cancellation Compensation received by the Trustee for the account of the Sub-Funds; (e) any payments to be received or are receivable by the Trustee under any contractual agreements in the nature of investments for the benefit of the relevant Sub-Fund but excluding (i) the Deposited Property; (ii) any amount for the time being standing to the credit of the distribution account for the account of the Sub-Funds or previously distributed to Unitholders; (iii) gains for the account of the Sub-Funds 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 Sub-Funds.

“Index”	means, in respect of a Sub-Fund, the index against which the relevant Sub-Fund is benchmarked as set out in the relevant Appendix.
“Index Provider”	means, in respect of a Sub-Fund, the person responsible for compiling the Index against which the relevant Sub-Fund benchmarks its investments and who holds the right to licence the use of such Index to the relevant Sub-Fund as set out in the relevant Appendix.
“Initial Issue Date”	means the date of the first issue of Units, which shall be the Business Day immediately before the Listing Date.
“Initial Offer Period”	means, in respect of each Sub-Fund the period before the relevant Listing Date as set out in the relevant Appendix.
“Insolvency Event”	occurs in relation to a person where (i) an order has been made or an effective resolution passed for the liquidation or bankruptcy of the person; (ii) a receiver or similar officer has been appointed in respect of the person or of any of the person’s assets or the person becomes subject to an administration order; (iii) the person enters into an arrangement with one or more of its creditors or is deemed to be unable to pay its debts; (iv) the person ceases or threatens to cease to carry on its business or substantially the whole of its business or makes or threatens to make any material alteration to the nature of its business; or (v) the Manager in good faith believes that any of the above is likely to occur.
“Issue Price”	means the price at which Units may be issued, determined in accordance with the Trust Deed.
“Listing Date”	means the date on which the Units in respect of a Sub-Fund are first listed and from which dealings therein are permitted to take place on SEHK, the expected date of which is set out in the relevant Appendix for the Sub-Fund.
“Manager”	means Enhanced Investment Products Limited 易亞投資管理有限公司 or such other person or persons for the time being duly appointed pursuant to the Trust Deed as manager of the Trust in succession thereto being approved by the SFC under the Code.

“Market”	<p>means in any part of the world:</p> <p>(a) in relation to any Security: the SEHK or such other stock exchange from time to time determined by the Manager; and</p> <p>(b) in relation to any futures contract: the Hong Kong Futures Exchange or such other futures exchange from time to time determined by the Manager,</p> <p>and any over-the-counter market or other organised Securities market in any country in any part of the world regularly dealing in Securities or futures contract which is open to the international public that the Manager may from time to time elect for a Sub-Fund.</p>
“Market Maker”	<p>means a broker or dealer permitted by the SEHK to act as such by making a market for the Units in the secondary market on the SEHK.</p>
“MPFA”	<p>means the Mandatory Provident Fund Schemes Authority of Hong Kong or its successors.</p>
“Net Asset Value”	<p>means the net asset value of a Sub-Fund or, as the context may require, the net asset value of a Unit calculated under the Trust Deed.</p>
“Operating Guidelines”	<p>means the guidelines for the creation and redemption of Units of a class as set out in the schedule to each Participation Agreement as amended from time to time by the Manager with the approval of the Trustee and following consultation, to the extent reasonably practicable, with the relevant Participating Dealers subject always, in respect of the relevant Operating Guidelines for a Participating Dealer, any amendment being notified in writing by the Manager in advance to the relevant Participating Dealer. Unless otherwise specified, references to the Operating Guidelines shall be to the Operating Guidelines for the Sub-Funds applicable at the time of the relevant Application.</p>
“Partial Delivery Request Fee”	<p>means the fees payable to the Trustee on each occasion the Manager, upon a Participating Dealer’s request, grants the Participation Dealer a partial settlement in respect of a Creation Application or Redemption Application.</p>
“Participating Dealer”	<p>means any licensed broker or dealer who has entered into a Participation Agreement in form and substance acceptable to the Manager and the Trustee and includes an agent of the Participating Dealer which is a participant of CCASS.</p>

“Participation Agreement”	means an agreement entered into between the Trustee, the Manager and a Participating Dealer (and its agent, if applicable) setting out, (amongst other things), the arrangements in respect of the issue of Units and the redemption and cancellation of Units.
“PRC”	means the People’s Republic of China, excluding for the purposes of interpretation only Hong Kong, Macau and Taiwan.
“Recognised Futures Exchange”	means an international futures exchange which is approved by the Manager.
“Recognised Stock Exchange”	means an international stock exchange which is approved by the Manager.
“Redemption Application”	means an application by a Participating Dealer for the redemption of Units in Application Unit size (or whole multiples thereof) in accordance with the Operating Guidelines and the Trust Deed.
“Redemption Value”	means, in respect of a Unit, the price per Unit at which such Unit is redeemed, calculated in accordance with the Trust Deed.
“Registrar Agreement”	means, in respect of a Sub-Fund where applicable, the agreement entered into between the Trustee, the Manager and the Registrar, as amended from time to time.
“Securities”	<p>means any shares, stocks, debentures, loan stocks, bonds, securities, commercial paper, acceptances, trade bills, warrants, participation notes, certificates, structured products, treasury bills, instruments or notes of, or issued by or under the guarantee of, any body, whether incorporated or unincorporated, and whether listed or unlisted, or of any government or local government authority or supranational body, whether paying interest or dividends or not and whether fully-paid, partly paid or nil paid and includes (without prejudice to the generality of the foregoing):</p> <ul style="list-style-type: none"> (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.
“Service Agent”	means HK Conversion Agency Services Limited or such other person as may from time to time be appointed to act as service agent in relation to a Sub-Fund.
“Service Agent’s Fee”	means the fee which may be charged for the benefit of the Service Agent to each Participating Dealer on each book-entry deposit or book-entry withdrawal transaction made by the relevant Participating Dealer, the maximum level of which shall be determined by the Service Agent and set out in this Prospectus.
“Service Agreement”	means each agreement by which the Service Agent provides its services in respect of a Sub-Fund entered amongst the Trustee and Registrar, the Manager, the Participating Dealer (and its agent, if applicable), the Service Agent and the Hong Kong Securities Clearing Company Limited.
“Settlement Day”	means the Business Day which is 2 Business Days after the relevant Dealing Day (or such other Business Day as is permitted in relation to such Dealing Day (including the Dealing Day itself) pursuant to the Operating Guidelines) or such other number of Business Days after the relevant Dealing Day as determined by the Manager in consultation with the Trustee from time to time and notified to the relevant Participating Dealers or as otherwise described in the relevant Appendix.
“SFC”	means the Securities and Futures Commission of Hong Kong or its successors.
“SFO”	means the Securities and Futures Ordinance (Cap. 571) of Hong Kong.
“Sub-Fund”	means a segregated pool of assets and liabilities into which the Trust Fund is divided, established under the Trust Deed and the relevant supplemental deed as a separate trust as described in the relevant Appendix.
“Transaction Fee”	means the fee, in respect of the Sub-Funds, which may be charged for the benefit of the Service Agent, the Registrar and/or the Trustee to each Participating Dealer on each Dealing Day upon which an Application has been or Applications have been made by the relevant Participating Dealer.
“Trust”	means the umbrella unit trust constituted by the Trust Deed and called XIE Shares Trust II or such other name as the Manager may from time to time determine, upon prior notice to the Trustee.

“Trust Deed”	means the trust deed dated 25 March 2015 between the Manager and the Trustee constituting the Trust (as amended from time to time).
“Trust Fund”	means all the property held by the Trustee in respect of each Sub-Fund, including the Deposited Property and Income Property attributable to the relevant Sub-Fund, except for amounts to be distributed, in accordance with the Trust Deed.
“Trustee”	means Cititrust Limited or such other person or persons for the time being duly appointed as trustee or trustees hereof in succession thereto in accordance with the Trust Deed.
“Unit”	means a unit representing an undivided share in a Sub-Fund.
“Unitholder”	means a person for the time being entered on the register of holders as the holder of Units including, where the context so admits, persons jointly registered.
“USD”	means United States dollars, the lawful currency of the United States of America.
“Valuation Point”	means, in respect of a Sub-Fund, the official close of trading on the Market on which the Securities constituting the Index are listed on each Dealing Day or if more than one, the official close of trading on the last relevant Market to close or such other time or times as determined by the Manager 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.

INTRODUCTION

The Trust

The Trust is an umbrella unit trust created by the Trust Deed between the Manager and the Trustee made under Hong Kong law. The Trust and each Sub-Fund is authorised as a collective investment scheme by the SFC under Section 104 of the SFO and each Sub-Fund falls within Chapter 8.6 and Appendix I of the Code. SFC authorisation is not a recommendation or endorsement of a Sub-Fund nor does it guarantee the commercial merits of a Sub-Fund or its performance. It does not mean that a Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

The Sub-Funds

The Trust may issue different classes of Units and the Trustee shall establish a separate pool of assets under the Trust Deed as separate trusts (each such separate pool of assets a “Sub-Fund”) to which one or more class of Units shall be attributable. The assets of a Sub-Fund will be invested and administered separately from the other assets of the Trust. All Sub-Funds will be exchange traded funds listed on the SEHK.

There are presently 2 Sub-Funds:

XIE Shares FTSE Chimerica ETF (Stock Code: 03161)

XIE Shares CLSA GARY ETF (Stock Code: 03102)

The Manager and the Trustee reserve the right to establish other Sub-Funds and/or issue further classes of Units relating to a Sub-Fund or Sub-Funds in the future in accordance with the provisions of the Trust Deed.

Information relating to XIE Shares FTSE Chimerica ETF is set out in Appendix 1.

Information relating to XIE Shares CLSA GARY ETF is set out in Appendix 2.

THE OFFERING PHASES

Initial Offer Period

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

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

If a Creation Application is received by the Trustee after 3 Business Days prior to the Listing Date, that Creation Application shall be carried forward and deemed to be received at the opening of business on the next following Dealing Day, which shall be the Dealing Day for the purposes of that Creation Application.

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

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

After Listing

The After Listing phase commences on the Listing Date and continues until the Sub-Funds are terminated.

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

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

Buying and selling of Units on the SEHK

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

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

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

Creations and Redemptions Through Participating Dealers

Units will continue to be created and redeemed at the Issue Price and Redemption Value respectively through Participating Dealers in Application Unit size or multiples thereof. Where stated in the relevant Appendix, in-kind creations or in-kind redemptions may be permitted by the Manager. The Application Unit size and currency for settlement are as set out in the relevant Appendix.

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

Settlement in cash for subscribing Units in cash is due by such time as agreed in the Operating Guidelines on the relevant Dealing Day or for redeeming Units is due 2 Business Days (unless as otherwise stated in the relevant Appendix) after the Dealing Day, unless the Manager agrees with the relevant Participating Dealer to accept later settlement generally or in any particular case.

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

Timetable

Initial Offer Period

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

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

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

Participating Dealers may have their own application procedures for their respective clients and may set application and payment cut-off times for their respective clients which are earlier than those set out in this prospectus. Investors are therefore advised to consult with the relevant Participating Dealer on its requirements if they want a Participating Dealer to subscribe for Units on their behalf.

After Listing

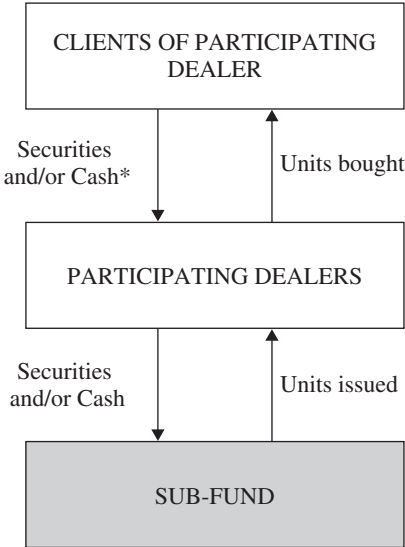
“After Listing” commences on the Listing Date and continues until the Trust is terminated.

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

Diagrammatic Illustration of Investment in a Sub-Fund

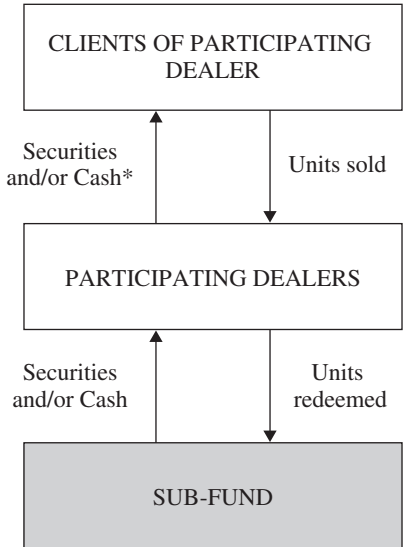
The diagrams below illustrate the issue or redemption and the buying or selling of Units:

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



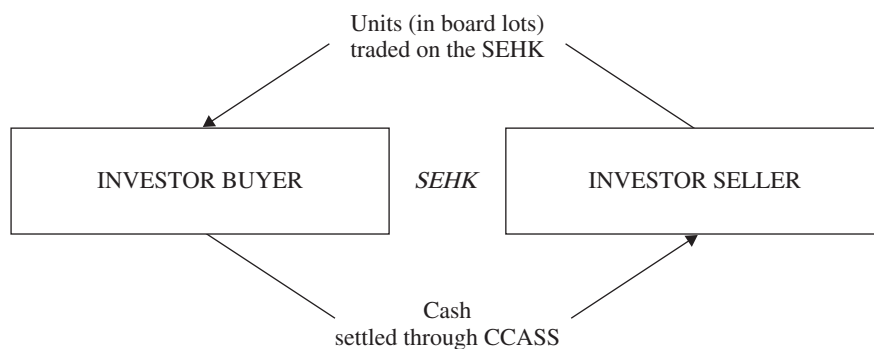
* Clients of a Participating Dealer may agree with the Participating Dealer settlement in a different currency to the creation currency.

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



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

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



Summary of Offering Methods and Related Fees

Initial Offer Period

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

After Listing

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

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

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

INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTIONS, SECURITIES LENDING AND BORROWING

Investment Objective

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

Investment Strategy

Each Sub-Fund will adopt either a full replication or a representative sampling strategy. The investment strategy of each Sub-Fund is stated in the relevant Appendix.

Replication Strategy

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

Representative Sampling Strategy

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

Switching Between Strategies

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

Investors should note that the Manager may switch between the above investment strategies, without prior notice to investors, in its absolute discretion as it believes appropriate in order to achieve the investment objective of the relevant Sub-Fund by tracking the relevant Index as closely (or efficiently) as possible for the benefit of investors. The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to Unitholders before adopting a strategy other than replication or representative sampling strategy.

Investment Restrictions

If any of the restrictions or limitations set out below is breached in respect of a Sub-Fund, the Manager will make it a priority objective to take all necessary steps within a reasonable period to remedy such breach, taking into account the interests of the Unitholders of that Sub-Fund.

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

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

- (a) not more than 10% of the Net Asset Value of a Sub-Fund may be invested in Securities (other than Government and other public securities) issued by any single issuer (save as permitted by Chapter 8.6(h) and as varied by paragraph 11 of Appendix I (Guidelines for regulating index tracking exchange traded funds) of the Code (see the Note below));
- (b) ordinary shares of a single class (other than Government and other public securities) held for the account of a Sub-Fund, when aggregated with other holdings of the same class of ordinary shares held for the account of all other Sub-Funds under the Trust collectively may not exceed 10% of the nominal amount of the ordinary shares issued by a single issuer;
- (c) not more than 15% of the Net Asset Value of a Sub-Fund may be invested in Securities which are neither listed, quoted nor dealt in on a stock exchange, over-the-counter market or other organised securities market which is open to the international public and on which such Securities are regularly traded;
- (d) except as permitted by Chapter 8.6(i) of the Code, not more than 30% of the Net Asset Value of a Sub-Fund may be invested in Government and other public securities of the same issue;
- (e) subject to paragraph (d) above or except as permitted by Chapter 8.6(i) of the Code, a Sub-Fund may be fully invested in Government and other public securities in at least six different issues;
- (f) a Sub-Fund may enter into financial futures contracts for hedging purposes;
- (g) not more than 20% of the Net Asset Value of a Sub-Fund may be invested in (i) futures contracts on an unhedged basis (by reference to the net total aggregate value of contract prices, whether payable to or by the relevant Sub-Fund under all outstanding futures contracts) and (ii) physical commodities (including gold, silver, platinum or other bullion) and other commodity-based investments (excluding, for this purpose, Securities of companies engaged in producing, processing or trading in commodities);
- (h) the value of warrants and options held for the account of a Sub-Fund, in terms of the total amount of premium paid (other than for hedging purposes), may not exceed 15% of the Net Asset Value of the relevant Sub-Fund; and
- (i) where a Sub-Fund invests in units or shares of other collective investment schemes (“underlying schemes”),
 - (i) the value of units or shares in underlying schemes which are neither recognised jurisdiction schemes (as determined by the SFC) nor authorised by the SFC, held for the account of the relevant Sub-Fund, may not in aggregate exceed 10% of the Net Asset Value of the relevant Sub-Fund; and

- (ii) a Sub-Fund may invest in one or more underlying schemes which are either recognised jurisdiction schemes or schemes authorised by the SFC, but the value of the units or shares held for the account of the relevant Sub-Fund in each such underlying scheme may not exceed 30% of the Net Asset Value of the relevant Sub-Fund, unless the underlying scheme is authorised by the SFC and its name and key investment information are disclosed in the offering document of the relevant Sub-Fund,

provided that:

- (1) the objective of each underlying scheme may not be to invest primarily in any investment prohibited by Chapter 7 of the Code, and where that underlying scheme's objective is to invest primarily in investments restricted by Chapter 7 of the Code, such holdings may not be in contravention of the relevant limitation;
- (2) where an investment is made in any underlying scheme(s) managed by the Manager or any of its Connected Persons, all initial charges on the underlying scheme(s) must be waived; and
- (3) the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or the management company of an underlying scheme,

save to the extent that any of the above holdings is permitted under the Code.

A Sub-Fund shall not:

- (a) invest in a security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5% of the total nominal amount of all the issued securities of that class or the directors and officers of the Manager collectively own more than 5% of those securities;
- (b) invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in real estate investment trusts (REITs));
- (c) make short sales if as a result the Sub-Fund would be required to deliver Securities exceeding 10% of the Net Asset Value of the Sub-Fund (and for this purpose Securities sold short must be actively traded on a market where short selling is permitted);
- (d) write uncovered options;
- (e) write a call option on portfolio investments of a Sub-Fund if the aggregate of the exercise prices of all such call options written in respect of the relevant Sub-Fund would exceed 25% of the Net Asset Value of the relevant Sub-Fund;
- (f) lend or make a loan out of the assets of a Sub-Fund without the prior written consent of the Trustee except to the extent that the acquisition of bonds or the making of a deposit (within the applicable investment restrictions) might constitute a loan;
- (g) assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person without the prior written consent of the Trustee;
- (h) enter into any obligation in respect of a Sub-Fund or acquire any asset for the account of a Sub-Fund which involves the assumption of any liability which is unlimited; or

- (i) apply any part of a Sub-Fund in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call is due to be made for any sum unpaid on such investments unless such call could be met in full out of cash or near cash forming part of a Sub-Fund which has not been appropriated and set aside for any other purposes (including in respect of any writing of call options).

Note:

The investment restrictions set out above apply to each Sub-Fund, subject to the following: A collective investment scheme authorised by the SFC under the Code is usually restricted 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% of the collective investment scheme's total net asset value. Given the investment objective of the Sub-Funds and nature of the Index, the Sub-Funds are allowed under Chapter 8.6(h) of the Code to hold investments in Securities of any single issuer exceeding 10% of the relevant Sub-Fund's latest available Net Asset Value if such constituent Securities account for more than 10% of the weighting of the Index and the relevant Sub-Fund's holding of any such constituent Securities does not exceed their respective weightings in the Index, except where the weightings are exceeded as a result of changes in the composition of the Index and the excess is only transitional and temporary in nature, or otherwise approved by the SFC. Subject to Chapter 8.6(g) and (h) of the Code, more than 30% of the latest available Net Asset Value of the relevant Sub-Fund may also be invested in Government and other public Securities in any number of different issues. However, the Manager may cause a Sub-Fund to deviate from the Index weighting (in pursuing a representative sampling strategy) under Appendix I of the Code (the "ETF Guidelines") on condition that the maximum deviation from the index weighting of any constituent will not exceed the percentage as determined by the Manager after consultation with the SFC. Under the ETF Guidelines, the Manager shall report to the SFC on a timely basis if there is any non-compliance with this limit. The annual and interim financial statements of the relevant Sub-Fund shall also disclose whether or not such limit has been complied with during such period and account for any non-compliance in those reports.

Currently the Manager has no intention to invest the Sub-Fund in any financial derivative instruments (including structured products or instruments) for hedging or non-hedging (i.e. investment) purposes.

Securities Lending

There is no current intention for any Sub-Fund to engage in securities lending, repurchase transaction or other similar over-the-counter transactions, but this may change in light of market circumstances and where a Sub-Fund does engage in these types of transactions, prior approval shall be obtained from the SFC and no less than one month's prior notice will be given to the Unitholders.

Borrowing

Borrowing against the assets of each Sub-Fund is allowed up to a maximum of 25% of its latest available Net Asset Value. Where the Manager so determines, a Sub-Fund's permitted borrowing level may be a lower percentage as set out in the relevant Appendix. The Trustee may at the request of the Manager borrow for the account of a Sub-Fund any currency, and charge or pledge assets of a Sub-Fund, for the following purposes:

- (a) facilitating the creation or redemption of Units or defraying operating expenses;
- (b) enabling the Manager to acquire Securities for the account of the Sub-Funds; or
- (c) for any other proper purpose as may be instructed by the Manager to the Trustee.

CREATIONS AND REDEMPTIONS (PRIMARY MARKET)

Investment in a Sub-Fund

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

The first method is to create or to redeem Units at Net Asset Value directly with the Sub-Fund in the primary market through a Participating Dealer, being a licensed dealer that has entered into a Participation Agreement in respect of the relevant Sub-Fund. Because of the size of the capital investment (i.e. Application Unit size) required either to create or redeem Units through the Participating Dealer in the primary market, this method of investment is more suitable for institutional investors and market professionals. Participating Dealers are under no obligations to create or redeem Units for their clients and may impose terms, including charges, for handling creation or redemption orders as they determine appropriate, as described in more detail in this section.

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

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

Creation of Units Through Participating Dealers

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

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

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

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

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

- (b) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to any of the Securities in the relevant Index;
- (c) where acceptance of the creation request or any Security in connection with such creation request would render the Participating Dealer in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Participating Dealer necessary for compliance with applicable legal and regulatory requirements; or
- (d) circumstances outside the control of the Participating Dealer make it for all practicable purposes impossible to process the creation request.

Requirements Relating to Creation Requests by Potential Investors

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

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

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

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

Creation Process

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

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

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

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

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

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

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

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

Issue of Units

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

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

Units are denominated in the Base Currency of the relevant Sub-Fund (unless otherwise determined by the Manager) as set out in the relevant Appendix and no fractions of a Unit shall be created or issued by the Trustee.

The creation and issue of Units pursuant to a Creation Application shall be effected on the 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 the relevant Settlement Day or the Dealing Day immediately following the Settlement Day if the settlement period is extended. If a Creation Application is received on a day which is not a Dealing Day or is received after the relevant Dealing Deadline on a Dealing Day, that Creation Application shall be treated as having been received at the opening of business on the next Dealing Day, which shall be the relevant Dealing Day for the purposes of that Creation Application. An Extension Fee may be payable in relation to such an extension. See the section on "Fees and Expenses" for further details.

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

Fees Relating to Creation Applications

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

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

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

Cancellation of Creation Applications

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

The Trustee, after consultation with the Manager may cancel a creation order in respect of any Units deemed created pursuant to a Creation Application if it has not received good title to all Securities and/or cash (including Transaction Fees, Duties and Charges) relating to the Creation Application by the Settlement Day, provided that the Manager may at its discretion, with the approval of the Trustee (a) extend the settlement period (either for the Creation Application as a whole or for a particular Security) 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 the Manager may determine and in accordance with the provisions of the Operating Guidelines; or (b) partially settle the Creation Application to the extent to which Securities and/or cash has been vested in the Trustee, on such terms and conditions the Manager may determine including terms as to any extension of the settlement period for the outstanding Securities or cash.

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

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

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

Redemption of Units Through Participating Dealers

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

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

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

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

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

Requirements Relating to Redemption Requests by Potential Investors

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

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

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

Redemption Process

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

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

To be effective, a Redemption Application must:

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

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

- (a) any period during which (i) the creation or issue of Units of the relevant Sub-Fund, (ii) the redemption of Units of the relevant Sub-Fund, and/or (iii) the determination of Net Asset Value of the relevant Sub-Fund is suspended;
- (b) where in the opinion of the Manager, acceptance of the Redemption Application would have an adverse effect on the relevant Sub-Fund;
- (c) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to any of the Securities in the relevant Index;

- (d) where acceptance of the Redemption Application would render the Manager in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Manager necessary for compliance with applicable legal and regulatory requirements;
- (e) circumstances outside the control of the Manager make it for all practicable purposes impossible to process the Redemption Application; or
- (f) during any period when the business operations of the Manager, the Trustee, the Registrar or any agent of the Manager or the Trustee in relation to the redemption of Units in the relevant Sub-Fund are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God.

In the event of such rejection, the Manager shall notify the relevant Participating Dealer and the Trustee of its decision to reject such Redemption Application in accordance with the Operating Guidelines.

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

Where the Manager accepts a Redemption Application from a Participating Dealer, it shall (i) effect the redemption and cancellation of the relevant Units; and (ii) require the Trustee to transfer to the Participating Dealer Securities and/or cash in accordance with the Operating Guidelines and the Trust Deed.

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

Redemption of Units

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

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

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

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

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

Fees Relating to Redemption Applications

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

In relation to cash redemption of Units, the Manager reserves the right to require the Participating Dealer to pay an additional sum as the Manager in its discretion considers appropriate for the Duties and Charges. The Participating Dealer may pass on to the relevant investor such additional sum.

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

Cancellation of Redemption Applications

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

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

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

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

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

Deferred Redemption

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

Suspension of Creations and Redemptions

The Manager may, at its discretion, after giving notice to the Trustee (and where practicable, after consultation with Participating Dealers) suspend the creation or issue of Units of any Sub-Fund, suspend the redemption of Units of any Sub-Fund and/or (subject to all applicable legal or regulatory requirements where payment of redemption proceeds exceeds one calendar month) delay the payment of any monies and transfer of any Securities in respect of any Creation Application and/or Redemption Application in the following circumstances:

- (a) during any period when trading on the SEHK or any other Recognised Stock Exchange or Recognised Futures Exchange is restricted or suspended;
- (b) during any period when a market on which a Security (that is a component of the Index) has its primary listing, or the official clearing and settlement depository (if any) of such market, is closed;
- (c) during any period when dealing on a market on which a Security (that is a component of the Index) has its primary listing is restricted or suspended;
- (d) during any period when, in the opinion of the Manager, settlement or clearing of Securities in the official clearing and settlement depository (if any) of such market is disrupted;
- (e) during the existence of any state of affairs as a result of which delivery or purchase of Securities, as appropriate or disposal of investments for the time being comprised in the relevant Sub-Fund cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Unitholders of the relevant Sub-Fund;
- (f) during any period when the relevant Index is not compiled or published;
- (g) during any breakdown in any of the means normally employed in determining the Net Asset Value of the relevant Sub-Fund or the Net Asset Value per Unit of the relevant class or when for any other reason the value of any Securities or other property for the time being comprised in the relevant Sub-Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained;

- (h) during any period when the determination of the Net Asset Value of the relevant Sub-Fund is suspended or if any circumstance specified in the section on “Suspension of Determination of Net Asset Value” below arises; or
- (i) during any period when the business operations of the Manager, the Trustee, the Registrar or any agent of the Trustee or the Manager, in respect of the creation or redemption of Units in the relevant Sub-Fund are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riot, strikes or acts of God.

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

The Manager shall notify the SFC and publish a notice of suspension following the suspension, and at least once a month during the suspension, on the Trust’s website at www.xieshares.com.hk (the contents of which and of other websites referred to in this Prospectus have not been reviewed by the SFC) or in such other publications as it decides.

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

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

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

Evidence of Unitholding

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

Restrictions on Unitholders

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

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

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

Transfer of Units

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

EXCHANGE LISTING AND TRADING (SECONDARY MARKET)

General

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

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

The Manager will ensure that at least one Market Maker will maintain a market for the Units of each Sub-Fund. Broadly, the obligations of a Market Maker will include quoting bid and offer prices on the SEHK with the intention of providing liquidity. Given the nature of the Market Maker's role, the Manager will make available to a Market Maker, the portfolio composition information made available to a Participating Dealer.

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

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

Application has been made to the Listing Committee of the SEHK for the listing of, and permission to deal in, the Units in XIE Shares CLSA GARY ETF.

Subject to the granting of listing of, and permission to deal in, the Units in XIE Shares CLSA GARY ETF on the SEHK as well as the compliance with the stock admission requirements of HKSCC, the Units in XIE Shares CLSA GARY ETF will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Units in XIE Shares CLSA GARY ETF on the SEHK or on any other date HKSCC chooses. Settlement of transactions between participants of the SEHK is required to take place in CCASS on the second CCASS Settlement Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

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 of any Sub-Fund on one or more other stock exchanges.

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

DETERMINATION OF NET ASSET VALUE

Calculation of Net Asset Value

The Net Asset Value of each Sub-Fund will be determined by the Administrator in HKD as at each Valuation Point applicable to the relevant Sub-Fund by valuing the assets of the relevant Sub-Fund and deducting the liabilities of the relevant Sub-Fund, in accordance with the terms of the Trust Deed.

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

- (a) Securities that are quoted, listed, traded or dealt in on any Market shall unless the Manager (in consultation with the Trustee) determines that some other method is more appropriate, be valued by reference to the price appearing to the Manager to be the official closing price or, if unavailable, the last traded price on the Market as the Manager may consider in the circumstances to provide fair criterion, provided that (i) if a Security is quoted or listed on more than one Market, the Manager shall adopt the price quoted on the Market which in its opinion provides the principal market for such Security; (ii) if prices on that Market are not available at the relevant time, the value of the Securities shall be certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager after consultation with the Trustee; (iii) interest accrued on any interest-bearing Securities shall be taken into account, unless such interest is included in the quoted or listed price; and (iv) the Manager, the Administrator 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 last traded prices as the case may be;
- (b) the value of each interest in any unlisted mutual fund corporation or unit trust shall be the latest available net asset value per share or unit in such mutual fund corporation or unit trust or if not available or appropriate, the last available bid or offer price for such unit, share or other interest;
- (c) futures contracts will be valued based on the formulae set out in the Trust Deed;
- (d) except as provided for in paragraph (b), the value of any investment which is not listed, quoted or ordinarily dealt in on a Market shall be the initial value thereof equal to the amount expended on behalf of the relevant Sub-Fund in the acquisition of such investment (including, in each case the amount of stamp duties, commissions and other acquisition expenses) provided that the Manager may at the request of the Trustee cause a revaluation to be made on a regular basis by a professional person approved by the Trustee as qualified to value such investments (which may, if the Trustee agrees, be the Manager);
- (e) cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager after consultation with the Trustee, any adjustment should be made to reflect the value thereof; and
- (f) notwithstanding the foregoing, the Manager may in consultation with the Trustee adjust the value of any investment if, having regard to relevant circumstances, the Manager considers that such adjustment is required to fairly reflect the value of the investment.

The Administrator will perform any currency conversion at rates as determined by the Manager (after consultation with the Trustee where the Manager considers appropriate) from time to time.

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

Suspension of Determination of Net Asset Value

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

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

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

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

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

Issue Price and Redemption Value

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

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

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

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

The latest Net Asset Value of the Units will be available on the Trust's website at www.xieshares.com.hk (the contents of which and of other websites referred to in this Prospectus have not been reviewed by the SFC) or published in such other publications as the Manager decides.

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

FEES AND EXPENSES

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

Fees and expenses payable by Participating Dealers on creations and redemptions (as applicable) of Units (applicable both during the Initial Offer Period and After Listing)	Amount
Transaction Fee ¹	
(i) Cash creation/redemption	HKD15,000 or USD2,000 as applicable per Application for the benefit of the Trustee Plus Service Agent's Fee (See Note ²)
(ii) In-kind creation/redemption	HKD15,000 or USD2,000 as applicable per Application for the benefit of the Trustee Plus Service Agent's Fee (See Note ²)
(iii) A combination of cash and in-kind creation/redemption	HKD15,000 or USD2,000 as applicable per Application for the benefit of the Trustee Plus HKD250 or USD30 as applicable per sale or purchase transaction of securities in the Basket for the cash portion for the benefit of the Trustee (For creation/redemption in combination of in-kind and in cash) Plus Service Agent's Fee (See Note ²)
Application cancellation fee	HKD10,000 or USD1,300 as applicable ³ per Application
Extension Fee	HKD10,000 or USD1,300 as applicable ⁴ per Application
Partial Delivery Request Fee	HKD10,000 or USD1,300 as applicable ⁵ per Application
Stamp duty	Nil
All other Duties and Charges incurred by the Trustee or the Manager in connection with the creation or redemption	As applicable

¹ The Transaction Fee comprises two components: (a)(i) HKD15,000 or USD2,000 as applicable per Application for cash creations/redemptions; or (ii) HKD15,000 or USD2,000 as applicable per Application for in-kind creations/redemptions; or (iii) HKD15,000 or USD2,000 as applicable per Application that is a combination of cash and in-kind and HKD250 or USD30 as applicable per sale or purchase transaction of securities in the Basket for the cash portion, in each case payable for the benefit of the Trustee; and (b) a Service Agent's Fee (see Note 2). The Transaction Fee is payable in HKD unless specified as payable in USD in the relevant Appendix. A Participating Dealer may pass on to the relevant investor such Transaction Fee.

² Participating Dealers will be subject to the Service Agent's Fee, being the fee for each book-entry deposit or withdrawal transaction, currently to the amount of HKD1,000 and payable to the Service Agent.

³ An application cancellation fee is usually payable to the Trustee in respect of either a withdrawn or failed Creation Application or Redemption Application (other than in certain circumstances such as following a suspension of creations or redemptions by the Manager). This fee is payable in HKD unless specified as payable in USD in the relevant Appendix.

⁴ An Extension Fee is payable to the Trustee on each occasion the Manager, upon a Participating Dealer's request, grants the Participation Dealer an extended settlement in respect of a Creation Application or Redemption Application. This fee is payable in HKD unless specified as payable in USD in the relevant Appendix.

⁵ A Partial Delivery Request Fee is payable to the Trustee on each occasion the Manager, upon a Participating Dealer's request, grants the Participation Dealer a partial settlement. This fee is payable in HKD unless specified as payable in USD in the relevant Appendix.

Fees and expenses payable by investors	Amount
(i) Fees payable by clients of the Participating Dealers in respect of creations and redemptions (as applicable) via the Participating Dealer (applicable both during the Initial Offer Period and After Listing)	
Fees and charges imposed by the Participating Dealer ⁶	Such amounts as determined by the relevant Participating Dealer
(ii) Fees payable by all investors in respect of dealings in the Units on SEHK (applicable After Listing)	
Brokerage	Market rates
Transaction levy	0.0027% ⁷
SEHK trading fee	0.005% ⁸
Stamp duty (if applicable – see Appendix)	Nil

Fees and expenses payable by a Sub-Fund	(See further disclosure below)
Management Fee	See Appendix ⁹
Registrar's fee	See Appendix

⁶ The Participating Dealer may increase or waive the level of its fees in its discretion. Information regarding these fees and charges is available upon request to the relevant Participating Dealer.

⁷ Transaction levy of 0.0027% of the trading price of the Units, payable by each of the buyer and the seller.

⁸ Trading fee of 0.005% of the trading price of the Units, payable by each of the buyer and the seller.

⁹ Accrued daily and payable monthly in arrears.

No money should be paid to any intermediary in Hong Kong which is not licensed or registered to carry on Type 1 regulated activity under Part V of the SFO.

Fees and Expenses Payable by a Sub-Fund

Management Fee

Each Sub-Fund employs a single management fee structure, with each Sub-Fund paying all of its fees, costs and expenses (and its due proportion of any costs and expenses of the Trust allocated to it) as a single flat fee (the “Management Fee”). Fees and expenses taken into account in determining the Management Fee include, but are not limited to, the Manager’s fee, Trustee’s fee, Administrator’s fee, Custodian’s fees (if any), fees of Service Agents or Conversion Agents (as applicable), Index licence fees, ordinary out-of-pocket expenses incurred by the Manager or the Trustee, and the costs and expenses of licensing indices used in connection with the Sub-Fund. The Management Fee does not include the Registrar’s fee, fees and expenses of the auditors, brokerage and transaction costs, fees and extraordinary items such as litigation expenses. The current Management Fee percentage in respect of each Sub-Fund is set out in the relevant Appendix, and is accrued daily and paid monthly or quarterly (as stated in the relevant Appendix) in arrears. The maximum Management Fee is 2% per annum of the Net Asset Value of the relevant Sub-Fund.

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

Estimated Ongoing Charges

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

Promotional Expenses

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

Other Expenses

The Sub-Funds will bear all operating costs relating to the administration of the Sub-Funds including but not limited to stamp and other duties, governmental charges, brokerages, commissions, exchange costs and commissions, bank charges and other costs and expenses payable in respect of the acquisition, holding and realisation of any investment or any monies, deposit or loan, charges and expenses of its legal counsel and other professionals in connection with the Trust and the Sub-Fund, the costs in connection with maintaining a listing of the Units on the SEHK or other exchange and maintaining the Trust’s and the Sub-Fund’s authorisation under the SFO, the costs incurred in the preparation, printing and updating of any offering documents and the costs incurred in the preparation of supplemental deeds, fees and expenses of the auditors, the Registrar’s fee, any disbursements or out-of-pocket expenses properly incurred on behalf of the Sub-Funds by the Trustee, the Manager or the Registrar or any of its service providers, the expenses incurred in convening meetings of Unitholders, printing and distributing annual accounts and interim unaudited reports and other circulars relating to the Sub-Funds and the expenses of publishing Unit prices.

Establishment Costs

The cost of establishing the Trust and the initial Sub-Fund (namely XIE Shares FTSE Chimerica ETF) including the initial preparation of this Prospectus, inception fees, the costs of seeking and obtaining the listing and authorisation by the SFC and all initial legal and printing costs was approximately HKD2 million. Such establishment costs are being borne by the initial Sub-Fund and amortised over the first 5 accounting periods of the Trust and the initial Sub-Fund (or such other period as determined by the Manager). The costs of establishing subsequent Sub-Funds and the relevant amortisation policy in respect of such costs will be set out in the relevant Appendix of each Sub-Fund.

Increase in Fees

The Management Fee in respect of each Sub-Fund payable to the Manager as described above may be increased on one month's notice to Unitholders, subject to the maximum rate of the Management Fee set out in the Trust Deed (see above).

RISK FACTORS

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

Risks Associated with Investment in Any Sub-Fund

Investment Objective Risk

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

Market Risk

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

Asset Class Risk

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

Passive Investment Risk

The Sub-Funds are not actively managed. Accordingly, a Sub-Fund may be affected by a decline in the market segments relating to the relevant Index or Indices. The Manager will not take defensive positions in declining markets. Investors may lose a significant part of their respective investments if the Index falls. Each Sub-Fund invests in the Securities included in or representative of the relevant Index regardless of their investment merit, except to the extent of any representative sampling strategy. The Manager does not attempt to select stocks individually or to take defensive positions in declining markets. Investors should note that the lack of discretion on the part of the Manager to

adapt to market changes due to the inherent investment nature of the Sub-Funds will mean a decline in the Index or Indices are expected to result in corresponding falls in the Net Asset Values of the Sub-Funds, and investors may lose substantially all of their investment.

Representative Sampling Risk

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

Possible Business Failure Risk

Global markets may experience very high level of volatility and an increased risk of corporate failures. The insolvency or other corporate failures of any one or more of the constituents of the Index may have an adverse effect on the Index's and therefore the relevant Sub-Fund's performance. You may lose money by investing in any Sub-Fund.

Management Risk

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

Single Country/Concentration Risk

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

Securities Risk

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

Equity Risk

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

Tracking Error Risk

A Sub-Fund's returns may deviate from the Index due to a number of factors. For example, the fees and expenses of a Sub-Fund, any adoption of a representative sampling strategy, liquidity of the market, imperfect correlation of returns between a Sub-Fund's assets and the Securities constituting its Index, rounding of share prices, foreign exchange costs, changes to the Indices and regulatory policies may affect the Manager's ability to achieve close correlation with the Index of each Sub-Fund. Further, a Sub-Fund may receive income (such as interests and dividends) from its assets while the Index does not have such sources of income. There can be no guarantee or assurance of exact or identical replication at any time of the performance of the Index or that a Sub-Fund will achieve its investment objective at any time of corresponding to the performance of the relevant Index. In addition there is no guarantee or assurance that the use of representative sampling strategy would help avoid the tracking error and each Sub-Fund's returns may therefore deviate from its Index.

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

Trading Risk

While the creation/redemption feature of each Sub-Fund 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 the Net Asset Value. The secondary market prices of Units will fluctuate in accordance with changes in the Net Asset Value and supply and demand on any exchange on which Units are listed. In addition, when buying or selling Units on the SEHK additional charges (such as brokerage fees) mean that an investor may pay more than the Net Asset Value per Unit when buying Units on the SEHK and may receive less than the Net Asset Value per Unit when selling Units on the SEHK. The Manager cannot predict whether Units will trade below, at, or above their Net Asset Value. Since, however, Units must be created and redeemed in Application Unit size (unlike shares of many closed-end funds, which frequently trade at appreciable discounts from, and sometimes at premiums to, their Net Asset Value) the Manager believes that ordinarily large discounts or premiums to the Net Asset Value of Units should not be sustained. If the Manager suspends creations and/or redemptions of Units, the Manager anticipates that there may be larger discounts or premiums as between the secondary market price of Units and the Net Asset Value.

Loss of Capital Risk

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

No Trading Market in the Units Risk

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

Indemnity Risk

Under the Trust Deed, the Trustee and the Manager have the right to be indemnified against any liability for performing their respective duties except as a result of their own negligence, fraud, breach of trust for which they may be liable in relation to their duties. Any reliance by the Trustee or the Manager on the right of indemnity in respect of a Sub-Fund would reduce the assets of the relevant Sub-Fund and the value of its Units.

Dividends May Not be Paid Risk

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

Early Termination Risk

A Sub-Fund may be terminated early under certain circumstances, including but not limited to (i) the aggregate Net Asset Value of all the Units is less than HKD100 million or (ii) any law is passed or amended or regulatory directive or order is imposed which renders it illegal or in the opinion of the Manager, impracticable or inadvisable to continue the relevant Sub-Fund or (iii) within a reasonable time and using commercially reasonable endeavours, the Manager is unable to find a person acceptable to act as the new trustee after deciding to remove the Trustee in accordance with the Trust Deed or (iv) the relevant Index is no longer available for benchmarking or if the Units are no longer listed on the SEHK or any other Recognised Stock Exchange or (v) at any time, the relevant Sub-Fund ceases to have any Participating Dealer. Upon a Sub-Fund being terminated, the Trustee will distribute the net cash proceeds (if any) derived from the realisation of the investments comprised in the relevant Sub-Fund to the Unitholders in accordance with the Trust Deed. Investors may suffer a loss where a Sub-Fund is terminated because any such amount distributed may be more or less than the capital invested by the Unitholder.

Foreign Exchange Risk

If a Sub-Fund's assets are generally invested in non-Hong Kong Securities, and if a substantial portion of the revenue and income of a Sub-Fund is received in a currency other than HKD, any fluctuation in the exchange rate of the HKD relative to the relevant foreign currency will affect the Net Asset Value of a Sub-Fund denominated in the HKD regardless of the performance of its underlying portfolio. If the relevant Sub-Fund's Net Asset Value is determined on the basis of the HKD, an investor may lose money if it invests in any Sub-Fund if the local currency of a foreign market depreciates against the HKD, even if the local currency value of an investment fund's holdings goes up.

Risks Associated with Market Trading

Absence of Active Market and Liquidity Risks

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

Suspension of Trading Risk

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

Effect of Redemptions Risk

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

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

Units May Trade at Prices Other than Net Asset Value Risk

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

Restrictions on Creation and Redemption of Units Risk

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

risk that dealings on the SEHK may be suspended. Please refer to the section headed “Creations and Redemptions (Primary Market)” for details in relation to the circumstances under which creation and redemption applications can be rejected.

Borrowing Risks

The Trustee, at the request of the Manager, may borrow for the account of the Sub-Funds (up to 25% of the Net Asset Value of each Sub-Fund unless otherwise specified in the Appendix) for various reasons, such as facilitating redemptions or to acquire investments for the account of the Sub-Funds. Borrowing involves an increased degree of financial risk and may increase the exposure of a Sub-Fund to factors such as rising interest rates, downturns in the economy or deterioration in the conditions of the assets underlying its investments. There can be no assurance that a Sub-Fund will be able to borrow on favourable terms, or that the relevant Sub-Fund’s indebtedness will be accessible or be able to be refinanced by the relevant Sub-Fund at any time.

Cost of Trading Units Risk

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

No Right to Control the Sub-Fund’s Operation Risk

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

Secondary Market Trading Risk

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

Reliance on the Manager Risk

Unitholders must rely on the Manager in formulating the investment strategies and the performance of each Sub-Fund is largely dependent on the services and skills of its officers and employees. In the case of loss of service of the Manager or any of its key personnel, as well as any significant interruption of the Manager’s business operations or in the extreme case of the insolvency of the Manager, the Trustee may not find successor managers with the requisite skills, qualifications and the new appointment may not be on equivalent terms or of similar quality.

Reliance on Market Makers Risk

Although it is a requirement that the Manager ensures that at least one Market Maker will maintain a market for the Units of each Sub-Fund, it should be noted that liquidity in the market for the Units may be adversely affected if there is no Market Maker for the Units of the relevant Sub-Fund, for

example the Market Maker ceases to act or to fulfil its role. The Manager will seek to mitigate this risk by ensuring at least one Market Maker for the Units of the Sub-Fund gives not less than 3 months' notice prior to terminating market making under the relevant market making agreement(s). It is possible that at listing of Units and/or thereafter there is only one SEHK Market Maker to a Sub-Fund and that the Manager may not be able to engage a substitute Market Maker within the termination notice period of a Market Maker. There is also no guarantee that any market making activity will be effective.

Reliance on Participating Dealers Risk

The creation and redemption of Units may only be effected through Participating Dealers. A Participating Dealer may charge a fee for providing this service. Participating Dealers will not be able to create or redeem Units during any period when, amongst other things, dealings on the SEHK are restricted or suspended, settlement or clearing of Securities through the CCASS is disrupted or the Index is not compiled or published. In addition, Participating Dealers will not be able to issue or redeem Units if some other event occurs that impedes the calculation of the Net Asset Value of the relevant Sub-Fund or disposal of the relevant Sub-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.

Risks Associated with the Indices

Fluctuations Risk

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

Licence to Use Index may be Terminated Risk

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

Compilation of Index Risk

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

Composition of an Index May Change Risk

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

Difficulties in Valuation of Investments Risk

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

Risks Associated with Regulation

Withdrawal of SFC Authorisation Risk

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

General Legal and Regulatory Risk

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

Units May be Delisted From the SEHK Risk

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

Taxation Risk

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

FATCA Related Risks

The US Foreign Account Tax Compliance Act (“FATCA”) provides that a 30% withholding tax will be imposed on certain payments to a foreign financial institution (“FFI”) including interest and dividends from securities of US issuers and, after 31 December 2018, gross proceeds from the sale of such securities, unless the FFI complies with the FATCA provisions and the relevant regulations, notices and announcements issued thereunder. The US Internal Revenue Service (the “IRS”) has released regulations and other guidance that provide for the phased implementation of the foregoing withholding and reporting requirements. Under FATCA, a participating FFI will provide the IRS with information on the identity, account balance and the income received by account holders that are specified US persons (within the meaning of the Internal Revenue Code) (“Specified US Persons”) or, in the case of a non-US entity that is classified as a passive non-financial foreign entity (“Passive NFFE”), on the information of any controlling US persons that are Specified US Persons. The FFI is also required to deduct and impose FATCA withholding tax at 30% on certain payments made by the FFI to account holders who do not provide required information to the FFI or do not consent to FATCA reporting and disclosure to the IRS (referred to as “recalcitrant account holders”) and may be required to close accounts of such account holders. Furthermore, the FFI is required to withhold 30% US tax from certain payments made to FFIs that are not compliant with FATCA.

Hong Kong and the US have entered into a Model 2 Inter-governmental Agreement (“IGA”) that will facilitate compliance with FATCA by financial institutions in Hong Kong. An FFI will generally not be required to impose FATCA withholding tax at 30% on certain payments made to recalcitrant account holders or close those accounts (provided that information regarding such account holders is reported to the IRS).

Although the Manager in respect of the Trust and the Sub-Funds intends to satisfy any obligations imposed on them to avoid the imposition of FATCA withholding tax, no assurance can be given that the Manager in respect of the Trust and the Sub-Funds will be able to satisfy these obligations. If the Trust and/or any Sub-Fund becomes subject to a withholding tax as a result of FATCA, the Net Asset Value of such Sub-Fund may be adversely affected and such Sub-Fund and its Unitholders may suffer material loss. Any amounts withheld under FATCA may not be refundable by the IRS.

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

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

Valuation and Accounting Risk

The Manager intends to adopt IFRS in drawing up the annual financial accounts of the Sub-Funds. However, the calculation of the Net Asset Value in the manner described under the section on “Determination of Net Asset Value” will not necessarily be in compliance with generally accepted accounting principles, that is, IFRS. To the extent that the basis adopted by a Sub-Fund for subscription and redemption purposes deviates from IFRS, the Manager may make necessary adjustments in the annual financial accounts for the financial accounts to be in compliance with IFRS. Any such adjustments will be disclosed in the annual financial accounts, including a reconciliation.

Contagion Risk

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

Cross Liability Risk

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

MANAGEMENT OF THE TRUST AND SUB-FUNDS

The Manager

The Manager is Enhanced Investment Products Limited 易亞投資管理有限公司. The Manager was incorporated in Hong Kong with limited liability in 2002 and is licensed by the SFC to conduct type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO with CE Number AHK550.

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

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

In addition to the first Sub-Fund, namely XIE Shares FTSE Chimerica ETF, the Manager is also the management company of XIE Shares Trust I* (**This is a synthetic ETF*) and its 7 sub-funds: XIE Shares India (CNX Nifty) ETF* (**This is a synthetic ETF*), XIE Shares Indonesia (LQ45) ETF* (**This is a synthetic ETF*), XIE Shares Korea (KOSPI 200) ETF* (**This is a synthetic ETF*), XIE Shares Malaysia (FTSE Bursa Malaysia KLCI) ETF* (**This is a synthetic ETF*), XIE Shares Philippines (PSEi) ETF* (**This is a synthetic ETF*), XIE Shares Taiwan (TAIEX) ETF* (**This is a synthetic ETF*) and XIE Shares Thailand (SET50) ETF* (**This is a synthetic ETF*). These swap-based ETFs were listed on the SEHK in January 2012.

The Manager is owned as to 49% by CLSA Hong Kong Holdings Limited and its group companies (“CLSA”).

The Directors of the Manager are:

(a) **BLAND, Tobias Christopher James**

Tobias Bland is the Chief Executive Officer of the Manager. Prior to establishing Enhanced Investment Products Limited, Tobias was employed by Jardine Fleming Securities Limited from 1993. He was responsible for establishing a proprietary trading desk for Jardine Fleming Securities Limited in 1995. As manager of the proprietary desk he was responsible for a portfolio invested in South East Asia on a long-short basis. Prior to establishing the proprietary trading desk, Tobias was involved in convertible bond, tax and warrant arbitrage, and in Jardine Fleming’s securities lending department in Hong Kong. Tobias has a Bachelor of Sciences degree from Southampton University, United Kingdom. He has obtained qualifications in financial derivatives and financial engineering, and as a broker’s representative and as an options/futures trading officer with the SEHK. Tobias is patron of HOPE for Children, and dedicates time to philanthropic pursuits in Asia.

(b) **BEATTIE, Nigel John**

Nigel Beattie is CLSA’s Managing Director of New Business and Product Development where he oversees the collaboration between CLSA and CITIC Securities on new strategic initiatives. His primary focus is on identifying and promoting new products/services utilising existing assets and strengths of CITIC Securities and CLSA to advance CLSA’s international strategy.

These products and services are aimed at facilitating capital markets services to traditional clients of both CITIC Securities and CLSA. Nigel sits on CLSA's Executive Committee reporting to CEO Jonathan Slone and also works directly with CITIC Securities International's CEO Yin Ke and the management team of CITIC Securities to ensure collaboration on new strategic initiatives. Nigel joined CLSA in 2014 and prior to that was based in London and held various board and advisory positions while running his own private corporate mergers and acquisitions advisory firm and a software company. Previously, he spent 14 years at Merrill Lynch, his last position being the Head of Equity – Asia Pacific and Japan, based in Hong Kong. Nigel attained a BA in Economics and Accounting from Durham University, United Kingdom.

(c) **GLADSTONE, Thomas Xenophon**

Xen Gladstone is CLSA's Global Head of Sales (since December 2012) and is responsible for all sales-related matters, including client management. He also sits on CLSA's Executive Committee and Broking Committee. Prior to joining CLSA, Xen spent 10 years at JP Morgan in a variety of roles, ranging from research to running the Asia Sales business globally. Before this he worked for ING-Barings, where he was head of Philippines research from 1999 to 2000 and head of Hong Kong and China research from 2000 to 2002. He arrived in Hong Kong in 1995 as a buy-side analyst for LGT. Xen holds an MA from the University of Oxford, United Kingdom.

(d) **LAU, Che Loon David**

David Lau is the Chief Operating Officer of EIP Alpha Limited, a company in the Enhanced Investment Products group companies which the Manager belongs to, having joined in 2008. His responsibilities include heading up the various support functions of the firm, managing business relationships with all vendors and suppliers, and enhancing the Manager's internal infrastructure. David comes from an accounting and finance background. He joined CLSA in Hong Kong in 1995 to oversee operations for futures and options business. In 1998 David joined CSFB product control for listed futures and options. David went on to establish the Asian Soft Commission business in 2000 for CSFB and managed the Asian desk until 2004. David then took assignments at Lehman Brothers and Goldman Sachs before joining the Manager. David is a British born Chinese. He holds a BSc Honours degree in Economics and Business Finance from Brunel University, United Kingdom and is also a qualified accountant.

The Trustee

The Trustee of the Trust is Cititrust Limited, which is a registered trust company in Hong Kong. The Trustee is a wholly owned subsidiary of Citigroup Inc. ("Citigroup"). As a global financial services group, Citigroup and its subsidiaries provide a broad range of financial products and services, including consumer banking, corporate and investment banking, securities brokerage and wealth management to consumers, corporations, governments and institutions.

Under the Trust Deed, the Trustee is responsible for the safekeeping of the assets of the Trust in accordance with the provisions and subject to the terms of the Trust Deed.

The Trustee may from time to time, solely or jointly with the Manager, appoint such person or persons as it thinks fit (including, without limitation any of its Connected Persons) to hold, as custodian, nominee or agent, all or any of the investments, assets or other property comprised in the Trust Fund or any of the Sub-Funds and may empower any such person to appoint, with no objection in writing from the Trustee, co-custodians and/or sub-custodians (each such custodian, nominee, agent, co-custodian and sub-custodian a "custodian") provided that no such co-custodians or sub-custodians shall be appointed in respect of a market or markets which the Trustee has determined by notice to the Manager to be emerging markets (which shall not include Hong Kong or the PRC). The Trustee has appointed Citibank, N.A. as the Custodian of the Trust.

The Trustee is required to (a) exercise reasonable care and diligence in the selection, appointment and ongoing monitoring of such custodians and (b) be satisfied that such custodians retained remain suitably qualified and competent to provide the relevant services to the Sub-Fund. The Trustee shall be responsible for the acts and omissions of any custodian which is a Connected Person of the Trustee as if the same were the acts or omissions of the Trustee, but provided that the Trustee has discharged its obligations set out in (a) and (b) as set out in this paragraph, the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any custodian which is not a Connected Person of the Trustee. The Trustee and Manager have appointed Citibank, N.A. as the Administrator of the Trust.

The Trustee shall not be liable for: (i) any act, omission, insolvency, liquidation or bankruptcy of Euro-clear Clearing System Limited or Clearstream Banking S.A. or any other recognised depositary or clearing system which may from time to time be approved by the Trustee and the Manager; or (ii) the custody or control of any investments, assets or other property which is under the custody or held by or on behalf of a lender in respect of any borrowing made by the Trustee for the purposes of the Trust or any Sub-Fund.

Subject as provided in the Trust Deed, the Trustee is entitled to be indemnified from the assets of the Trust and/or any Sub-Fund from and against any and all actions, proceedings, liabilities, costs, claims, damages, expenses, including all reasonable legal, professional and other similar expenses (other than those resulting from the fraud, negligence or wilful default on the part of the Trustee or any of its officers, employees, agents or delegates for which the Trustee would be liable under the Trust Deed), which may be incurred by or asserted against the Trustee in performing its obligations or duties in connection with the Trust or the Sub-Funds. Subject to applicable law and the provisions of the Trust Deed, the Trustee shall not, in the absence of fraud, negligence or wilful default by it or any agent, sub-custodian or delegate appointed by the Trustee, be liable for any losses, costs or damage to the Trust, any Sub-Fund or any Unitholder.

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

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

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

In addition to the amount paid by the Manager out of the Management Fee, the Trustee will be entitled to other fees (if any) described in the section headed “Fees and Expenses” and as set out in each Appendix.

The Administrator and Custodian

The Trustee and the Manager have appointed Citibank, N.A. (“Citibank”) as the Administrator and the Trustee has appointed Citibank as the Custodian of the Sub-Funds constituted under the Trust. Citibank is a wholly-owned subsidiary of Citigroup.

Unless otherwise stated in the relevant Appendix, in its capacity as the Administrator and Custodian, Citibank is responsible for certain financial, administrative and other services in relation to each Sub-Fund, including:

- (a) determining the Net Asset Value and the Net Asset Value per Unit;
- (b) preparing and maintaining the relevant Sub-Fund's financial and accounting records and statements;
- (c) assisting in preparing the financial statements of the relevant Sub-Fund; and
- (d) providing custodian services.

The Registrar

Computershare Hong Kong Investor Services Limited acts as the registrar of the Sub-Funds. The registrar provides services in respect of the establishment and maintenance of the register of the Unitholders of the Sub-Funds.

The Service Agent

HK Conversion Agency Services Limited acts as Service Agent under the terms of the Service Agreement entered into among the Manager, the Trustee, the Registrar, the Participating Dealer, the Service Agent and HKSCC. The Service Agent performs, through HKSCC, certain of its services in connection with the creation and redemption of Units in the Sub-Fund by Participating Dealers. Where a Sub-Fund creates and redeems in-kind in respect of SEHK listed Securities HK Conversion Agency Services Limited acts as Conversion Agent.

The Auditor

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

The Participating Dealer

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

The Market Maker

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

Subject to applicable regulatory requirements, the Manager will ensure that there is at all times at least one Market Maker for Units. If the SEHK withdraws its permit to the existing Market Maker(s), the Manager will endeavour to ensure that there is at least one other Market Maker per Sub-Fund to facilitate the efficient trading of Units. The Manager will seek to ensure that at least one Market Maker per Sub-Fund gives not less than 3 months notice prior to terminating market making under the relevant market making agreement. The latest list of Market Makers for each Sub-Fund is

available at <http://www.hkex.com.hk> and www.xieshares.com.hk (the contents of which and of any other website referred to in this Prospectus have not been reviewed by the SFC). Please refer to the section on “Website Information” for the warning and the disclaimer regarding information contained in such website.

Conflicts of Interest and Soft Dollars

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

In addition:

- (a) The Manager or any of its Connected Persons may purchase and sell investments for the account of the Sub-Funds as agent for the Sub-Fund.
- (b) The Trustee, the Manager and any of their Connected Persons may contract or enter into any financial, banking or other transaction with one another or with any Unitholder or any company or body any of whose shares or securities form part of the relevant Sub-Fund’s assets.
- (c) The Trustee or the Manager or any of their Connected Persons may become the owner of Units and hold, dispose or otherwise deal with them with the same rights which it would have had if it had not been the Trustee or the Manager or any of their Connected Persons.
- (d) The Trustee, the Manager and any of their Connected Persons may buy, hold and deal in any securities, commodities or other property for their own account or for the account of their other customers notwithstanding that similar securities, commodities or other property may be held by the Sub-Funds.
- (e) Any arrangements for the borrowing or deposit of any monies for the account of the Sub-Funds may be made with any of the Trustee, the Manager, any investment adviser or any of their Connected Persons being a banker or other financial institution provided that such person shall charge or pay (as the case may be) interest or fees at a rate or amount no higher (in the case of a borrowing) or lower (in the case of a deposit) than the prevailing rates or amounts for transactions of a similar size and duration, in the same currency and with institutions of similar standing.
- (f) Neither the Trustee nor the Manager nor any of their Connected Persons shall be liable to account to each other or to the Sub-Funds or to the Unitholders for any profits or benefits made or derived from or in connection with any such transaction mentioned above.

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

Subject to applicable rules and regulations, the Manager, its delegate or any of its Connected Persons may enter into portfolio transactions for or with the Sub-Funds as agent in accordance with normal market practice, provided that commissions charged to the Sub-Funds in these circumstances do not exceed customary full service brokerage rates. If a broker does not provide research or other lawful services in addition to brokerage execution, such broker will generally charge a brokerage commission that is discounted from customary full service brokerage rates. Where the Manager invests the Sub-Funds in shares or units of a collective investment scheme managed by the Manager, its delegates or any of its Connected Persons, the manager of the scheme in which the investment is

being made by the Sub-Funds must waive any preliminary or initial charge which it is entitled to charge for its own account in relation to the acquisition of shares or units and there must be no increase in the overall total of annual management fees (or other costs and charges payable to the Manager or any of its Connected Persons) borne by the Sub-Funds.

None of the Manager, its delegates (including investment advisers if any) or any of its Connected Persons shall, retain any cash commission rebates or other payment or benefit (except as otherwise provided for in this Prospectus or in the Trust Deed) received from a third party (either directly or indirectly) arising out of the sale or purchase or loan of investments for the Sub-Funds, and any such rebates or payments or benefits which are received shall be credited to the account of the Sub-Funds.

The Manager, its delegates (including investment advisers, if any) or any of its Connected Persons may receive, and are entitled to retain, research products and services (known as soft dollar benefits) which are of demonstrable benefit to the Sub-Funds (as may be permitted under the Code, applicable rules and regulations) from brokers and other persons through whom investment transactions are carried out (“brokers”) provided that the quality of transaction execution is consistent with best execution standards.

The services of the Trustee provided to the Trust and the Sub-Funds are not deemed to be exclusive and the Trustee shall be free to render similar services to others so long as its services hereunder are not impaired thereby and to retain for its own use and benefit all fees and other monies payable thereby and the Trustee shall not be deemed to be affected with notice of or to be under any duty to disclose to the Sub-Funds any fact or thing which comes to the notice of the Trustee in the course of the Trustee rendering similar services to others or in the course of its business in any other capacity or in any manner whatsoever otherwise than in the course of carrying out its duties under the Trust Deed.

Conflicts of interest may also arise due to the widespread business operations of the Trustee, the Manager, the Registrar, the Custodian and the Service Agent and their respective holding companies, subsidiaries and affiliates. The foregoing parties may effect transactions where those conflicts arise and shall not, subject to the terms of the Trust Deed, be liable to account for any profit, commission or other remuneration arising. However, all transactions carried out by or on behalf of the Sub-Funds will be on arm’s length terms. For so long as the Sub-Funds is/are authorised by the SFC and it is an applicable requirement of the Code, the Manager, if transacting with brokers or dealers connected to the Manager, investment advisers or any of their respective Connected Persons, must ensure it complies with the following obligations:

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

STATUTORY AND GENERAL INFORMATION

Reports and Accounts

The financial year-end of the Trust (and each Sub-Fund) is 31 December every year, commencing December 2015. Audited annual accounts are to be prepared (in accordance with IFRS) and published on the Manager's website within 4 months of each financial year-end. Half-yearly unaudited reports are also to be prepared up to 30 June of each year and published on the Manager's website within 2 months of such date. Once these accounts and reports are made available on the Manager's website, investors will be notified within the relevant timeframe.

The first audited annual accounts and the first half-yearly unaudited reports will be for the year ending 31 December 2015 and half year ending 30 June 2016 respectively. Only an English version of the audited annual accounts and the half-yearly unaudited reports of each of the Sub-Funds will be available. Printed copies may be requested free of charge from the Manager by contacting it, as described below under "Notices".

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

Trust Deed

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

Indemnities of the Trustee and Manager

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

Modification of the Trust Deed

The Trustee and the Manager may agree to modify, alter or add to the provisions of the Trust Deed by supplemental deed provided that in the opinion of the Trustee and the Manager such modification, alteration or addition (i) does not materially prejudice the interests of Unitholders, does not operate to release to any material extent the Trustee or the Manager or any other person from any responsibility to the Unitholders and (with the exception of the costs incurred in connection with the relevant supplemental deed) does not increase the costs and charges payable out of the assets of the Sub-Funds 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, alterations and additions require the sanction of an extraordinary resolution of the Unitholders affected. The SFC must (where such approval is required) also give its prior approval to all amendments to the Trust Deed.

The Manager will notify affected Unitholders of the amendments if such notification is required under the Code.

Meetings of Unitholders

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

Voting Rights

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

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

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

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

Termination

The Trust may be terminated by the Trustee if: (i) the Manager goes into liquidation or a receiver is appointed and not discharged within 60 days or (ii) in the opinion of the Trustee, the Manager is incapable of performing its duties satisfactorily or (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 or (iv) a law is passed that renders it illegal or in the opinion of the Trustee and the Manager, impracticable or inadvisable to continue the Trust or (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) if the Trustee notifies the Manager in writing of its intention to retire and no suitable person willing to act as trustee has been identified by the Manager within 60 days of the Trustee's notice.

The Manager may terminate the Trust if: (i) after one year from the date of the Trust Deed, the aggregate Net Asset Value of all the Units in each Sub-Fund is less than HKD100 million; (ii) any law or regulation is passed or amended or any regulatory directive or order is imposed that affects the Trust and which renders the Trust illegal or in the good faith opinion of the Manager, makes it impracticable or inadvisable to continue the Trust; or (iii) within a reasonable time and using commercially reasonable endeavours, the Manager is unable to find a person acceptable to act as the new trustee after deciding to remove the Trustee in accordance with the Trust Deed.

The Manager may, in its absolute discretion, by notice in writing to the Trustee, terminate a Sub-Fund if: (i) after one year from the date of establishment of the Sub-Fund, the aggregate Net Asset Value of all the Units in the relevant Sub-Fund is less than HKD100 million; (ii) any law or regulation is passed or amended or any regulatory directive or order is imposed that affects the relevant Sub-Fund and which renders the relevant Sub-Fund illegal or in the good faith opinion of the Manager makes it impracticable or inadvisable to continue that Sub-Fund; (iii) its Index is no longer available for benchmarking or if the Units of the relevant Sub-Fund are no longer listed on the SEHK or any such other stock exchange from time to time determined by the Manager; (iv) at any time, the relevant Sub-Fund ceases to have any Participating Dealer; or (v) the Manager is unable to implement its investment strategy. Further, the Unitholders may at any time authorise termination of the Trust or the relevant Sub-Funds by extraordinary resolution.

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

Notice of the termination of the Trust or the Sub-Funds will be given to the Unitholders after the SFC has approved the notice. The notice will contain the reasons for the termination, the consequences to Unitholders of terminating the Trust or the Sub-Funds and the alternatives available to them, and any other information required by the Code.

Distribution Policy

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

Inspection of Documents

Copies of the following documents in respect of each Sub-Fund are available for inspection free of charge at the offices of the Manager and copies thereof may be obtained from the Manager in the case of (e) free of charge and in the case of (a) to (d) at a cost of HKD150 per set of copy documents:

- (a) Trust Deed;
- (b) Registrar Agreement;
- (c) Service Agreement(s);
- (d) Participation Agreement(s); and
- (e) Most recent annual financial statements of the Trust and the Sub-Funds (if any) and the most recent interim financial statements of the Trust and the Sub-Funds (if any).

Part XV of the SFO

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

Anti-money Laundering Regulations

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

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

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

Material Changes to an Index

The SFC should be consulted on any events that may affect the acceptability of an Index. Significant events relating to an Index will be notified to the Unitholders of the relevant Sub-Fund as soon as practicable. These may include a change in the methodology/rules for compiling or calculating the Index, or a change in the objective or characteristics of the Index.

Replacement of an Index

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

- (a) the relevant Index ceasing to exist;
- (b) the licence to use the Index being terminated;
- (c) a new index becoming available that supersedes the existing Index;
- (d) a new index becoming available that is regarded as the market standard for investors in the particular market and/or would be regarded as more beneficial to the Unitholders than the existing Index;
- (e) investing in the Securities comprised within the Index becomes difficult;
- (f) the Index Provider increasing its licence fees to a level considered too high by the Manager;
- (g) the quality (including accuracy and availability of the data) of the Index having in the opinion of the Manager, deteriorated;
- (h) a significant modification of the formula or calculation method of the Index rendering that index unacceptable in the opinion of the Manager; and
- (i) the instruments and techniques used for efficient portfolio management not being available.

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

Information Available on the Internet

The Manager will publish important news and information with respect to each Sub-Fund (including in respect of the relevant Index), in the English and Chinese languages (unless otherwise specified), on the Trust's website at www.xieshares.com.hk (which has not been reviewed or approved by the SFC) including:

- (a) this Prospectus and the product key facts statement in respect of each of the Sub-Funds (as revised from time to time);
- (b) the latest annual audited accounts and interim half yearly unaudited report (in English only);
- (c) any notices for material alterations or additions to this Prospectus (including each product key fact statement) or any of the Sub-Fund's constitutive documents, as revised from time to time;
- (d) any public announcements made by the Manager in respect of any of the Sub-Funds, including information with regard to a Sub-Fund and the Sub-Fund's Index, the suspension of creations and redemptions of Units, the suspension of the calculation of its Net Asset Value, changes in its fees and the suspension and resumption of trading in its Units;

- (e) the near real time estimated Net Asset Value per Unit of each Sub-Fund (updated every 15 seconds throughout each Dealing Day in HKD);
- (f) the last closing Net Asset Value of each Sub-Fund and the last closing Net Asset Value per Unit of each Sub-Fund in HKD;
- (g) the last closing level of each Index;
- (h) the composition of each Sub-Fund (updated on a daily basis unless otherwise specified in the relevant Appendix); and
- (i) the latest list of the Participating Dealers and Market Makers.

Real-time updates about the Index can be obtained through other financial data vendors. It is your own responsibility to obtain additional and the latest updated information about the Index (including without limitation, a description of the way in which the Index is calculated, any change in the composition of the Index, any change in the method for compiling and calculating the Index) via the Manager’s website and the Index Provider’s website (neither of which, nor any other website referred to in this Prospectus, has been reviewed by the SFC). Please refer to the section on “Website Information” for the warning and the disclaimer regarding information contained in such website.

Notices

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

Manager

Enhanced Investment Products Limited
 易亞投資管理有限公司
 337 New Henry House
 10 Ice House Street
 Central
 Hong Kong

Trustee

Cititrust Limited
 50/F, Citibank Tower
 Citibank Plaza
 3 Garden Road
 Hong Kong

Website Information

The offer of the Units is made solely on the basis of information contained in this Prospectus. All references in this Prospectus to other websites and sources where further information may be obtained are merely intended to assist you to access further information relating to the subject matter indicated and such information does not form part of this Prospectus. Neither the Manager nor the Trustee accepts any responsibility for ensuring that the information contained in such other websites and sources, if available, is accurate, complete and/or up-to-date, and no liability is accepted by the Manager and the Trustee in relation to any person’s use of or reliance on the information contained in these other websites and sources save, in respect of the Manager, the Trust’s website www.xieshares.com.hk (the contents of which and of other websites referred to in this Prospectus have not been reviewed by the SFC). The information and materials included in these websites have not been reviewed by the SFC or any regulatory body. You should exercise an appropriate degree of caution when assessing the value of such information.

TAXATION

The following summary of taxation is of a general nature, for information purposes only, and is not intended to be an exhaustive list of all of the tax considerations that may be relevant to a decision to purchase, own, redeem or otherwise dispose of 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 at the date of this Prospectus. The relevant laws, rules and practice relating to tax are subject to change and amendment (and such changes may be made on a retrospective basis). As such, there can be no guarantee that the summary provided below will continue to be applicable after the date of this Prospectus. Furthermore, tax laws can be subject to different interpretations and no assurance can be given that relevant tax authorities will not take a contrary position to the tax treatments described below. Investors should refer to additional summaries of applicable taxation, where appropriate, as set out in the Appendix relevant to a Sub-Fund.

Taxation of the Trust and Sub-Funds

Profits Tax

As the Trust and each Sub-Fund have been authorised as a collective investment scheme by the SFC under Section 104 of the SFO, profits of the Trust and the Sub-Funds are exempt from Hong Kong profits tax.

Taxation of the Unitholders

Profits Tax

Where the Unitholders do not carry on a trade, profession or business in Hong Kong or the Units in the Sub-Funds are held by the Unitholders as capital assets for Hong Kong profits tax purposes, gains arising from the sale or disposal or redemption of the Units in the Sub-Funds should not be taxable. For Unitholders carrying on a trade, profession or business in Hong Kong, such gains may be subject to Hong Kong profits tax (which is currently charged at the rate of 16.5% in the case of corporations, and 15% in the case of individuals and unincorporated business) if the gains in question arise in or are derived from such trade, profession or business and sourced in Hong Kong. Unitholders should take advice from their own professional advisers as to their particular tax position.

Distributions by the Trust/Sub-Funds should generally not be subject to Hong Kong profits tax in the hands of the Unitholders according to the practice of the Inland Revenue Department of Hong Kong (as at the date of this Prospectus).

Stamp Duty

Hong Kong stamp duty is payable on the transfer of Hong Kong stock. "Hong Kong stock" is defined as "stock" the transfer of which is required to be registered in Hong Kong. The Units fall within the definition of "Hong Kong stock".

Under a remission order issued by the Secretary for the Treasury on 20 October 1999, no Hong Kong stamp duty is payable on an issue or redemption of Units.

Under the Stamp Duty (Amendment) Ordinance 2014, effective 13 February 2015, stamp duty payable in respect of any contract notes or instruments of transfer relating to transactions in the shares or units of an exchange traded fund (as defined in Part 1 to Schedule 8 of the Stamp Duty Ordinance) on the SEHK is not payable. Accordingly transfers of Units in any Sub-Fund will not attract stamp duty and no stamp duty is payable by Unitholders on any transfer of Units in any Sub-Fund.

FATCA and Compliance with US Withholding Requirements

The US Hiring Incentives to Restore Employment Act (the “HIRE Act”) was signed into US law in March 2010, which includes provisions commonly referred to as the “Foreign Account Tax Compliance Act” or “FATCA”. Broadly, the FATCA provisions are set out in sections 1471 to 1474 of the US Internal Revenue Code of 1986, as amended (the “Revenue Code”), which impose new rules on FFIs with respect to certain payments, including interest and dividends from securities of US issuers and, after 31 December 2018, the gross proceeds from the sale of such securities. All such payments may be subject to FATCA withholding at a rate of 30%, unless the account holders provide sufficient information to the FFIs to enable the FFIs to identify such account holder’s FATCA classification with interests in such payments. To avoid such withholding on payments received, an FFI (including banks, brokers, custodians and investment funds), located in jurisdictions that have not signed any IGA for the implementation of FATCA, will be required to enter into an agreement with the IRS (an “FFI Agreement”) as part of the requirements to be a participating FFI for FATCA purposes. Participating FFIs are required to identify all account holders (including investors in a trust) that are Specified US Persons and report certain information concerning such Specified US Persons to the IRS. Subject to any applicable IGA, the FFI Agreement also generally requires that a participating FFI deduct 30% US withholding tax from certain payments made by the participating FFI to recalcitrant account holders (i.e. account holders do not provide required information to the FFI or do not consent to FATCA reporting and disclosure to the IRS) and may be required to close accounts of such account holders. Moreover, participating FFIs are required to deduct and withhold on payments made to investors that are themselves FFIs but that have not entered into an FFI Agreement with the IRS or that are not otherwise deemed compliant with FATCA.

FATCA withholding applies to (i) payments of US source income, including US source dividends and interest, made after 30 June 2014; and (ii) payments of gross proceeds of sale or other disposal of property that can produce US source income after 31 December 2018. The 30% withholding may also apply to payments otherwise attributable to US source income (also known as “foreign passthru payments”) from 1 January 2019 at the earliest and is subject to further regulations. Withholding agents (which includes participating FFIs) will generally be required to begin withholding on withholdable payments made after 30 June 2014. The first reporting deadline for FFIs that have entered into or are required to follow the FFI Agreement was 31 March 2015 with respect to information on Specified US Persons and recalcitrant accounts relating to the 2014 calendar year.

The US has entered into IGAs with a number of jurisdictions to facilitate the implementation of FATCA. Hong Kong and the US have entered into a Model 2 IGA.

The IGA modifies the foregoing requirements but generally requires similar information to be disclosed to the IRS. An FFI will not be required to impose FATCA withholding tax at 30% on certain payments made to recalcitrant account holders or close accounts of such account holders (provided that information regarding such account holders is reported to the IRS). Withholding may apply to withholdable payments covered by FATCA if the FFI cannot satisfy the applicable requirements and is determined to be non-FATCA compliant or if the Hong Kong government is found in breach of the terms of the IGA.

The Trust and both Sub-Funds have each been registered with the IRS as Reporting Model 2 FFIs. The Trust’s Global Intermediary Identification Number is KGL46R.99999.SL.344, XIE Shares FTSE Chimerica ETF’s Global Intermediary Identification Number is 8H9XRW.99999.SL.344 and XIE Shares CLSA GARY ETF’s Global Intermediary Identification Number is 53X06J.99999.SL.344.

In order to protect Unitholders and avoid being subject to withholding under FATCA, it is the Manager's intention to satisfy the requirements imposed under FATCA. Hence it is possible that this may require the Manager (through its agents or service providers) as far as legally permitted, to report information on the holdings or investment returns of any Unitholder to the IRS or the local authorities pursuant to the terms of an applicable IGA (as the case may be) and insofar as possible exercise the Manager's general right to withhold under the provisions of the Trust Deed on relevant Unitholders. Any such withholding will be done in accordance with applicable laws and regulations, and the discretion to do so will be exercised by the Manager acting in good faith and on reasonable grounds. As at the date of this Prospectus, all Units are registered in the name of HKSCC Nominees Limited. HKSCC Nominees Limited has been registered as a Reporting Model 2 FFI for FATCA purposes.

Although the Manager in respect of the Trust and the Sub-Funds intends to satisfy any obligations imposed on them to avoid the imposition of FATCA withholding tax, no assurance can be given that the Manager in respect of the Trust and the Sub-Funds will be able to fully satisfy these obligations. If any Sub-Fund becomes subject to a withholding tax as a result of FATCA, the Net Asset Value of such Sub-Fund may be adversely affected and such Sub-Fund and its Unitholders may suffer material loss. Any amounts withheld under FATCA may not be refundable by the IRS.

The FATCA provisions are complex and their application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Nothing in this section constitutes or purports to constitute tax advice and Unitholders should not rely on any information set out in this section for the purposes of making any investment decision, tax decision or otherwise. All Unitholders should therefore consult their own tax and professional advisors regarding the FATCA requirements, possible implications and related tax consequences with respect to their own situation. In particular, Unitholders who hold their Units through intermediaries should confirm the FATCA compliance status of those intermediaries to ensure that they do not suffer the above mentioned withholding tax on their investment returns.

PART 2 – SPECIFIC INFORMATION RELATING TO EACH SUB-FUND

Part 2 of this Prospectus includes specific information relevant to each Sub-Fund established under the Trust and listed on the SEHK. It is updated from time to time by the Manager. Information relating to each Sub-Fund is set out in a separate Appendix.

The information presented in each Appendix in this Part 2 should be read in conjunction with the information presented in Part 1 of this Prospectus. Where the information in any Appendix in this Part 2 conflicts with the information presented in Part 1, the information in the relevant Appendix in the Part 2 prevails, however, is applicable to the specific Sub-Fund of the relevant Appendix only.

Defined terms used in each of the Appendices and which are not defined in this Part 2, bear the same meanings as in Part 1 of this Prospectus. References in each Appendix to “Sub-Fund” refer to the relevant Sub-Fund which is the subject of that Appendix. References in each Appendix to “Index” refer to the relevant Index details of which are set out in that Appendix.

APPENDIX 1: XIE SHARES FTSE CHIMERICA ETF

Key Information

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

Index	FTSE China N Shares All Cap Capped Net Tax Index
Type of Index	Total net return, i.e. the Index assumes that all withholding tax is deducted from dividends and distributions (without the benefit of any double tax treaties) and that such net dividends and distributions are then reinvested
Listing Date (SEHK)	22 April 2015
Exchange Listing	SEHK – Main Board
Stock Code	03161
Short Stock Name	XIE CHIMER ETF
Trading Board Lot Size	200 Units
Base Currency	HKD
Trading Currency	HKD
Distribution Policy	The Manager does not intend to distribute income to Unitholders.
Creation/Redemption Policy	Cash (USD) or in-kind
Application Unit Size (only by or through Participating Dealers)	Minimum 1,000,000 Units (or multiples thereof)
Dealing Deadline	3:00 p.m. on the relevant Dealing Day, or such other time as the Manager (with the approval of the Trustee) may determine
Ongoing Charges Over a Year (including the Management Fee)*	0.95%
Estimated Annual Tracking Difference**	Estimated to be 1.5% per year
Management Fee	Currently 0.65% per year of the Net Asset Value
Investment Strategy	Primarily full replication strategy
Financial Year End	31 December
Sub-Fund Website	www.xieshares.com.hk

* *The ongoing charges figure is an annualised calculation based on the expenses charged to the Sub-Fund in the period from 16 April 2015 to 31 December 2015. This figure may vary from year to year. The figure is expressed as a percentage of the Sub-Fund's average net asset value of a financial year.*

** *This is an estimated annual tracking difference. Investors should refer to the Sub-Fund's website for information on the actual tracking difference.*

What is the Investment Objective?

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index. There can be no assurance that the Sub-Fund will achieve its investment objective.

What is the Investment Strategy?

The Manager intends to adopt primarily a full replication strategy to achieve the investment objective of the Sub-Fund. The Manager may however, in the appropriate circumstances, choose to use a representative sampling strategy. (Please refer to the section "Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing" in Part 1 of this Prospectus for an explanation on this strategy and representative sampling.)

Investors should note that the Manager may switch between a full replication strategy and a representative sampling strategy, without prior notice to investors, in its absolute discretion as it believes appropriate in order to achieve the investment objective of the relevant Sub-Fund by tracking the relevant Index as closely (or efficiently) as possible for the benefit of investors. The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to Unitholders before adopting a strategy other than a full replication or representative sampling strategy.

There is no current intention for the Sub-Fund to:

- (a) invest other than in stocks;
- (b) invest in or utilise any financial derivative instruments for non-hedging (i.e. investment) or hedging purposes; or
- (c) engage in securities lending, repurchase transactions or other similar over-the-counter transactions

but this may change in light of market circumstances and where the Sub-Fund does engage in these types of transactions, prior approval shall be obtained from the SFC and no less than one month's prior notice will be given to the Unitholders.

The investment strategy of the Sub-Fund is subject to the investment and borrowing restrictions set out in Part 1 of this Prospectus.

Distribution Policy

The Manager does not intend to distribute income to Unitholders.

The Index

This section is a brief overview of the Index. It contains a summary of the principal features of the Index and is not a complete description of the Index. As at the date of this Prospectus, the summary of the Index in this section is accurate and consistent with the complete description of the Index. Complete information on the Index appears in the website identified below. Such information may change from time to time and details of the changes will appear on that website.

General Information on the Index

The Index was launched on 1 December 2014 and is an index of the FTSE China Index Series. The Index is derived from the FTSE Global Equity Index Series methodology. The Index is a total net return index capturing PRC related companies (which are companies incorporated outside the PRC but controlled by PRC entities, companies or individuals and a majority of whose revenue or assets are derived in the PRC) listed on the New York Stock Exchange, the NASDAQ exchange or the NYSE MKT that rank within the top 98% by full market capitalisation of the North America region universe (United States and Canada) according to the FTSE Global Equity Index Series ground rules. A total net return index means that the performance of the index constituents is calculated on the basis that any dividends and distributions are reinvested after withholding tax deductions.

As at 18 April 2016, the Index comprised 23 constituents with a total market capitalisation of approximately USD79,088 million. It is a free float adjusted market capitalisation index with a capping of 10% applied to a constituent's weighting in the Index. Individual constituent weights are capped on a quarterly basis when the Index is rebalanced (and so between rebalances, a constituent's weighting in the Index may exceed 10% of the Index). The base date of the Index is set at 15 December 2006 with a base value of 1,000. The Index is denominated and quoted in US dollars.

FTSE International Limited is the Index Provider of the Index. The Manager and its Connected Persons are independent of the Index Provider.

The Manager will consult the SFC on any events that may affect the acceptability of the Index, and any significant events relating to the Index (such as a change in the methodology/rules for compiling or calculating the Index, or a change in the objective or characteristic of the Index) will be notified to Unitholders as soon as practicable.

Index Constituents Selection Criteria

Companies classified as "N Shares" (see the "Index Constituents Eligibility" section below for the definition of N Shares) are subject to screening of liquidity, free float, and size that are applied to the periodic North American regional reviews of the FTSE Global Equity Index Series to determine its inclusion and exclusion to the Index. A brief description of each screen is provided below:

- (a) Liquidity – The median trade is calculated by ranking each daily trade total and selecting the middle ranking day. Daily totals with zero trades are included in the ranking; therefore a security that fails to trade for more than half of the days in a month will have a zero median trade. Any period of suspension will not be included in the test. The liquidity test will be applied on a pro-rata basis where the testing period is less than 12 months.

When calculating the median of daily trades per month of any security, a minimum of 5 trading days in each month must exist, otherwise the month will be excluded from the test. Securities eligible for inclusion must have a minimum turnover percentage of the shares in issue, based on the median daily trade per month. The security must have such turnover percentage for a certain number of months prior to the full market review in March. The minimum turnover percentage and the number of months meeting such percentage are different for non-constituent securities, existing constituents and new issues.

- (b) Free float – Constituents are free float adjusted in accordance with the Index Provider’s index rules, which adopts the actual free float (rounded up to the next 1%) as a percentage of shares in issue. For equity shares of companies which have been admitted to the Index that have a free float greater than 5%, the actual free float will be rounded up to the next highest whole percentage number. Companies with a free float of 5% or below are not eligible for inclusion in the Index. Following the application of an initial free float restriction, a constituent’s free float will only be changed if its rounded free float moves to more than 3% above or below the existing rounded free float. Where a company’s actual free float moves to above 99%, it will not be subject to the 3% threshold and will be rounded to 100%. A constituent with a free float of 15% or below will not be subject to the 3% threshold.
- (c) Size – Companies by full market capitalisation larger than the North American regional review size cut-off threshold are included to the Index.

Index Constituents Eligibility

“N Shares” are companies controlled by PRC entities, companies or individuals. An N Share company must be incorporated outside the PRC and traded on the New York Stock Exchange (the “NYSE”), the NASDAQ exchange or the NYSE MKT, with a majority of its revenue or assets derived from PRC.

- (a) A non-constituent must satisfy the following criteria at the time of Index entry in order to be considered as N Share: (i) over 55% of the revenue or assets of the company are derived from the PRC; and (ii) the company is controlled by a PRC entity, company or individual.

If the shareholder background cannot be determined with public information, the Index Provider will assess the N Share status of a company with the help of other criteria including, if (i) the establishment and origin of the company was in PRC; and (ii) the company’s headquarters is in PRC.

- (b) An existing N Share constituent which fails one or more of the following criteria will cease to be classified as a N Share at the time of the next review if (i) the company is no longer incorporated outside the PRC; or (ii) The company is no longer listed on any of the NYSE, the NASDAQ exchange or the NYSE MKT; or (iii) the percentages of revenue and assets derived from the PRC have both fallen below 45%; or (iv) the company is no longer controlled by a PRC entity, company or individual.
- (c) N Share companies also need to satisfy the following criteria in order to be eligible to the Index: (i) the listing of the company did not result from a reverse merger; and (ii) American Depositary Receipts are included where the underlying issue of shares is not listed.

Index Periodical Review

The constituents of the Index are rebalanced semi-annually in March and September. A new security which does not qualify as an immediate fast entrant to the Index can be considered for inclusion at a quarterly review outside the March and September semi-annual reviews. Index constituents are capped quarterly in March, June, September and December at 10%.

In selecting the stocks which constitute the Index, the Index Provider will first identify the investable universe based on the region to which the Index relates. The eligible universe is then ranked by full market capitalisation in descending order, after which the index universe is defined as 98% of the regional universe (determined based on certain criteria for inclusion and eligibility of securities).

Once the Index universe has been identified:

- (a) investability weights are assigned to all companies in accordance with the free float rules – the same investability weight will be applied to all lines of a company, unless security specific data is available).
- (b) the multiple lines rule will be applied and all secondary lines which fail will not be included in the Index.
- (c) the liquidity rule will be applied to all remaining eligible lines of stock. Liquidity is measured based on the adjusted weighting after applying the free float bands.

Adjustments Applied to Eligible Constituents

Eligible companies may be subject to adjustment for free float and multiple lines:

- (a) *Investability Weightings*

The Index is adjusted for free float and foreign ownership limits.

Free float shares are subject to free float restrictions on certain categories of shareholdings which constitute restricted holdings. Free float restrictions will be calculated using available published information. If, in addition to restricted holdings, the company's shareholders are subject to more restrictive legal restrictions, including foreign ownership restrictions, the legal restriction will be applied. Please refer to the relevant section of the Ground Rules which can be found on FTSE website (http://www.ftse.com/products/downloads/Free_Float_Restrictions.pdf) for further details on free float restrictions, bands for initial investability weightings and other limits or restrictions. The Index will be periodically reviewed for changes in free float.

- (b) *Multiple Lines*

Where there are multiple lines of equity capital in a company, all are included and priced separately, provided that the secondary line's full market capitalisation (i.e. before the application of any investability weightings) is greater than 25% of the full market capitalisation of the company's principal line and the secondary line is eligible in its own right in all respects. Should the full market capitalisation of a secondary line that is already a constituent of the FTSE All-World Index or the FTSE Global Small Cap Index fall below 20% of the full market capitalisation of the company's principal line at an annual review, the secondary line will be deleted from the FTSE All-World Index or the FTSE Global Small Cap Index unless its full market capitalisation remains above the qualification level for continued inclusion as a constituent in the relevant regional index at that review.

Liquidity

Each security will be tested for liquidity by calculation of its median daily trading per month. The median trade is calculated by ranking each daily trade total and selecting the middle ranking day. Daily totals with zero trades are included in the ranking, therefore a security that fails to trade for more than half of the days in a month will have a zero median trade.

Top 10 Constituents

As at 18 April 2016, the 10 largest constituents of the Index (which accounted in aggregate for approximately 81.77% of the Index) were as follows:

	Company name	Exchange	Sector	Weighting %
1	Ctrip.com International Ltd.	NASDAQ	Travel/Leisure Services	11.96
2	Alibaba Group Holding	NYSE	General Retailers	10.63
3	Baidu ADS	NASDAQ	Software/Computer Services	10.49
4	JD.com ADS	NASDAQ	General Retailers	10.49
5	NetEase	NASDAQ	Software/Computer Services	9.60
6	Qihoo 360 Technology	NYSE	Software/Computer Services	8.54
7	New Oriental Education & Technology Group	NYSE	General Retailers	7.18
8	58.com ADS	NYSE	General Retailers	4.67
9	Vipshop Holdings (ADS)	NYSE	General Retailers	4.57
10	SINA	NASDAQ	Software/Computer Services	3.64

Further information on the Index is available at the website of the FTSE International Limited at www.ftse.com/products/indices/china.

Index Code

Bloomberg Code: CHIMERIR

Index Disclaimer

The Sub-Fund is not in any way sponsored, endorsed, sold or promoted by FTSE International Limited (“FTSE”) or by the London Stock Exchange PLC (the “Exchange”) or by The Financial Times Limited (“FT”) and neither FTSE nor the Exchange nor FT makes any warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the FTSE China N Shares All Cap Capped Net Tax Index (the “Index”) and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. The Index is compiled and calculated by FTSE. However, neither FTSE nor the Exchange nor FT shall be liable (whether in negligence or otherwise) to any person for any error in the Index and neither FTSE nor the Exchange nor FT shall be under any obligation to advise any person of any error therein.

“FTSE®” and “Footsie®” are trade marks of the Exchange and FT and are used by FTSE under licence.

Index Licence Agreement

The initial term of the licence of the Index commenced on 1 December 2014 and will initially continue for 2 years. After the expiration of the initial 2 year term, the licence should be automatically renewed for successive terms of 1 year unless either party to the licence agreement gives at least 3 months' notice of termination prior to the end of the then current term to the other party. The licence agreement may otherwise be terminated in accordance with the provisions of the licence agreement.

Stamp Duty

Sub-Fund: Under a remission order issued by the Secretary for the Treasury on 20 October 1999, any Hong Kong stamp duty on the transfer of Securities to the Trust or the Sub-Fund by a Participating Dealer by a Creation Application will be remitted or refunded. Similarly, Hong Kong stamp duty on the transfer of Securities by the Trust or the Sub-Fund to a Participating Dealer upon redemption of Units will also be remitted or refunded.

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

Unitholders: Pursuant to the Stamp Duty (Amendment) Ordinance 2014, effective 13 February 2015, stamp duty payable in respect of any contract notes or instruments of transfer relating to transactions in the shares or units of an exchange traded fund (as defined in Part 1 to Schedule 8 of the Stamp Duty Ordinance) on the SEHK is not payable. Accordingly transfers of Units do not attract stamp duty and no stamp duty is payable by Unitholders on any transfer.

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

Fees and Charges

Management Fee: The Management Fee in respect of the Sub-Fund is 0.65% per year of the Net Asset Value and is accrued daily and calculated as at each Dealing Day. It is payable out of the Sub-Fund monthly in arrears in HKD. The Trustee's, Administrator's and Custodian's fees and expenses are paid by the Manager out of the Management Fee. Please refer to the section "Fees and Expenses" in Part 1 of this Prospectus for more detail.

Registrar's Fee: The Registrar's fee in respect of the Sub-Fund is HKD54,000 per annum payable out of the Sub-Fund monthly in arrears.

Ongoing Charges: The ongoing charges figure is based on expenses in a financial year. This figure may vary from year to year. It represents the sum of the ongoing expenses chargeable to the Sub Fund expressed as a percentage of the average net asset value. The establishment costs of the Sub-Fund are also included in the ongoing charges calculation. Ongoing expenses are generally payments deducted from the assets of the Sub-Fund where these are permitted by the Trust Deed, the Code and the law. These include all types of cost borne by the Sub-Fund, whether incurred in its operation or the remuneration of any party. The ongoing charges do not represent the estimated tracking error.

Transaction Fee, Application cancellation fee, Extension Fee and Partial Delivery Request Fee: These fees, payable by Participating Dealers, are payable in USD. Please refer to the section "Fees and Expenses" in Part I of this Prospectus for more detail.

Establishment costs

The cost of establishing the Trust and the Sub-Fund including the preparation of this Prospectus, inception fees, the costs of seeking and obtaining the listing and authorisation by the SFC and all initial legal and printing costs was approximately HKD2 million. Such establishment costs are being borne by the Sub-Fund and amortised over the first 5 accounting periods of the Trust and the Sub-Fund (or such other period as determined by the Manager).

PRC Taxation of Investments

Under the PRC corporate income tax (“CIT”) laws, an entity is deemed to be a PRC tax resident enterprise if its place of effective management is in the PRC. Where an entity is deemed to be a PRC tax resident enterprise, dividends, bonuses and interest paid by that entity to a non-PRC tax resident enterprise is subject to 10% PRC withholding income tax unless exempted or reduced by an applicable tax treaty. Based on the above, if an N Share company listed in the United States is deemed to be a PRC tax resident enterprise, it should technically withhold tax on the payment of dividends, bonus and interest to a non-PRC tax resident enterprise. The State Administration of Taxation (“SAT”) has not generally enforced CIT on dividends, bonuses and interests paid to holders of N Share listed in the United States unless the N Share company has been specifically regarded to be a PRC tax resident enterprise. An N Share company listed in the United States can lodge an application for PRC tax resident enterprise status or the SAT may initiate investigation on an N Share company to determine whether it should be regarded as a PRC tax resident enterprise.

Circular Guoshuihan [2009] No. 698 (“Circular 698”) excludes gains derived by a non-PRC tax resident enterprise from the buying and selling of shares of PRC tax resident enterprise through public stock exchanges from the reporting requirements under the Circular. As such, in relation to gains realised from the disposal of N Share listed in the United States, where the buying and selling of the N Share were effected through non PRC stock exchange, as a matter of practice the SAT has not generally enforced CIT on such gains.

Accordingly the Manager does not anticipate that the performance of the Index will be affected by any CIT on dividends nor that the Sub-Fund will be subject to CIT on gains.

Risk Factors Specific to the Sub-Fund

In addition to the risk factors presented in Part 1 of this Prospectus (all of which are relevant to the Sub-Fund), the risk factors set forth below are also specific risks, in the opinion of the Manager, considered to be relevant and presently applicable specifically to the Sub-Fund.

Investment Strategy

Investing in the Securities of PRC related companies (which are incorporated outside the PRC) listed outside Hong Kong in the United States such as the New York Stock Exchange involves special risks and considerations not typically associated with investing in Hong Kong companies. An investment in Units involves risks similar to those of investing in PRC companies and in a portfolio of Securities traded on exchanges in the United States, including market fluctuations caused by factors such as economic and political developments, changes in interest rates and perceived trends in stock prices as well as litigation risk. The principal risk factors, which could decrease the value of an investment in the Sub-Fund, are listed and described below:

- (a) imposition of or adverse changes in investment control regulations in the PRC;
- (b) greater price volatility;
- (c) exchange rate fluctuations and exchange controls in respect of the companies’ operations in the PRC;

- (d) less publicly available information about issuers business in the PRC;
- (e) the imposition of restrictions on the expatriation of funds or other assets of the Sub-Fund;
- (f) higher transaction and custody costs and delays and risks of loss attendant in settlement procedures;
- (g) difficulties in enforcing contractual obligations in the PRC;
- (h) different regulation of the United States securities markets;
- (i) different accounting, disclosure and reporting requirements in the United States;
- (j) imposition of expropriation or confiscatory taxation by the PRC on the relevant companies operations notwithstanding listing in the United States; and
- (k) greater social, economic, and political uncertainty and the risk of nationalization or expropriation of assets in the PRC and a greater risk of terrorism in the United States.

United States Markets

The recent financial crisis and/or economic recession, decreasing United States imports, new trade regulations, changes in the US dollar exchange rates, and increasing public debt pose concerns on the development of the United States economy. This may have an adverse impact on the United States Securities in which the Sub-Fund invests. The Sub-Fund's investment in the United States Securities may also be subject to United States taxes.

Investment Related to the PRC

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index. Since the Index is comprised of the approximately 26 largest PRC related companies (which are incorporated outside the PRC) listed in the United States investment in the Sub-Fund will be subject to the general risks relating to the PRC.

PRC Economic, Political and Social Conditions as well as Government Policies

The economy of the PRC, 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 the PRC 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 the PRC and a high level of management autonomy. The economy of the PRC has experienced significant growth in the past 25 years, but growth has been uneven both geographically and among various sectors of the economy. Economic growth has also been accompanied by periods of high inflation. The PRC government has implemented various measures from time to time to control inflation and restrain the rate of economic growth.

For more than 25 years, the 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 markets in the PRC as well as the underlying

Securities of the Sub-Fund. 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 Sub-Fund.

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

PRC Government Control of Currency Conversion and Future Movements In Exchange Rates

Various of the PRC related companies (which are incorporated outside the PRC) which are constituents of the Index derive their revenues in Renminbi Yuan (“RMB”), the currency of the PRC, but have requirements to make payment in a 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 N Shares. RMB is not currently freely convertible and is subject to exchange controls and restrictions.

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

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

PRC Laws and Regulations

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

Government Intervention and Restrictions

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

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.

Accounting and Reporting Standards

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

Taxation in the PRC

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

Differences in Trading Times

As the New York Stock Exchange and other United States stock exchanges on which constituent Securities are traded may be open when Units are not priced, the value of the Securities in the Sub-Fund's portfolio may change on days when investors will not be able to purchase or sell the Units. Furthermore, the market price of underlying Securities listed on the stock exchanges in the United States will not be available during the SEHK trading sessions due to trading hour differences which may result in the trading price of the Sub-Fund deviating from the Net Asset Value (i.e. the trading price at a premium or a discount to the Net Asset Value).

Large Capitalisation Companies

Returns on investments in Securities of large companies could be less than the returns on investments in Securities of small-sized and mid-sized companies. Since the Index consists of Securities of the approximately 26 largest PRC related entities by full market capitalisation listed on the New York Stock Exchange, the NASDAQ exchange or the NYSE MKT, the Sub-Fund's investments are concentrated in Securities of large companies. Hence the returns may be less than the returns of funds that focus their investments in Securities of small-sized and mid-sized companies.

War or Terrorist Attacks

It is possible that significant future terrorist attacks such as those in the United States in September 2001, the United Kingdom in July 2005 and in India in November 2008 may have an adverse political and/or economic impact on the PRC as well as the United States. There can be no assurance that there will not be any terrorist attacks which could have direct or indirect effect on the PRC and/or United States markets in which investments of the Sub-Fund will be located and the corresponding political and/or economic effects arising therefrom if any, may in turn adversely affect the operation and profitability of the Sub-Fund.

New Index

The Index is a new index having only been launched on 1 December 2014. Given the Index is relatively new, the Sub-Fund may be riskier than other exchange traded funds tracking more established indices with a longer operating history.

Operating Issues

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

Appendix updated 29 April 2016

APPENDIX 2: XIE SHARES CLSA GARY ETF

Key Information

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

Index	CLSA GARY Net Total Return Index
Type of Index	Total net return, i.e. the Index assumes that all withholding tax is deducted from dividends and distributions (without the benefit of any double tax treaties) and that such net dividends and distributions are then reinvested
Index Provider	CLSA Limited
Initial Offer Period	9:00 a.m. (Hong Kong time) of 4 November 2015 to 5:00 p.m. (Hong Kong time) of 6 November 2015, or such other date as the Manager may determine
Initial Issue Date	10 November 2015, or such other date as the Manager may determine
Issue Price During the Initial Offer Period	HKD8
Listing Date (SEHK)	Expected to be 11 November 2015, but may be postponed by the Manager to a date no later than 20 November 2015
Exchange Listing	SEHK – Main Board
Stock Code	03102
Short Stock Name	XIE GARY ETF
Trading Board Lot Size	200 Units
Base Currency	HKD
Trading Currency	HKD
Distribution Policy	The Manager does not intend to distribute income to Unitholders.
Creation/Redemption Policy	Cash (USD) or in-kind
Application Unit Size (only by or through Participating Dealers)	Minimum 500,000 Units (or multiples thereof)
Dealing Deadline	3:00 p.m. on the relevant Dealing Day, or such other time as the Manager (with the approval of the Trustee) may determine

Ongoing Charges Over a Year (including the Management Fee)*	Estimated to be 0.90% per year of the Net Asset Value
Estimated Annual Tracking Difference**	Estimated to be 1.55% per year
Management Fee	Currently 0.70% per year of the Net Asset Value
Investment Strategy	Primarily full replication strategy
Financial Year End	31 December
Sub-Fund Website	www.xieshares.com.hk

* *This is an estimate only because the Sub-Fund is newly established. It represents estimated ongoing expenses as a percentage of estimated Net Asset Value of the Sub-Fund. The actual figure may be different upon actual operation of the Sub-Fund and may vary from year to year. The estimated ongoing charges do not represent the estimated tracking error.*

** *This is an estimated annual tracking difference. Investors should refer to the Sub-Fund's website for information on the actual tracking difference.*

What is the Investment Objective?

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index. There can be no assurance that the Sub-Fund will achieve its investment objective.

What is the Investment Strategy?

The Manager intends to adopt primarily a full replication strategy to achieve the investment objective of the Sub-Fund. The Manager may however, in the appropriate circumstances, choose to use a representative sampling strategy. (Please refer to the section "Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing" in Part 1 of this Prospectus for an explanation on this strategy and representative sampling.)

Investors should note that the Manager may switch between a full replication strategy and a representative sampling strategy, without prior notice to investors, in its absolute discretion as it believes appropriate in order to achieve the investment objective of the relevant Sub-Fund by tracking the relevant Index as closely (or efficiently) as possible for the benefit of investors. The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to Unitholders before adopting a strategy other than a full replication or representative sampling strategy.

There is no current intention for the Sub-Fund to:

- (a) invest other than in stocks;
- (b) invest in or utilise any financial derivative instruments for non-hedging (i.e. investment) or hedging purposes; or
- (c) engage in securities lending, repurchase transactions or other similar over-the-counter transactions

but this may change in light of market circumstances and where the Sub-Fund does engage in these types of transactions, prior approval shall be obtained from the SFC and no less than one month's prior notice will be given to the Unitholders.

The investment strategy of the Sub-Fund is subject to the investment and borrowing restrictions set out in Part 1 of this Prospectus.

Distribution Policy

The Manager does not intend to distribute income to Unitholders.

The Index

This section is a brief overview of the Index. It contains a summary of the principal features of the Index and is not a complete description of the Index. As at the date of this Prospectus, the summary of the Index in this section is accurate and consistent with the complete description of the Index. Complete information on the Index appears in the website identified below. Such information may change from time to time and details of the changes will appear on that website.

General Information on the Index

The Index was launched on 14 October 2015 and captures globally listed stocks (excluding A-Shares listed on the Shenzhen and Shanghai Stock Exchanges) where the company's country of primary operations is in the Asia Pacific region, excluding Japan. "Country of primary operations" is defined as the country where the company is headquartered or derives more than 80% of its revenue. Countries included in the Asia Pacific ex-Japan region are Australia, the PRC, Hong Kong, India, Indonesia, South Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan and Thailand.

The Index utilises CLSA Limited's "Growth At a Reasonable Yield" (GARY) strategy. Constituents must pass through a rule-based screening process that is designed to ensure a higher level of investibility and tradability. A set of quantitative screens relating to dividend yield, growth, quality and sustainability of dividend are applied during the index construction process. Please refer to the section "Index Constituents Selection Criteria" below for further details.

The Index is a total net return index. A total net return index means that the performance of the index constituents is calculated on the basis that any dividends and distributions are reinvested after withholding tax deductions. The Index is denominated and quoted in HKD.

The Index is an equal-weighted index and has a minimum of 20 constituents at all times. As at 18 April 2016, the Index comprised 62 constituents with a total market capitalisation of approximately USD637 billion. The base date of the Index is set at 31 December 2009 with a base value of 100.

CLSA Limited is the Index Provider and owns the intellectual property of the Index. CLSA Limited is in compliance with the IOSCO Principles for Financial Benchmarks and, as an SFC regulated firm, has robust control systems and processes in respect of its role as the Index Provider of the Index. The Index was designed by CLSA Limited's research team. S&P Opco, LLC (the "Index Calculation Agent"), a subsidiary of S&P Dow Jones Indices LLC, is responsible for the operation, calculation and maintenance of the Index as well as publication and record keeping pursuant to a custom index agreement with CLSA Limited (the "Custom Index Agreement"). The calculations made by the Index Calculation Agent in its role to operate, calculate and maintain the Index cannot be overridden by CLSA Limited. The indices team of CLSA Limited (the "CLSA Index Team") is responsible for validating any changes to the constituents in the Index to ensure that they meet the screening criteria in the Index methodology. In the case that there are any issues with the construction, calculation, maintenance and review of the methodology or rules of the Index or with CLSA Limited providing the Index to the Manager, or any issues relating to the Index generally, the Index Calculation Agent will provide its index expertise to CLSA Limited to resolve any such issues.

CLSA Limited and the Index Calculation Agent have formed a CLSA Indexing Oversight Committee (the “Committee”) on a permanent basis. The Committee will be constituted with two senior employees from each of CLSA Limited and the Index Calculation Agent and the Chairman will be a senior executive from the Trustee. The Committee has been established to review and/or modify the index operation, calculation of the CLSA indices, including the Index and procedures relating thereto, and to review any proposals made by CLSA Limited or the Index Calculation Agent to modify the CLSA indices. The Committee will have ultimate responsibility for overseeing the CLSA indices, including the Index. The members of the Committee are selected based on their respective index experience and expertise. The Committee will meet quarterly (and more frequently from time to time if necessary) to review the overall indexing capability and methodology of the CLSA indices, including the Index.

The Manager and its Connected Persons are independent from the Index Calculation Agent. The Index Provider is a Connected Person of the Manager but the Manager is operationally independent of CLSA Limited’s research team and the CLSA Index Team. Please refer to the section “Reliance on the CLSA Group and Potential Conflicts of Interests” below for further details.

The Manager will consult the SFC on any events that may affect the acceptability of the Index, and any significant events relating to the Index (such as a change in the methodology/rules for compiling or calculating the Index, or a change in the objective or characteristic of the Index) will be notified to Unitholders as soon as practicable.

Index Constituents Selection Criteria

To be included in the Index, a company must pass through four screening steps and satisfy the quantitative criteria in each step as described below.

Step 1: Investible Universe

This step identifies the investible universe based on the location of the company’s headquarter or operations, liquidity of the stock, place of listing and size.

Quantitative screen	Definition	Threshold for new entrants	Threshold for existing constituents
Country of Primary Operations	Country of primary operations means: (i) country where the company is headquartered; or (ii) country where more than 80% of the company’s revenue is derived. Countries included in the Asia Pacific ex-Japan region are Australia, the PRC, Hong Kong, India, Indonesia, South Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan and Thailand.	Asia Pacific ex-Japan region	Asia Pacific ex-Japan region

Quantitative screen	Definition	Threshold for new entrants	Threshold for existing constituents
Liquidity	<p>Average daily turnover for the last three month must exceed specified thresholds.</p> <p>Daily turnover is calculated by multiplying daily closing price in USD with daily traded volume.</p> <p>Stocks that have been suspended or not available for trading in the past three month period will not be considered for selection into the investible universe.</p>	Greater than USD2 million	Greater than USD1 million
Place of listing	Stocks must be listed on stock exchanges located in the Asia Pacific ex-Japan region (excluding the Shanghai and Shenzhen Stock Exchanges) and/or other major global exchanges (e.g. New York or London).	Global stock exchanges excluding the Shanghai and Shenzhen Stock Exchanges	Global stock exchanges excluding the Shanghai and Shenzhen Stock Exchanges
Size	<p>Full market capitalisation must exceed specified thresholds.</p> <p>Full market capitalisation means total market capitalisation for the company's shares listed globally.</p> <p>No free float adjustment is used for calculating full market capitalisation as the index constituents are equal weighted.</p>	Greater than USD500 million	Greater than USD400 million

Step 2: High-Yield Universe

This step aims to capture stocks within the investible universe that have relatively higher dividend yield. Consensus data provided by FactSet is used to obtain the dividend forecast for the first fiscal year, as past dividends may not be the best indicator for future dividend payments.

Quantitative Screen	Definition (Consensus data provided by FactSet)	Threshold for new entrants	Threshold for existing constituents
Dividend Yield	<p>Consensus dividend yield for the first unreported fiscal year (FY1):</p> $= \frac{\text{Mean consensus FY1 dividend per share forecast}}{\text{Stock price}} \times 100\%$	Greater than 3%	Greater than 2.5%

Stocks with a dividend yield greater than 3% within the investible universe in the country of primary operations of an individual stock, based on the results from Step 2, are referred to in this Appendix as “Country High-Yield Stocks”.

Step 3: Growth and Quality within the High-Yield Universe

This step aims to (1) identify high-yield stocks with relatively higher growth in earnings and profitability when compared to the median figures for the high-yield stocks within the investible universe of the respective country of primary operations (Research by CLSA Limited’s research team suggests that companies that deliver earnings while paying out a consistent dividend tend to provide strong returns over the longer-term); and (2) exclude companies that may be growing their earnings at the expense of profitability measured through return on invested capital (“ROIC”) or return on equity (“ROE”).

Quantitative Screen	Definition (Consensus data provided by FactSet)	Threshold for new entrants	Threshold for existing constituents
Earnings*	<p>Consensus earnings per share (“EPS”) growth for the second unreported fiscal year (FY2):</p> $= \frac{\text{FY2 EPS} - \text{FY0 EPS}}{\text{Absolute value of FY0 EPS}} \times 100\%$ <p>where:</p> <ul style="list-style-type: none"> • FY0 = last reported fiscal year • Values are capped at +/-100% 	Greater than the median value of EPS growth for the respective Country High-Yield Stocks	Greater than the median value of EPS growth for the respective Country High-Yield Stocks, minus 5%
Profitability^ **	<p>Year-over-year percentage change of ROIC or ROE (last reported fiscal year (FY0) divided by one year prior to reported fiscal year (FY-1))</p> <p>ROIC:</p> $= \frac{\text{Post-tax EBIT}^\#}{\text{Average invested capital}} \times 100\%$ <p>(# earnings before interest and taxes)</p> <p>ROE (used in place of ROIC for financial stocks such as banks, insurance and diversified financials):</p> $= \frac{\text{Profit after tax}}{\text{Average equity}} \times 100\%$	Greater than the median value of year-over-year percentage change of ROIC or ROE for the respective Country High-Yield Stocks	Greater than the median value of year-over-year percentage change of ROIC or ROE for the respective Country High-Yield Stocks, minus 5%

Step 4: Sustainability of Dividend Yield

This step aims to exclude companies where dividend yield may not be sustainable because the company (1) may need to deleverage the balance sheet; (2) may not have the ability to fund dividends through free cash flow due to a high capital expenditure requirement; (3) may have an inconsistent dividend history; and/or (4) may have seen a significant drop in share price compared to the market which suggests a sudden operational or corporate governance issue which may potentially impact dividend payments.

Quantitative Screen	Definition	Threshold for new entrants	Threshold for existing constituents
Sustainable gearing** (not applicable to financial stocks such as banks, insurance and diversified financials)	Last reported net gearing: $= \frac{\text{Latest net debt}}{\text{Latest total shareholders' equity}} \times 100\%$	Less than 80% net debt to equity	Less than 80% net debt to equity
Dividend track record	Dividend per share (“DPS”) has not been cut by more than the respective thresholds for the preceding three year period and five year period. (A stock for which DPS record is not available for at least three of the most recent years will be rejected.)	DPS has not been cut by more than 25% in any of the past three years and more than 90% in any of the past five years	DPS has not been cut by more than 25% in any of the past three years and more than 90% in any of the past five years
Free cash flow yield** (not applicable to financial stocks such as banks, insurance and diversified financials)	Free cash flow yield: $= \frac{\text{Last reported fiscal year (FY0) free cash flow}}{\text{Latest company market capitalisation}} \times 100\%$	Greater than 0	Greater than 0

Quantitative Screen	Definition	Threshold for new entrants	Threshold for existing constituents
Price change	Percentage change in price over last 3 months and percentage change in price over last 12 months “Country High-Yield Median Price Change” = median percentage change in price of the respective Country High-Yield Stocks.	Percentage change in price over last 3 months does not underperform the respective Country High-Yield Median Price Change by 25% or more; and percentage change in price over last 12 months does not underperform the respective Country High-Yield Median Price Change by 40% or more	Percentage change in price over last 3 months does not underperform the respective Country High-Yield Median Price Change by 25% or more; and percentage change in price over last 12 months does not underperform the respective Country High-Yield Median Price Change by 40% or more

* *The threshold median value of EPS growth for the respective Country High-Yield Stocks can be negative during a market downturn. In a worst case scenario, median FY2 EPS growth reached – 36.7% during the global financial crisis. At that time the threshold for existing constituents would have been – 41.7% FY2 EPS growth.*

^ *The threshold median value of year-over-year percentage change of ROIC or ROE for the respective Country High-Yield Stocks can be negative during a market downturn. In a worst case scenario, median year-over-year percentage change of ROIC or ROE reached – 56.8% during the global financial crisis. At that time the threshold for existing constituents would have been – 61.8% year-over-year percentage change of ROIC or ROE.*

** *Financial and non-financial companies can have different sources of capital. For non-financial companies, the conventional sources of capital are debt and equity. For financial companies, debt is used as part of its core operations, as is the case for a bank. A bank uses debt (or customer deposits) as a raw material, which is then packaged into various financial products that earn a rate higher than what the bank is paying its deposit holders. Hence, as the definition of debt for financial companies is not directly comparable to that of non-financial companies, similarly their ROIC and gearing ratios are not comparable with non-financial companies.*

For the free cash flow quantitative screen, capital expenditure and working capital are its two important components. Calculating both in case of financial companies is difficult. For example, capital expenditure for non-financial companies is investments into plant, equipment and other fixed assets. However, in the case of financial companies, investment is primarily into the intangible assets such as brand and human resources, which are typically accounted for as operating expenses rather than capital expenses.

Working capital which is defined as the difference between current assets and current liabilities can have significant variation in the case of a bank. A large portion of a bank’s balance sheet typically fall into either of these two categories and a change in these numbers can cause significant volatility in the working capital. Thus given such constraints associated with the calculation of capital expenditure and working capital for financial companies, it is not applicable to compare cash flow ratios with non-financial companies.

Index Periodical Review

The constituents of the Index are reviewed and rebalanced quarterly at the close of the third Friday of each January, April, July and October.

The Index will maintain a minimum of 20 constituents. If the number of eligible securities falls below 25, a review of the selection criteria will be undertaken. If there is a need to change the Index (such as a change in the methodology or rules for compiling or calculating the Index, or a change in the objective or characteristic of the Index) in order to rectify the amount of eligible stocks which can be considered for inclusion, then the Manager will consult with the SFC. The Manager will provide at least one month's prior written notice (or any such longer periods as may be required) to Unitholders or otherwise notify Unitholders as soon as practicable if there is a significant change relating to the Index in accordance with the Code and any other applicable regulatory requirements.

Top 10 Constituents by Market Capitalisation

As at 18 April 2016, the 10 largest constituents by market capitalisation of the Index (which accounted in aggregate for approximately 16.06% of the Index*) were as follows:

	Company name	Exchange	Sector	Weighting %*
1	Taiwan Semiconductor Manufacturing Co Ltd	Taiwan	Information Technology	1.59
2	National Australia Bank Ltd	Australia	Financials	1.61
3	Singapore Telecommunications Ltd	Singapore	Telecommunication	1.62
4	Wesfarmers Ltd	Australia	Consumer Staples	1.60
5	BOC Hong Kong (Holdings) Ltd.	Hong Kong	Financials	1.60
6	DBS Group Holdings	Singapore	Financials	1.61
7	Telekomunikasi Indonesia Tbk PT	Indonesia	Telecommunication	1.67
8	United Overseas Bank	Singapore	Financials	1.60
9	Astra International Tbk PT	Indonesia	Consumer Discretionary	1.58
10	Macquarie Group Ltd	Australia	Financials	1.58

* *This is an equal-weighted index.*

Further information on the Index, including methodology and ground rules of the Index, is available at the Manager's website at www.xieshares.com.hk.

Index Code

Bloomberg Code: CLSAGNH

Index Provider Disclaimer

The Sub-Fund is not in any way sponsored, endorsed, sold or promoted by CLSA Limited in its capacity as Index Provider and CLSA Limited will not make any warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the Index and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. In addition, CLSA Limited makes no representation or warranty, express or implied, to the owners of the Sub-Fund or any member of the public regarding the advisability of investing in securities generally or in the Sub-Fund particularly or the ability of the Index to track general market performance. CLSA Limited does not guarantee the accuracy and/or the completeness of the Index or any data included therein. The Index is compiled and calculated by S&P Opco, LLC. However, neither CLSA Limited nor S&P Opco, LLC shall be liable (whether in negligence or otherwise) to any person for any error, omission or interruption in the Index and neither CLSA Limited nor S&P Opco, LLC shall be under any obligation to advise any person of any error, omission or interruption therein. CLSA Limited makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the Index or any data included therein. Without limiting any of the foregoing, in no event shall CLSA Limited have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages. CLSA Limited is not responsible for and has not participated in the determination of the prices and amount of the Sub-Fund or the timing of the issuance or sale of the Sub-Fund or in the determination or calculation of the equation by which the Sub-Fund may be converted into cash or other redemption mechanics. CLSA Limited has no obligation or liability in connection with the administration, marketing or trading of the Sub-Fund. Inclusion of a security within the Index is not a recommendation by CLSA Limited to buy, sell, or hold such security, nor is it investment advice.

Index Licence Agreement

The Manager is licensed to use the Index under an index licence agreement with CLSA Limited. The initial term of the licence of the Index commenced on 18 September 2015 and will initially continue for 4 years. After the expiration of the initial 4 year term, the licence should be automatically renewed for successive terms of 2 year unless either party to the licence agreement gives at least 6 months' notice of termination prior to the end of the then current term to the other party. The licence agreement may otherwise be terminated in accordance with the provisions of the licence agreement.

Custom Index Agreement

Subject to the terms of the Custom Index Agreement, the Index Calculation Agent agrees to calculate and maintain the Index and to disseminate to CLSA Limited the values of the Index and CLSA Limited shall provide specifications such as constituents and rules of the Index and such other information reasonably required by the Index Calculation Agent to perform its obligations under the Custom Index Agreement. CLSA Limited has granted the Index Calculation Agent a non-exclusive, worldwide licence the right to publish values of the Index on the Index Calculation Agent's custom indices website in accordance with the terms of the Custom Index Agreement, and the Index Calculation Agent acknowledges that CLSA Limited may use or permit the use of the Index in connection with the creation, structuring, development, managing, trading, marketing and/or promotion of any investment product that is based on, or seeks to match the performance of the Index (such as the Sub-Fund).

The initial term of the Custom Index Agreement commenced on 18 September 2015 and will initially continue for four years. After the expiration of the initial four year term, the Custom Index Agreement should be automatically renewed for successive terms of two years unless either party to the Custom Index Agreement gives at least three months' notice to the other party prior to the expiration of the term then in effect of its decision not to renew the term. The Custom Index Agreement may otherwise be terminated in accordance with the provisions of the Custom Index Agreement.

Listing Timetable

The Initial Offer Period commences at 9:00 a.m. (Hong Kong time) on 4 November 2015 and ends at 5:00 p.m. (Hong Kong time) on 6 November 2015, or such other date as the Manager may determine.

The Listing Date is expected to be on 11 November 2015 but may be postponed by the Manager to a date no later than 20 November 2015.

Dealings in the Units on the SEHK will commence on the Listing Date.

Please refer to the section on “The Offering Phases” in the Part 1 of this Prospectus for details. The following table summarises all key events and the Manager’s expected timetable (all references to times are to Hong Kong time):

<p>Initial Offer Period commences</p> <ul style="list-style-type: none"> This is the time starting from when Participating Dealers may apply for creation for themselves or for their clients in Application Unit size for creation, as set out in the relevant Appendix. 	<p>9:00 a.m. (Hong Kong time) on 4 November 2015, or such other date as the Manager may determine</p>
<p>Initial Offer Period ends</p> <ul style="list-style-type: none"> This is the latest time for Creation Applications by Participating Dealers for Units to be available for trading on the Listing Date. 	<p>5:00 p.m. (Hong Kong time) on 6 November 2015, or such other date as the Manager may determine</p>
<p>Listing Date</p> <ul style="list-style-type: none"> This is the date on which dealings in the Units on the SEHK will start. 	<p>Expected to be 11 November 2015, but may be postponed by the Manager to a date no later than 20 November 2015</p>

<p>After Listing</p> <ul style="list-style-type: none"> • This is the period when: <ul style="list-style-type: none"> • all investors may trade Units on the SEHK through any designated brokers; • Participating Dealers may apply for creation and redemption (for themselves or for their clients) continually. 	<ul style="list-style-type: none"> • Commence at 9:30 a.m. on 11 November 2015, but may be postponed by the Manager to a date no later than 20 November 2015 • From 9:00 a.m. to the applicable Dealing Deadline on each Dealing Day
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Stamp Duty

Sub-Fund: Under a remission order issued by the Secretary for the Treasury on 20 October 1999, any Hong Kong stamp duty on the transfer of Securities to the Trust or the Sub-Fund by a Participating Dealer by a Creation Application will be remitted or refunded. Similarly, Hong Kong stamp duty on the transfer of Securities by the Trust or the Sub-Fund to a Participating Dealer upon redemption of Units will also be remitted or refunded.

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

Unitholders: Pursuant to the Stamp Duty (Amendment) Ordinance 2014, effective 13 February 2015, stamp duty payable in respect of any contract notes or instruments of transfer relating to transactions in the shares or units of an exchange traded fund (as defined in Part 1 to Schedule 8 of the Stamp Duty Ordinance) on the SEHK is not payable. Accordingly transfers of Units do not attract stamp duty and no stamp duty is payable by Unitholders on any transfer.

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

Fees and Charges

Management Fee: The Management Fee in respect of the Sub-Fund is 0.70% per year of the Net Asset Value and is accrued daily and calculated as at each Dealing Day. It is payable out of the Sub-Fund monthly in arrears in HKD. The Trustee's, Administrator's and Custodian's fees and expenses are paid by the Manager out of the Management Fee. Please refer to the section "Fees and Expenses" in Part 1 of this Prospectus for more detail.

Registrar's Fee: The Registrar's fee in respect of the Sub-Fund is HKD54,000 per annum payable out of the Sub-Fund monthly in arrears.

Estimated Ongoing Charges: The estimated ongoing charges of the Sub-Fund (being newly established), which is the sum of anticipated expenses of the Sub-Fund expressed as a percentage of the estimated average Net Asset Value of the Sub-Fund, is estimated to be 0.90% per annum. Because the Sub-Fund is newly established this is the Manager's best estimate of the ongoing charges. The establishment costs of the Sub-Fund are also included in the ongoing charges calculation. Ongoing expenses are generally payments deducted from the assets of the Sub-Fund where these are permitted by the Trust Deed, the Code and the law. These include all types of cost borne by the Sub-Fund, whether incurred in its operation or the remuneration of any party. The ongoing charges do not represent the estimated tracking error.

Transaction Fee, Application cancellation fee, Extension Fee and Partial Delivery Request Fee: These fees, payable by Participating Dealers, are payable in HKD. Please refer to the section "Fees and Expenses" in Part I of this Prospectus for more detail.

Establishment costs

The cost of establishing the Sub-Fund, including the updating of and addition of this Appendix to this Prospectus, inception fees, the costs of seeking and obtaining the listing and authorisation by the SFC and all relevant legal and printing costs was approximately HKD2.5 million. Such establishment costs will be borne by the Sub-Fund and amortised over the first 5 accounting periods of the Sub-Fund (or such other period as determined by the Manager).

Risk Factors Specific to the Sub-Fund

In addition to the risk factors presented in Part 1 of this Prospectus (all of which are relevant to the Sub-Fund), the risk factors set forth below are also specific risks, in the opinion of the Manager, considered to be relevant and presently applicable specifically to the Sub-Fund.

High Dividend Yield Securities

The Sub-Fund invests in high dividend yield Securities which may offer a higher rate of dividend yield. However, high dividend yield Securities are subject to risks that the dividend could be reduced or abolished, or the risks that the value of the Securities could decline or have lower-than-average potential for price appreciation.

Emerging Markets

Investments in many of the markets to which the Index relates are currently exposed to risks pertaining to emerging markets in Asia generally. These include risks brought about by investment ceiling limits where foreign investors are subject to certain holding limits and constraints imposed on trading of listed Securities where a registered foreign investor may only maintain a trading account with one licensed Securities company in the relevant market. These may contribute to the illiquidity of certain of the relevant Securities markets, as well as create inflexibility and uncertainty as to the trading environment.

Investments in many of the markets to which the Index relates are also subject to certain special risks relating to emerging markets generally, including, but not limited to: generally less liquid and less efficient Securities markets; generally greater price volatility; exchange rate fluctuations and exchange control; imposition of restrictions on the expatriation of funds or other assets; less publicly available information about issuers; the imposition of taxes; higher transaction and custody costs; settlement delays and risk of loss; difficulties in enforcing contracts; less liquidity and smaller market capitalisations; less well regulated markets resulting in more volatile stock prices; different accounting and disclosure standards; governmental interference; higher inflation; social, economic and political uncertainties; the risk of nationalisation and expropriation of assets and the risk of war.

Asia Pacific ex-Japan Market Concentration

The Sub-Fund is subject to concentration risk as a result of tracking the performance of a single geographical region (Asia Pacific ex-Japan). The Sub-Fund may likely be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value of the Index resulting from adverse conditions in the Asia Pacific ex-Japan region.

Reliance on the CLSA Group and Potential Conflicts of Interests

The Index Calculation Agent of the Sub-Fund is S&P Opco, LLC which is responsible for the operation, calculation and maintenance of the Index as well as publication and record keeping. However the Index was designed by CLSA Limited's research team and CLSA Limited, the Index Provider, owns the intellectual property of the Index. As such the Manager is licensed to use the Index under an index licence agreement with CLSA Limited. The Manager and its Connected Persons are

independent from the Index Calculation Agent. However, CLSA Limited and the Manager, which is owned as to 49% by CLSA Hong Kong Holdings Limited, are Connected Persons as they are members of the CLSA group of companies (the “CLSA Group”). This may give rise to potential conflicts of interest.

Nonetheless, the Manager does not consider this will be a risk for the following reasons:

- (a) The operation, calculation and maintenance of the Index is the responsibility of and will be performed by the Index Calculation Agent, S&P Opco, LLC.
- (b) The ultimate responsibility for overseeing the CLSA indices, including the Index, will rest with the Committee, which CLSA Limited and the Index Calculation Agent have formed on a permanent basis. The Committee will have equal representation from both CLSA Limited and the Index Calculation Agent and the Chairman will be a senior executive from the Trustee, and will meet quarterly (and more frequently from time to time if necessary) to review the overall indexing capability and methodology of the CLSA indices, including the Index.
- (c) The Manager is operationally independent of CLSA Limited’s research team and the CLSA Index Team. The Manager’s investment management operations and the operations of CLSA Limited’s research team and the CLSA Index Team are under the responsibility of different staff and management teams. Although Mr Nigel Beattie and Mr Xen Gladstone are directors of the Manager as well as CLSA Limited, neither serves in an executive capacity with the Manager and both will abstain from participating in any decision regarding the Sub-Fund if and when such matters are discussed at the Manager’s board meetings. CLSA Limited’s research team’s and the CLSA Index Team’s operations report directly to different heads and functions within the CLSA Group and the Manager’s operations are organised under a different corporate entity from those of CLSA Limited’s research team and the CLSA Index Team.
- (d) There are “Chinese walls” created and maintained within CLSA Limited which impose strict obligations of confidentiality on its staff. Information is disclosed between different operations within the CLSA Group on a need-to-know basis only and is not disclosed to the Manager.
- (e) Both CLSA Limited (CE Number: AAB893) and the Manager (CE Number: AHK550) are SFC licensed corporations which operate independently and, as distinct entities, maintain separate offices and IT systems. Both CLSA Limited and the Manager have IT firewall procedures in place to restrict access to important systems and business information to authorised personnel. Staff of CLSA Limited and the Manager are required to comply with each company’s own internal policies and procedures and are subject to each company’s IT security requirements.
- (f) As indicated in the section on “Index Methodology” above, the Index has a clear, rule-based methodology which is well documented and by which the Index is calculated.
- (g) CLSA Limited owns the intellectual property of the Index and contracts the Index Calculation Agent to provide services for the operation, calculation and maintenance of the Index as well as publication and record keeping. The Manager is licensed to use the Index under an index licence agreement with CLSA Limited on arm’s length terms.

If and to the extent any conflict of interest with CLSA Limited in relation to the Index arises, the Manager will, at all times, have regard in such event to its obligations to the Sub-Fund and Unitholders and will endeavour to ensure such conflicts are resolved fairly and in accordance with applicable law and regulation.

Government Intervention and Restrictions

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

Accounting and Reporting Standards

Accounting, auditing and financial reporting standards and practices applicable to companies whose business is significantly exposed to emerging markets in the Asia Pacific region 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.

Differences in Trading Times

As the stock exchanges on which constituent Securities are traded may be open when Units are not priced, the value of the Securities in the Sub-Fund's portfolio may change on days when investors will not be able to purchase or sell the Units. Furthermore, the market price of underlying Securities listed on stock exchanges other than SEHK may not be available during all or part of the SEHK trading sessions due to trading hour differences, which may result in the trading price of the Sub-Fund deviating from the Net Asset Value (i.e. the trading price at a premium or a discount to the Net Asset Value).

War or Terrorist Attacks

There can be no assurance that there will not be any terrorist attacks which could have direct or indirect effect on the markets in which investments of the Sub-Fund may be located and the corresponding political and/or economic effects arising therefrom if any, may in turn adversely affect the operation and profitability of the Sub-Fund.

New Index Provider and new Index

The Index is a new index and is launched by a new Index Provider, CLSA Limited. The Sub-Fund is the first exchange traded fund tracking an index issued by the Index Provider. Although the Index Provider and its group companies have index-related research experience, including but not limited to their experience in developing a variety of well-known, widely-followed thematic research strategies and indices for their clients since 2002, the Index Provider has not to date acted as an index provider for any SFC authorised fund and the Index will be the first index for which it will be responsible as an index provider for SFC authorised funds. The Index Provider will be assisted by the Index Calculation Agent, which will calculate and maintain the Index and has the necessary expertise, experience and systems to do so. However, given that the Index Provider (and the Index) is new, the Sub-Fund may be riskier than other exchange traded funds tracking more established indices with longer operating history or indices sponsored by index provider with longer operating history.

Reliance on the Index Calculation Agent

Pursuant to the Custom Index Agreement with the Index Provider, the Index Calculation Agent agrees to calculate and maintain the Index. In addition, to ensure sufficient expertise in operating the Index, the Index Provider also relies on the Index Calculation Agent to provide continuous on-going support in terms of index expertise to the Index Provider. If the Index Calculation Agent ceases to provide such on-going support to the Index Provider or ceases acting as index calculation agent in respect of the Index by giving at least three months' advance notice to CLSA Limited, the Index Provider may

not be able to immediately find a successor index calculation agent with the requisite expertise or resources and any new appointment may not be on equivalent terms or of similar quality. It is possible that the Index Provider will need to compile and maintain the Index by itself in the interim until a new index calculation agent is appointed. In those circumstances there is a risk that the operations and publication of the Index may be disrupted which may adversely affect the operations and performance of the Sub-Fund. In an extreme case, the Index may as a result cease to satisfy the requirements of the Code and so become unavailable as one to be tracked by the Sub-Fund, in which case the Sub-Fund may be terminated under the Trust Deed.

Liquidity of Units

Units will be new Securities and following listing on the SEHK, it is unlikely that the Units will initially be widely held. In turn this may affect the liquidity and trading price of the Units in the secondary market.

Operating Issues

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

Appendix dated 29 April 2016