

**IMPORTANT:**

**This document is important and requires your immediate attention. If you are in any doubt about the contents of this Announcement and Notice, you should seek professional advice. Investment involves risks which may result in significant loss as there is no guarantee on investment returns.**

If you have sold or transferred all your Units in the C-Shares CSI 300 Index ETF, C-Shares CSI Consumer Staples Index ETF, and/or C-Shares CSI Healthcare Index ETF, you should at once hand this Announcement and Notice to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited (“**HKEx**”), The Stock Exchange of Hong Kong Limited (“**SEHK**”), Hong Kong Securities Clearing Company Limited (“**HKSCC**”) and the Securities and Futures Commission (“**SFC**”) take no responsibility for the contents of this Announcement and Notice, 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 Announcement and Notice.

China Universal Asset Management (Hong Kong) Company Limited (“**Manager**”) accepts full responsibility for the accuracy of the information contained in this Announcement and Notice as at the date of publication, and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief, as at the date of publication, there are no other facts the omission of which would make any statement misleading.

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.

**CHINA UNIVERSAL INTERNATIONAL ETF SERIES  
(the “Trust”)**

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

**C-Shares CSI 300 Index ETF  
(Stock Codes: 83008 (RMB counter) and 03008 (HKD counter))**

**C-Shares CSI Consumer Staples Index ETF  
(Stock Codes: 83107 (RMB counter) and 03107 (HKD counter))**

**C-Shares CSI Healthcare Index ETF  
(Stock Codes: 83132 (RMB counter) and 03132 (HKD counter))**

**(each a “Sub-Fund”, and collectively, the “Sub-Funds”)**

**Announcement and Notice**

**PROPOSED CESSATION OF TRADING, TERMINATION, VOLUNTARY  
DEAUTHORISATION AND DELISTING AND WAIVERS FROM STRICT COMPLIANCE  
OF CERTAIN PROVISIONS OF THE CODE**

**IMPORTANT:** Investors are strongly advised to consider the contents of this Announcement and Notice. This Announcement and Notice is important and requires your immediate attention. It concerns the proposed cessation of trading of Units of the Sub-Funds on SEHK, the proposed termination and voluntary deauthorisation of the Trust and the Sub-Funds and proposed delisting of the Sub-Funds on SEHK, and the waivers from strict compliance of certain provisions of the Code on Unit Trusts and Mutual Funds (“**Code**”) for the period from 16 January 2018 (“**Trading Cessation Date**”) to the date of deauthorisation and delisting (“**Deauthorisation and Delisting Date**”). In particular, investors should note that:

- taking into account the relevant factors, including, the relatively small Net Asset Value of the Sub-Funds (see further details of the factors in the sub-section headed “2.1 Ground for Termination” below), the Manager has, by means of a resolution of the board of directors of the Manager dated 5 December 2017, decided to exercise its power under Clause 27.3 of the Trust Deed to terminate the Trust and the Sub-Funds with effect from the Termination Date (as defined below). The Manager has given written notice to BOCI-Prudential Trustee Limited (the “**Trustee**”) notifying the Trustee of its proposal to terminate the Trust and the Sub-Funds, and the Trustee does not object to the proposal;
- the last day on which investors may buy or sell Units of the Sub-Funds on SEHK will be 15 January 2018 (“**Last Trading Day**”). This is also the last day on which redemption of Units of the Sub-Funds in the primary market may be made in the usual manner for processing in accordance with the Prospectus of the Trust and the Sub-Funds (“**Prospectus**”), but no creation of Units of the Sub-Funds in the primary market through any Participating Dealers will be allowed from 18 December 2017;
- Units of the Sub-Funds will cease trading on SEHK from the Trading Cessation Date; that means, no further buying or selling Units of the Sub-Funds on SEHK will be possible from the Trading Cessation Date. In addition, no redemption of Units of the Sub-Funds in the primary market will be accepted from the Trading Cessation Date;
- during the period from the Trading Cessation Date until the Deauthorisation and Delisting Date, the Manager will maintain the Trust’s and the Sub-Funds’ SFC authorisation status and the Sub-Funds’ SEHK listing status. However, subject to the treatment of the Suspended Stocks (please refer to the section headed “5. Treatment of Suspended Stocks” below), the Manager will aim to realise all the assets of the Sub-Funds from the Trading Cessation Date. Accordingly, from the Trading Cessation Date: (i) there will be no further trading of Units of the Sub-Funds on SEHK and no further redemption applications of Units of the Sub-Funds in the primary market will be accepted; (ii) the Manager will start to realise all the assets of the Trust and the Sub-Funds (subject to the treatment of the Suspended Stocks) and the Sub-Funds will mainly hold cash and the Suspended Stocks and therefore cease to track each of their respective Underlying Index and will not be able to meet their respective investment objectives of tracking the performance of each of their respective Underlying Index; (iii) the Trust and the Sub-Funds will no longer be marketed to the public in Hong Kong; and (iv) the Sub-Funds will only be operated in a limited manner;
- with a view to minimising further costs, fees and expenses in managing the Trust and the Sub-Funds following the Trading Cessation Date and in the best interest of Unitholders, the Manager has applied to the SFC for, and has been granted, waivers from strict compliance with the following provisions of the Code for the period from the Trading Cessation Date to the Deauthorisation and Delisting Date: (i) Chapter 10.7 (with regard to publishing suspension announcements); (ii) paragraphs 4, 17(a) and 17(b) of Appendix I (with regard to providing estimated Net Asset Value or RUPV (i.e. Reference Underlying Portfolio Value, which is updated at 15 second intervals during trading hours) and last closing Net Asset Value on a real time or near-real time basis) and (iii) Chapters 6.1 and 11.1B (with regard to

updating the Prospectus and the product key facts statements of the Sub-Funds (“KFS”). The details and the conditions on which such waivers are granted are as described in the section headed “10. Waivers” below;

- the Manager confirms that, save for the particular provisions of the Code set out in sub-sections 10.2 to 10.4 below, the Manager will continue to comply with all the other applicable provisions of the Code and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Trust Deed and other applicable laws and regulations in respect of the Trust and the Sub-Funds until the Deauthorisation and Delisting Date;
- the Manager will, after having consulted the Trust’s and the Sub-Funds’ auditor and the Trustee, declare an Interim Distribution (please refer to the section headed “4. Impacts of Proposed Realisation of Assets and Interim Distribution” below for further information) to the Unitholders who hold Units in the Sub-Funds as at close of business on 23 January 2018 (such Unitholders being the “**Relevant Investors**” and such date being the “**Distribution Record Date**”), and the Interim Distribution will be payable on or around 28 February 2018 (“**Interim Distribution Date**”);
- certain stock(s) held by the Sub-Funds may be suspended from trading on the Shanghai Stock Exchange or the Shenzhen Stock Exchange as at the Interim Distribution Date. To allow Unitholders to receive distributions without delay, the Interim Distribution will be made on the Interim Distribution Date in respect of the realised assets of the Sub-Funds, despite the fact that the Suspended Stocks are yet to be realised. When all the Suspended Stocks resume trading and are disposed, a Final Distribution (as defined in the section headed “4. Impacts of Proposed Realisation of Assets and Interim Distribution” below) will be made to the Relevant Investors on the Final Distribution Date (as defined below). The Manager will issue an announcement at least one business day before the Final Distribution Date (as defined below) to provide updates on the disposal of the Suspended Stocks and Final Distribution;
- by the date (i) all Suspended Stocks are disposed and distributions are made to the Relevant Investors and (ii) the Trustee and the Manager have formed an opinion that the Trust and the Sub-Funds cease to have any outstanding contingent or actual liabilities or assets, the Trustee and the Manager will commence the completion of the termination of the Trust and the Sub-Funds and such termination date is expected to be on or before 14 December 2018 (“**Termination Date**”). The Manager will publish an announcement on the Termination Date about the termination, deauthorisation and delisting of the Sub-Funds;
- if any of the Suspended Stocks has not resumed trading by 30 November 2018, the Manager will issue an announcement on such date to inform Unitholders of the extension of the period of Final Distribution and the postponement of the Termination Date;
- subject to SEHK’s approval, the Manager expects the Delisting to take effect at or around the same time as the Deauthorisation, which is expected to be on or around the Deauthorisation and Delisting Date;
- the Manager expects that the Deauthorisation and Delisting will take place either on the Termination Date or immediately after the Termination Date (please note that any product documentation of the Trust and the Sub-Funds previously issued to investors, including the Prospectus and the KFS, should be retained for personal use only and not for public circulation);
- the Manager will continue to cap the ongoing charges of each Sub-Fund at 3% per annum of the average Net Asset Value of the relevant Sub-Fund until the Termination Date. The Manager will bear all the costs and expenses associated with the proposed termination and

voluntary deauthorisation of the Trust and the Sub-Funds and proposed delisting of the Sub-Funds on the SEHK (other than the operating expenses such as transaction costs and any taxes relating to the realisation of assets of a Sub-Fund) from the date of this Announcement and Notice up to and including the Termination Date and that it has not / will not make any provision in respect of such costs and expenses. The Manager has agreed to continue to waive the management fee for each Sub-Fund until the Termination Date;

- investors should pay attention to the risk factors as set out in the sub-section headed “12.1 Risk Factors relating to the Proposed Cessation of Trading, Termination, Deauthorisation and Delisting” below (including liquidity risk, Units trading at a discount or premium and Market Makers’ inefficiency risk, tracking errors during the period from the date of this Announcement and Notice to the Last Trading Day risk, Net Asset Value downward adjustment risk, failure to track the Underlying Indices risk and delay in distribution risk). Investors should exercise caution and consult with their professional and financial advisers before dealing in the Units in the Sub-Funds or otherwise deciding on the course of actions to be taken in relation to their Units in the Sub-Funds.

Stockbrokers and financial intermediaries are urged to:

- forward a copy of this Announcement and Notice to their clients holding Units in any of the Sub-Funds, and inform them of the contents of this Announcement and Notice as soon as possible;
- facilitate their clients who want to dispose of Units in the Sub-Funds on or before the Last Trading Day; and
- inform their clients as soon as possible if any earlier dealing deadline, additional fees or charges, and/or other terms and conditions will be applicable in respect of the provision of their services in connection with any disposal of Units in the Sub-Funds.

If investors are in doubt about the contents of this Announcement and Notice, they should contact their independent financial intermediaries or professional advisers to seek their professional advice, or direct their queries to the Manager (for details, please refer to the section headed “14. Enquiries” below).

The Manager will, until the Last Trading Day, issue reminder announcements on a weekly basis to investors informing and reminding them of the Last Trading Day, the Trading Cessation Date and the Distribution Record Date. Also, further announcements will be made as and when appropriate in accordance with the applicable regulatory requirements, including announcements: (i) in due course to inform the investors of the Interim Distribution Date, together with the amount of the Interim Distribution per Unit for each Sub-Fund, (ii) the Final Distribution Date, together with the amount of the Final Distribution per Unit for each Sub-Fund, (iii) if any of the Suspended Stocks has not resumed trading by 30 November 2018 an announcement to inform investors about the extension of the period of the Final Distribution; and (iv) to inform investors about the Termination Date and the Deauthorisation and Delisting Date.

The Manager accepts full responsibility for the accuracy of the information contained in this Announcement and Notice, 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.

Terms otherwise not defined in this Announcement and Notice will have the same meaning as those defined in the Prospectus.

## 1. Introduction

The Manager reserves its right to terminate the Trust and each Sub-Fund (as the case may be) in its absolute discretion by notice in writing under Clause 27.3(a) of the Trust Deed if, in relation to the Trust, the aggregate Net Asset Value of the Trust is less than RMB 10 million and, in relation to a Sub-Fund, the aggregate Net Asset Value of all Units outstanding in each Sub-Fund is less than RMB 50 million (as disclosed in the relevant Appendix of each Sub-Fund). As at 15 December 2017, the aggregate Net Asset Value of all Units outstanding in each Sub-Fund was less than RMB 50 million. As the Sub-Funds are the only sub-funds of the Trust, the aggregate Net Asset Value of the Trust will be less than RMB 10 million once the Sub-Funds are terminated.

The Manager has, by means of a resolution of the board of directors of the Manager dated 5 December 2017, decided to terminate the Trust and the Sub-Funds (“**Termination**”), and voluntarily seek the deauthorisation of the Trust and the Sub-Funds (“**Deauthorisation**”) from the Securities and Futures Commission (“**SFC**”) under section 106 of the Securities and Futures Ordinance (“**SFO**”) and the delisting of the Sub-Funds (“**Delisting**”) from The Stock Exchange of Hong Kong Limited (“**SEHK**”).

The proposed Termination will only take place after the Manager and Trustee have formed an opinion that the Sub-Funds have no outstanding contingent or actual liabilities or assets and the proposed Deauthorisation and Delisting will be subject to the final approvals of the SFC and SEHK.

Before the proposed Termination, Deauthorisation and Delisting, the Units of each Sub-Fund will cease trading on SEHK as from 16 January 2018 (“**Trading Cessation Date**”). Accordingly, the last day on which the Units of each Sub-Fund can be traded on SEHK will be 15 January 2018 (“**Last Trading Day**”), and from the Trading Cessation Date onwards, no trading of Units in each Sub-Fund on SEHK will be allowed. Also, while investors may continue to trade Units in each Sub-Fund on SEHK on any trading day before the Trading Cessation Date, no creation of Units in each Sub-Fund in the primary market through the Participating Dealers will be allowed from 18 December 2017 following the publication of this Announcement and Notice.

Clause 27.4 of the Trust Deed requires that not less than one month’s prior notice should be given to Unitholders before the termination of the Trust or a Sub-Fund is to take effect. The Manager by this Announcement and Notice notifies investors of the proposed Termination of the Trust and each Sub-Fund as required under Clause 27.4 of the Trust Deed. Also, as required under Chapter 11.1A of the Code, not less than one month’s notice is hereby given to the investors, notifying them that the Sub-Funds will cease to track each of their respective Underlying Index (namely CSI 300 Index, CSI Healthcare Index and CSI Consumer Staples Index), and cease trading from the Trading Cessation Date.

The Manager will bear all costs and expenses associated with the Termination, Deauthorisation and Delisting (other than the operating expenses such as transaction costs and any taxes relating to the realisation of assets of a Sub-Fund) from the date of this Announcement and Notice up to and including the Termination Date and that it has not / will not make any provision in respect of such costs and expenses. The Manager will continue to cap the ongoing charges of each Sub-Fund to 3% per annum of the average Net Asset Value of the relevant Sub-Fund until the Termination Date as set out under sub-section headed “11.5 Ongoing charges of the Sub-Funds” below.

The Manager will bear the unamortised preliminary expenses of each Sub-Fund. Please refer to the section headed “11. Costs” below for further information.

## 2. Proposed Termination of the Trust and the Sub-Funds

### 2.1 Ground for Termination

According to Clause 27.3(a) of the Trust Deed, if on any date, in relation to the Trust, the aggregate Net Asset Value shall be less than RMB 10 million or an equivalent amount in any other currency or in relation to a Sub-Fund, the aggregate Net Asset Value of the Units of the relevant class outstanding in respect of such Sub-Fund shall be less than such amount as may be disclosed in the Prospectus in relation to such Sub-Fund, the Manager may in its absolute discretion by notice in writing, terminate the Trust or the relevant Sub-Fund.

It is currently disclosed in the relevant Appendix of each Sub-Fund that if the aggregate Net Asset Value of the Units of the relevant classes outstanding in relation to the relevant Sub-Fund shall be less than RMB 50 million, the relevant Sub-Fund and/or any classes of Units relating to such Sub-Fund may be terminated by the Manager in its absolute discretion by notice in writing.

The Net Asset Value and the Net Asset Value per Unit of each of the Sub-Funds as at 15 December 2017 were as follows:

Name of the Sub-Funds	Net Asset Value	Net Asset Value per Unit
C-Shares CSI 300 Index ETF	RMB 10,242,482.03	RMB 17.0708
C-Shares CSI Consumer Staples Index ETF	RMB 5,562,305.00	RMB 18.5410
C-Shares CSI Healthcare Index ETF	RMB 10,934,004.92	RMB 18.2233

Having taken into account the relevant factors including interests of the Unitholders of each Sub-Fund as a whole, the currently relatively small Net Asset Value of each Sub-Fund and the relatively low trading volume of each Sub-Fund, the Manager is of the view that the proposed Termination, Deauthorisation and Delisting of the Trust (and the Sub-Funds) would be in the best interests of the Unitholders. Therefore, the Manager has decided to exercise its power under Clause 27.3 of the Trust Deed to propose to terminate the Trust and the Sub-Funds on the date on which the Trustee and the Manager form an opinion that the Trust and the Sub-Funds cease to have any outstanding contingent or actual assets or liabilities, which is expected to be on or before 14 December 2018 (“**Termination Date**”). The Trust Deed does not require Unitholders’ approval for terminating the Trust and the Sub-Funds on the ground set out in Clause 27.3(a) of the Trust Deed. The Manager has given written notice to the Trustee notifying the Trustee of its proposal to terminate the Trust and the Sub-Funds, and the Trustee does not object to the proposal.

## 3. Proposed Cessation of Trading

The Manager will apply to SEHK to have the Units of the Sub-Funds cease trading on SEHK (“**Cessation of Trading**”) with effect from 16 January 2018, the Trading Cessation Date; that means, no further buying or selling Units of the Sub-Funds on the SEHK will be possible from the Trading Cessation Date. In addition, no redemption of Units of the Sub-Funds in the primary market will be accepted from the Trading Cessation Date.

Accordingly, the last day on which investors may buy or sell Units of the Sub-Funds on SEHK will be on 15 January 2018, the Last Trading Day. This is also the last day on which redemption of Units of the Sub-Funds in the primary market may be made in the usual manner for processing in accordance with the Prospectus.

Also, while investors may continue to trade Units of the Sub-Funds on SEHK on any trading day before the Trading Cessation Date and redemption of Units of the Sub-Funds by the Participating Dealers in the primary market will continue to be permitted until the Last Trading Day, there will be no further creation of Units of the Sub-Funds in the primary market through the Participating Dealers with effect from 18 December 2017.

Investors should note that they cannot redeem Units of the Sub-Funds directly from the Sub-Funds. Only the Participating Dealers may submit redemption applications to the Manager and each of the Participating Dealers may have its own application procedures for its clients and may set application cut-off times for its clients which are earlier than those set out in the Prospectus. Investors are advised to check with the relevant Participating Dealer as to the relevant timing deadlines and the client acceptance procedures and requirements.

#### **4. Impacts of Proposed Realisation of Assets and Interim Distribution**

In connection with the proposed Termination of the Trust and the Sub-Funds and subject to the treatment of the Suspended Stocks (please refer to section headed “5. Treatment of Suspended Stocks” below), all of the assets of the Trust and the Sub-Funds will be realised in accordance with Clause 27.8 of the Trust Deed commencing from the Trading Cessation Date.

The realisation of assets of each Sub-Fund associated with the proposed Termination, Deauthorisation and Delisting will not incur any additional cost on each Sub-Fund as compared to the costs associated with normal redemption of investments.

After the realisation of the assets of the Trust and the Sub-Funds (as described above), the Trust and the Sub-Funds will mainly hold cash, primarily consisting of the proceeds from the realisation of the assets and the Suspended Stocks. Therefore, from the Trading Cessation Date, the Sub-Funds will cease to track each of their respective Underlying Index and will not be able to meet their investment objectives of tracking the performance of each of their respective Underlying Index.

Upon completion of the realisation of the assets (except for the Suspended Stocks) of the Trust and the Sub-Funds, the Manager will, after having consulted the Trust’s and the Sub-Funds’ auditor and the Trustee, declare an interim distribution (“**Interim Distribution**”) for the Relevant Investors (i.e. Unitholders who hold Units in the Sub-Funds as at the Distribution Record Date). Each Relevant Investor will be entitled to an Interim Distribution of an amount equal to the relevant Sub-Fund’s then Net Asset Value (less the value of the Suspended Stocks) in proportion to the Relevant Investor’s interests in the relevant Sub-Fund as at the close of business on 23 January 2018 (“**Distribution Record Date**”). The relevant Sub-Fund’s then Net Asset Value will be the total value of the net proceeds from the realisation of the assets of the relevant Sub-Fund as described above, plus the value of the Suspended Stocks less any outstanding liabilities as at the Distribution Record Date.

The Interim Distribution to each Relevant Investor is expected to be paid to the accounts of its financial intermediary or stockbroker maintained with CCASS (i.e. the Central Clearing and Settlement System established and operated by HKSCC) on or around 28 February 2018 (“**Interim Distribution Date**”). The Manager will issue a further announcement to inform the Relevant Investors of the exact day of payment of the Interim Distribution, together with the amount of Interim Distribution per Unit for each Sub-Fund, in due course.

## 5. Treatment of Suspended stocks

Some of the constituent stocks that the Sub-Funds invest in are suspended from trading on the Shanghai Stock Exchange or the Shenzhen Stock Exchange (“**Suspended Stocks**”). Such Suspended Stocks held by the Sub-Funds may be suspended from trading as at the Interim Distribution Date. Any of the Suspended Stocks held by the Sub-Funds which cannot be realised before the Interim Distribution Date will not be included in the distribution to the Relevant Investors on the Interim Distribution Date.

The following summarises the information of the Suspended Stocks held by each Sub-Fund as at 15 December 2017:

<b>Sub-Fund</b>	<b>Number of Suspended Stocks</b>	<b>Fair value of Suspended Stocks</b>	<b>% of Net Asset Value</b>
C-Shares CSI 300 Index ETF	17	RMB282,851.33	2.76%
C-Shares CSI Consumer Staples Index ETF	2	RMB 275,843.36	4.96%
C-Shares CSI Healthcare Index ETF	6	RMB568,032.86	5.20%

The fair value of the Suspended Stock as at 15 December 2017 has been reviewed by the Manager, in consultation with the Trustee.

The Manager has monitored and will continue to monitor the Suspended Stocks, and in particular, its resumption of trading and any relevant news relating to the Suspended Stocks with a view to realising the Suspended Stocks. There is no active market on any stock exchange or current market price for the Suspended Stocks.

To allow Unitholders to receive distributions without delay, the Interim Distribution will be made on the Interim Distribution Date in respect of the realised assets of the Sub-Funds, despite the fact that the Suspended Stocks are yet to be realised. The Manager considers it uneconomical to make a further distribution every time a Suspended Stock resumes trading and is disposed as each distribution involves various costs such as transaction costs and operational costs. As such, when all the Suspended Stocks resume trading and are disposed, a final distribution which will include all proceeds from the realisation of all the Suspended Stocks (“**Final Distribution**”) will be made on to the Relevant Investors on the Final Distribution Date. After the realisation of all the Suspended Stocks, the Manager will notify, by means of publishing announcement, the Relevant Investors of the realisation status of those Suspended Stocks held as at Interim Distribution Date, their final settlement amount sold after trading resumption and the amount of Final Distribution and, after having consulted the Trust’s and the Sub-Funds’ auditor and the Trustee, declare the Final Distribution for the Relevant Investors. Such announcement will be issued on a date falling within the period from the Interim Distribution Date until the Termination Date and the Final Distribution will be payable on a date falling within the period from Interim Distribution Date until the Termination Date.

The Manager has analysed the situation and expects that all Suspended Stocks will resume trading by 30 November 2018.

If trading for any Suspended Stock does not resume by 30 November 2018, the Manager will extend the period of Final Distribution and postpone the Termination Date based on the



prevailing market conditions and promptly notify the Unitholders in accordance with the timetable set out in Annex A.

The Manager considers that the arrangements as set out above, which allow Unitholders to receive distributions without delay, are in the best interest of the Sub-Funds and the Unitholders as a whole. The Trustee does not have any objection to such arrangements.

## **6. Proposed Deauthorisation and Delisting**

Subject to the approvals of the SFC and the SEHK, the Deauthorisation and Delisting are expected to take effect either on the Termination Date or immediately after the Termination Date i.e. on or before 14 December 2018 (“**Deauthorisation and Delisting Date**”). The Manager expects, subject to the SEHK’s approval, that the Delisting will only take place at or around the same time of the Deauthorisation.

The proposed Termination, Deauthorisation and Delisting will be subject to the payment of all outstanding fees and expenses (please refer to the section headed “11. Costs” below for further information), the discharge of all outstanding liabilities of the Trust and each Sub-Fund, as well as the final approval of the SFC and SEHK.

Following Deauthorisation, the Trust and the Sub-Funds will no longer be subject to regulation by the SFC and will not be available for public distribution in Hong Kong. Any product documentation for the Trust and the Sub-Funds previously issued to investors, including the Prospectus and the KFS, should be retained for personal use only and not for public circulation. Further, stockbrokers, financial intermediaries and investors must not circulate any marketing or other product information relating to the Trust and the relevant Sub-Funds to the public in Hong Kong as this may be in breach of the SFO.

## **7. Further Announcements and Key Dates**

Subject to the SFC’s and the SEHK’s approvals for the proposed arrangements set out in this Announcement and Notice, the expected important dates in respect of the proposed Cessation of Trading, Termination, Deauthorisation and Delisting are set out in Annex A.

The Manager will, on a weekly basis from the date of this Announcement and Notice to the Last Trading Day, issue reminder announcements to Unitholders informing and reminding them of the Last Trading Day, the Trading Cessation Date and the Distribution Record Date. In addition, the Manager will issue further announcements as and when appropriate in accordance with the applicable regulatory requirements, including announcements: (i) in due course to inform the Unitholders of the Interim Distribution Date, together with the amount of the Interim Distribution per Unit for each Sub-Fund, (ii) the Final Distribution Date, together with the amount of Final Distribution per Unit for each Sub-Fund, (iii) if any of the Suspended Stocks has not been realised by 30 November 2018 an announcement to inform investors about the extension of the period of the Final Distribution and the postponement of the Termination Date; and (iv) to inform investors about the Termination Date and the Deauthorisation and Delisting Date.

If there is any change to the dates mentioned in Annex A, the Manager will issue an announcement to inform the investors of the revised dates.

All stockbrokers and financial intermediaries are urged to forward a copy of this Announcement and Notice, together with any further announcements, to their clients investing in the Units of the Sub-Funds, and inform them of the contents of this Announcement and Notice, and any further announcements, as soon as possible.

**8. What will happen on or before the Last Trading Day? What are the potential actions that can be taken by investors on or before the Last Trading Day?**

8.1 Creation of Units of the Sub-Funds

With effect from 18 December 2017, there will be no further creation of Units of the Sub-Funds in the primary market through the Participating Dealers.

8.2 Redemption of Units of the Sub-Funds

Redemption applications for Units in the Sub-Funds in the primary market through the Participating Dealers may be made in the usual manner for processing in accordance with the Prospectus until the Last Trading Day. From the Trading Cessation Date, no further redemption applications in the primary market will be accepted.

8.3 Trading of Units of the Sub-Funds on the SEHK on any trading day up to and including the Last Trading Day

On any trading day up to and including the Last Trading Day, an investor may continue to buy or sell its Units in the Sub-Funds on the SEHK in accordance with the usual trading arrangements, during the trading hours of the SEHK and based on the prevailing market prices. The Market Makers of each of the Sub-Funds (the latest list of which is set out in the Manager's website) will continue to perform their market making functions in accordance with the trading rules of the SEHK in respect of the relevant Sub-Funds. The trading price of Units of a Sub-Fund may be below or above the Net Asset Value per Unit of such Sub-Fund.

Investors should note that stockbrokers or other financial intermediaries may impose brokerage fees on any sale of the Units of the Sub-Funds on SEHK on investors, and a transaction levy (at 0.0027% of the price of the Units of the Sub-Funds or such other applicable rate) and a trading fee (at 0.005% of the price of the Units of the Sub-Funds) will be payable by each of the buyer and the seller of the Units of the Sub-Funds.

No charge to stamp duty will arise in Hong Kong in respect of sale or purchase of Units of the Sub-Funds on SEHK.

**IMPORTANT NOTE: Investors should note and consider the risk factors as set out in the sub-section headed "12.1 Risk Factors relating to the Proposed Cessation of Trading, Termination, Deauthorisation and Delisting" below and consult their professional and financial advisers before disposing of any Units in the Sub-Funds. If a Unitholder disposes of its Units in the relevant Sub-Fund at any time on or before the Last Trading Day, such Unitholder will not, in any circumstances, be entitled to any portion of the Interim Distribution and the Final Distribution in respect of any Units of the Sub-Funds so disposed. Investors should therefore exercise caution and consult their professional and financial advisers before dealing in their Units of the Sub-Funds or otherwise deciding on any course of action to be taken in relation to their Units of the Sub-Funds.**

**9. What will happen after the Trading Cessation Date to the Deauthorisation and Delisting Date?**

9.1 Cessation of Trading

Effective from the Trading Cessation Date, Units of the Sub-Funds will cease trading on the SEHK. Accordingly, no further buying or selling of the Units of the Sub-Funds on the SEHK will be possible from the Trading Cessation Date. In addition, no further redemption applications of Units in the Sub-Funds in the primary market will be accepted from the Trading Cessation Date.

## 9.2 Realisation of Assets

Subject to the treatment of the Suspended Stocks, all of the assets of the Trust and the Sub-Funds will be realised in accordance with Clause 27.8 of the Trust Deed from the Trading Cessation Date and thereafter, the relevant Sub-Funds will mainly hold cash, primarily consisting of the proceeds from the realisation of the assets, and the Suspended Stocks. Consequently, from the Trading Cessation Date, the Sub-Funds will cease to track each of their respective Underlying Index and will not be able to meet their investment objectives of tracking the performance of each of their respective Underlying Index.

## 9.3 Holding Units of the Sub-Funds after the Last Trading Day

The Relevant Investors will be entitled to the Interim Distribution and the Final Distribution (after having consulted the Trust's and the Sub-Funds' auditor and the Trustee) is expected to be paid to the accounts of their financial intermediary or stockbroker maintained with CCASS on the Interim Distribution Date and Final Distribution Date respectively. Please refer to the section headed "4. Impacts of Proposed Realisation of Assets and Interim Distribution" and "5. Treatment of Suspended Stocks" for details of the Final Distribution arrangements.

## 9.4 Continued Authorisation and Listing Status of the Trust and the Sub-Funds

During the period from the Trading Cessation Date to and including the Deauthorisation and Delisting Date:

- (a) the Trust and the Sub-Funds remain authorised by the SFC and the Sub-Funds remain listed on the SEHK, although the Units of the Sub-Funds cannot be bought or sold on the SEHK and the Sub-Funds will no longer be marketed to the public in Hong Kong;
- (b) the Trust and the Sub-Funds will continue to comply with the applicable provisions of the Code and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Trust Deed and all other applicable laws and regulations in respect of the Trust and the Sub-Funds save for the waivers granted by the SFC (as described in the section headed "10. Waivers" below).

## 9.5 Limited operation of the Sub-Funds

During the period from the Trading Cessation Date until the Deauthorisation and Delisting Date, the Sub-Funds will only be operated in a limited manner as there will not be any trading of Units of the Sub-Funds on the SEHK, no further redemption applications of Units of the Sub-Funds in the primary market will be accepted and the Sub-Funds will have no investment activities from the Trading Cessation Date.

## 9.6 Termination, Deauthorisation and Delisting

Following the disposal of all Suspended Stocks and the Final Distribution, when the Trustee and the Manager form an opinion that the Trust and the Sub-Funds cease to have any outstanding contingent or actual assets or liabilities, the Manager and the Trustee will complete the proposed Termination process in accordance with the Trust Deed and the Manager will proceed with applying to the SFC for Deauthorisation, and to SEHK to complete the Delisting respectively.

Subject to the approvals of the SFC and the SEHK of the Deauthorisation and Delisting, the Deauthorisation and Delisting are expected to take effect either on or immediately after the Termination Date, i.e. on the Deauthorisation and Delisting Date.

## 10. Waivers

### 10.1 Background

As mentioned above, while the Units in the Sub-Funds will cease trading effective from the Trading Cessation Date, because of certain outstanding actual and contingent assets or liabilities in relation to the Trust and the Sub-Funds, the Trust and the Sub-Funds will remain in existence after the Trading Cessation Date until the Termination Date. During such period, the Trust and the Sub-Funds remain authorised by the SFC and the Sub-Funds remain listed on the SEHK until the completion of the proposed Termination, Deauthorisation and Delisting. The SFC's 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.

However, with effect from 18 December 2017, there will be no further creation of Units of the Sub-Funds in the primary market, and from the Trading Cessation Date: (i) there will be no further trading of Units of the Sub-Funds on the SEHK and no further redemption applications of Units of the Sub-Funds in the primary market will be accepted; (ii) the Manager will start to realise all the assets of the Trust and the Sub-Funds (subject to the treatment of the Suspended Stocks) and the Sub-Funds will mainly hold cash and the Suspended Stocks and therefore, cease to track each of their respective Underlying Index and will not be able to meet their investment objectives of tracking the performance of each of their respective Underlying Index; (iii) the Trust and the Sub-Funds will no longer be marketed to the public; and (iv) the Sub-Funds will only be operated in a limited manner.

Accordingly, with a view to minimising the further costs, fees and expenses in managing the Trust and the Sub-Funds following the Trading Cessation Date and in the best interest of Unitholders, the Manager has applied to the SFC for, and has been granted, waivers from strict compliance with certain provisions of the Code for the period from the Trading Cessation Date to and including the Deauthorisation and Delisting Date.

The details of the waiver granted and the conditions on which such waiver was granted are set out in this section 10.

### 10.2 Publishing of the suspension of dealing

Under Chapter 10.7 of the Code, the Manager is required to: (a) immediately notify the SFC if dealing in Units of the Sub-Funds ceases or is suspended; and (b) publish the fact that dealing is suspended immediately following the decision to suspend and at least once a month during the period of suspension in an appropriate manner (the requirements under (b) are referred to as the “**Investor Notification Requirements**”).

The Manager has applied to the SFC for, and has been granted, a waiver from strict compliance with the Investor Notification Requirements under Chapter 10.7 of the Code (for the period from the Trading Cessation Date to the Deauthorisation and Delisting Date), subject to the condition that a statement shall be posted in a prominent position of the Manager's website from the Trading Cessation Date until the Deauthorisation and Delisting Date to notify investors that the Units of the Sub-Fund have ceased trading on SEHK from the Trading Cessation Date, and draw investors' attention to this Announcement and Notice and all other relevant announcements.

As the Sub-Funds will retain their SEHK listing status after the Last Trading Day until the Deauthorisation and Delisting Date, investors may continue to access further announcements

in relation to the Trust and the Sub-Funds via HKEx's website and the Manager's website during such period.

#### 10.3 Provision of estimated Net Asset Value or RUPV and last closing Net Asset Value on a real time or near real time basis

Under paragraphs 4, 17(a) and 17(b) of Appendix I to the Code, the Manager is required to provide estimated Net Asset Value or RUPV and last closing Net Asset Value of the Sub-Funds to the public on a real time or near-real time basis unless otherwise waived, via any suitable channels in paragraph 18 of Appendix I to the Code (which include the Manager's website).

As with effect from 18 December 2017, (i) there will be no further creation of Units of the Sub-Funds in the primary market, (ii) from the Trading Cessation Date there will be no further trading of Units of the Sub-Funds on the SEHK and no further redemption applications of Units of the Sub-Funds in the primary market will be accepted, (iii) each Sub-Fund will mainly hold cash and the Suspended Stocks, and (iv) the Sub-Funds will only be operated in a limited manner, the Manager proposes and the Trustee consents that the Net Asset Value of each Sub-Fund will be updated on the Manager's website only when there is any event which causes that Net Asset Value to change. The Manager and the Trustee expect that the events which will cause the Net Asset Value per Unit of each Sub-Fund to change are (i) the Interim Distribution, (ii) the Final Distribution, (in respect of (i) to (ii), please see further in the section headed "4. Impacts of Proposed Realisation of Assets and Interim Distribution" and "5. Treatment of Suspended Stocks" above), (iii) dividends from the Suspended Stocks (if any), (iv) any change in the market value of the scrip dividend receivable by the Sub-Funds (if any), and (v) any deduction of transaction costs or taxes related to the realisation of the assets of each Sub-Fund.

Accordingly, the Manager has applied to the SFC for, and has been granted, a waiver from strict compliance with the above-mentioned requirements under paragraphs 4, 17(a) and 17(b) of Appendix I to the Code (for the period from the Trading Cessation Date to and including the Deauthorisation and Delisting Date), subject to the following conditions:

- (A) that the Net Asset Value per Unit of each Sub-Fund as of the Last Trading Day, which will be the latest available Net Asset Value per Unit of the relevant Sub-Fund, will be published on the Manager's website; and
- (B) the Manager shall update the latest available Net Asset Value per Unit of each Sub-Fund on the Manager's website as soon as practicable should there be any other change to the Net Asset Value of each Sub-Fund including but not limited to changes arising from (i) the Interim Distribution, (ii) the Final Distribution, (in respect of (i) to (ii), please see further in the section headed "4. Impacts of Proposed Realisation of Assets and Interim Distribution" above), (iii) dividends from the Suspended Stocks (if any), (iv) any change in the market value of the scrip dividend receivable by the Sub-Funds (if any), and (v) any deduction of transaction costs or taxes related to the realisation of the assets of each Sub-Fund.

#### 10.4 Updating of the offering documents of the Trust and the Sub-Funds

Under Chapters 6.1 and 11.1B of the Code, the offering document of the Trust and the Sub-Funds (consisting of the Prospectus and the KFS) ("**Offering Document**") must be up-to-date and must be updated to incorporate any relevant changes to the Trust and/or the Sub-Funds.

In the view that there will be no further creation of Units of the Sub-Funds in the primary market with effect from 18 December 2017, and from the Trading Cessation Date there will be no further trading of Units of the Sub-Funds on the SEHK and no further redemption applications of Units of the Sub-Funds in the primary market will be accepted, and the Sub-Funds will no

longer be marketed to the public in Hong Kong, the Manager considers that it is not necessary to update the Offering Document to reflect any future changes to the Trust and/or the Sub-Funds prior to the Deauthorisation and Delisting Date. As such, the Manager has applied to the SFC for, and has been granted, waivers from strict compliance with the above-mentioned requirements under Chapters 6.1 and 11.1B of the Code so that the Offering Document needs not be updated in respect of disclosure affecting the Sub-Funds from the Trading Cessation Date.

Without prejudice to the other obligations of the Manager under Chapter 11.1B of the Code, the Manager has undertaken and confirmed with the SFC that it shall:

- (A) promptly notify investors of any changes to the Trust and/or the Sub-Funds or to the Offering Document by means of publishing the announcement(s) on its and HKEx's websites (each, a "**Relevant Future Announcement**"); and
- (B) ensure that each Relevant Future Announcement shall include a statement to refer investors to read this Announcement and Notice together with the Offering Document, and any other Relevant Future Announcement(s).

#### 10.5 Other related matter

The Manager confirms that, save for the particular provisions of the Code set out in sub-sections 10.2 to 10.4 above, the Manager will continue to comply with all the other applicable provisions of the Code and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the applicable provisions in the Trust Deed and other applicable laws and regulations in respect of the Trust and the Sub-Funds.

### 11. **Costs**

#### 11.1 Fees and charges in respect of trading of Units of the Sub-Funds on SEHK

As indicated in the sub-section headed "8.3 Trading of Units of the Sub-Funds on the SEHK" above, investors' stockbrokers or financial intermediaries may levy certain fees and charges for any orders to dispose of Units of the Sub-Funds on or before the Last Trading Day.

#### 11.2 Fees and charges in respect of redemption of Units of the Sub-Funds in the primary market

All redemption of Units of the Sub-Funds by the Participating Dealers will be subject to the fees and costs as set out in the Prospectus. The Participating Dealers may pass on to the relevant investors such fees and costs. The Participating Dealers may also impose fees and charges in handling any redemption request which would also increase the cost of redemption. Investors are advised to check with the Participating Dealers as to the relevant fees, costs and charges.

#### 11.3 Costs and Expenses associated with the proposed Termination, Deauthorisation and Delisting

The Manager will bear all the costs and expenses associated with the proposed Termination, Deauthorisation and Delisting (other than the operating expenses such as transaction costs and any taxes relating to the realisation of assets of a Sub-Fund) and it has not / will not make any provision in respect of such costs and expenses. The Manager will continue to cap the ongoing charges of each Sub-Fund at 3% per annum of the average Net Asset Value of the relevant Sub-Fund until the Termination Date as set out under sub-section headed "11.5 Ongoing charges of the Sub-Funds" below.

#### 11.4 Waiver of management fee

The Manager has agreed to continue to waive the management fee for each Sub-Fund until the Termination Date.

#### 11.5 Ongoing charges of the Sub-Funds

From 15 November 2016, certain ongoing charges of the Sub-Funds are borne by the Manager and they will not be charged to the Sub-Funds and the ongoing charges figures are capped at a maximum 3% per annum of the average Net Asset Value of the each Sub-Fund. The Manager will continue to cap the ongoing charges of each Sub-Fund at 3% per annum of the average Net Asset Value of the relevant Sub-Fund until the Termination Date. The ongoing charges figure represents the ongoing expenses expressed as a percentage of each Sub-Fund's average Net Asset Value over the same period.

The Manager does not expect that the termination of the Trust and the Sub-Funds will impact the figures disclosed above for ongoing charges. Please note for completeness the ongoing charges figures shown above are calculated in accordance with the guidance under the relevant SFC circular, and exclude the following costs and expenses associated with the termination of the Trust and the Sub-Funds (which are to be borne by each Sub-Fund): (i) operating expenses such as transaction costs and (ii) any taxes relating to the realisation of assets of each Sub-Fund.

#### 11.6 Unamortised preliminary expenses of the Sub-Funds

The Manager will bear the unamortised preliminary expenses of each Sub-Fund.

The Trust and the Sub-Funds do not have any contingent liabilities (such as pending litigation) as at the date of this Announcement and Notice.

### 12. **Other matters**

#### 12.1 Risk Factors relating to the Proposed Cessation of Trading, Termination, Deauthorisation and Delisting

As consequence of the proposed Cessation of Trading, Termination, Deauthorisation and Delisting (collectively referred to as the "**Proposal**"), investors should note and consider the following risks:

**"Liquidity risk"** - Trading of Units in the Sub-Funds on SEHK from the date of this Announcement and Notice may become less liquid.

**"Units trading at a discount or premium and Market Makers' inefficiency risk"** - Although up to (and including) the Last Trading Day, the Market Makers will continue to perform their market making functions in respect of the Sub-Funds in accordance with the Trading Rules of SEHK, Units in the Sub-Funds may trade at a discount compared to their Net Asset Value in extreme market situations. This is because many investors may want to sell their Units of the Sub-Funds after the Proposal has been announced but there may not be many investors in the market who are willing to purchase the Units of the Sub-Funds. On the other hand, it is also possible that the Units of the Sub-Funds may trade at a premium because there will be no creation of Units of the Sub-Funds from 18 December 2017 and consequently the divergence between the supply of and demand for the Units of the Sub-Funds may be larger than usual. The Market Makers may not be able to effectively perform their market making activities to provide liquidity of the trading of Units of the Sub-Funds on SEHK in these extreme market situations. As a result, the price volatility of the Units of the Sub-Funds may be higher than usual from the date of this Announcement and Notice up to (and including) the Last Trading Day.

**“Tracking errors during the period from the date of this Announcement and Notice to the Last Trading Day risk”** - It is possible that the size of a Sub-Fund may drop drastically before the Last Trading Day. This may impair the Manager’s ability to fulfill the investment objectives of the relevant Sub-Fund and result in significant tracking error. In the extreme situation where the size of a Sub-Fund becomes so small that the Manager considers that it is not in the best interest of such Sub-Fund to continue to invest in the market, the Manager may decide to convert the whole or part of the investments of such Sub-Fund into cash or deposits in order to protect the interest of the investors of such Sub-Fund.

**“Net Asset Value downward adjustment risk”** - Changes in economic environment, consumption pattern and investors’ expectations may have significant impact on the value of the investments and there may be significant drop in value of the securities.

**“Failure to track the Underlying Indices risk”** - The Manager will aim to realise all of the Sub-Funds’ investments, to the extent possible and subject to the treatment of the Suspended Stocks, with effect from the Trading Cessation Date. Thereafter, the Sub-Funds’ assets will mainly be in cash. The Sub-Funds will only be operated in a limited manner. It therefore follows that, from the Trading Cessation Date, the Sub-Funds will cease to track each of their respective Underlying Index, and will not be able to meet their investment objectives of tracking the performance of each of their respective Underlying Index.

**“Delay in distribution risk”** - Subject to the treatment of the Suspended Stocks, the Manager will aim to realise all of the assets of the Trust and the Sub-Funds and then proceed with the Interim Distribution as soon as practicable. The Manager will also try to realise the Suspended Stocks as soon as they resume trading, and make Final Distribution accordingly. Based on its analysis, the Manager expects the Suspended Stocks will resume trading by 30 November 2018 and the Relevant Investors will receive the Final Distribution within such time. In the event that the trading of any of the Suspended Stocks is not resumed by 30 November 2018 and/or the Manager is unable to realise all the assets of the Trust and the Sub-Funds in a timely manner during certain periods of time. In this case, the payment of the Interim Distribution, the Final Distribution to the Relevant Investors may be delayed. Factors that may lead to the delay of payment of Interim Distribution, the Final Distribution include the inability to realise the Suspended Stocks (as explained in the section headed “5. Treatment of Suspended Stocks” above) and delay in repatriation of Renminbi following the realisation of the Sub-Funds’ assets.

## 12.2 Tax implications

Based on the Manager’s understanding of the law and practice in force at the date of this Announcement and Notice, as each Sub-Fund is a collective investment scheme authorised under section 104 of the SFO, profits of each Sub-Fund derived from realisation of its assets are exempt from Hong Kong profits tax. Notwithstanding that profits of each Sub-Fund derived from realisation of its assets are exempt from Hong Kong profits tax, each Sub-Fund may be subject to tax in certain jurisdictions where investments are made, on income or capital gains derived from such investments.

No Hong Kong profits tax is expected to be payable by investors in Hong Kong in respect of the Interim Distribution and the Final Distribution to the extent of distribution of profits and/or capital of the Trust and the Sub-Funds. For investors carrying on a trade, profession or business in Hong Kong, profits derived from redemption or disposal of Units of the Sub-Funds may be subject to Hong Kong profits tax if the profits in question arise in Hong Kong and are derived from such trade, profession or business, carried on in Hong Kong as well as where the Units of the Sub-Funds are revenue assets of the investors.

Investors should consult their professional tax advisers for tax advice.



### 12.3 Connected party transaction

BOCI Securities Limited, which is a connected person (as defined under the Code) of the Trustee, currently acts as one of the Participating Dealers of the Sub-Funds. If BOCI Securities Limited may decide to dispose all or part of their Units in the Sub-Funds either by selling the Units in the Sub-Funds on the SEHK or by redeeming the Units in the primary market after being informed of the Proposal via this Announcement and Notice, this disposal of Units in the Sub-Funds by BOCI Securities Limited, which is beyond the control of the Manager, may reduce the size of the Sub-Funds and impair the Manager's ability to fulfil the investment objective of the Sub-Funds and result in significant tracking error. Please refer to the "Tracking errors during the period from the date of this Announcement and Notice to the Last Trading Day risk" in the sub-section headed "12.1 Risk Factors relating to the Proposed Cessation of Trading, Termination, Deauthorisation and Delisting" above for further details on tracking error risk.

The Manager currently holds 300,000 Units of C-Shares CSI Healthcare Index ETF, out of 600,000 Units in issue as of 15 December 2017. The Manager intends to hold the Units until Termination.

Apart from the above, no other connected persons of the Manager and/or the Trustee is involved in any transaction in relation to the Trust and the Sub-Funds, nor holds any interest in the Trust and the Sub-Funds.

### 13. **Documents available for inspection**

Copies of the following documents are available for inspection at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) free of charge at the offices of the Manager and copies thereof can be purchased from the Manager on payment of a reasonable fee (except for the documents under (b), the copies of which are available upon request free of charge):

- (a) Trust Deed;
- (b) the latest annual and semi-annual reports (if any) of the Trust and the Sub-Funds.

The latest version of the Prospectus and KFS are available on the Manager's website.

### 14. **Enquiries**

If you have any queries or require further information in relation to any aspect of this Announcement and Notice, please direct them to your stockbrokers or financial intermediaries or contact our Investor Hotline at (852) 3983 5600.

The Manager accepts full responsibility for the accuracy of the information contained in this Announcement and Notice as at the date of publication, and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief, as at the date of publication, there are no other facts the omission of which would make any statement misleading.

**China Universal Asset Management (Hong Kong) Company Limited**  
匯添富資產管理 ( 香港 ) 有限公司

15 December 2017

## Annex A

### Schedule of Proposed Key Dates

Subject to the SFC's and SEHK's respective approvals for the proposed arrangements set out in this Announcement and Notice, it is anticipated that the expected important dates in respect of the proposed Cessation of Trading, Termination, Deauthorisation and Delisting of the Trust and the Sub-Funds will be as follows:

1	Dispatch of this Announcement and Notice	15 December 2017 (Friday)
2	No further creation of Units of the Sub-Funds in the primary market.	From 18 December 2017 (Monday)
3	Last day for trading in the Units of the Sub-Funds on the SEHK (" <b>Last Trading Day</b> ").  Last day on which redemption applications for Units in the Sub-Funds by the Participating Dealers in the primary market may be accepted.	15 January 2018 (Monday)
4	Cessation of trading in the Units of the Sub-Funds on the SEHK (" <b>Trading Cessation Date</b> ").  No further redemption applications of Units in the Sub-Funds in the primary market will be accepted.  Commencement of realisation of all the assets of the Trust and the Sub-Funds and the Sub-Funds will cease to be able to track each of their respective Underlying Index.  The Sub-Funds will no longer be marketed to the public in Hong Kong.	16 January 2018 (Tuesday)
5	The date as at which a Unitholder needs to be recorded by HKSCC as the beneficial owner of Units of the Sub-Funds which are registered in the name of HKSCC Nominees Limited and held in CCASS to be entitled to the Interim Distribution and the Final Distribution (" <b>Distribution Record Date</b> ")	At close of business on 23 January 2018 (Tuesday)
6	Announcement on the amount of Interim Distribution per Unit for each Sub-Fund	On or before 13 February 2018 (Tuesday)
7	Payment of Interim Distribution (as declared by the Manager after having consulted the Trust's and Sub-Funds' auditor and the Trustee) to the Relevant Investors (i.e. Unitholders who are recorded as holding Units in the Sub-Funds as at the Distribution Record Date) (" <b>Interim Distribution Date</b> ")	On or around 28 February 2018 (Wednesday)

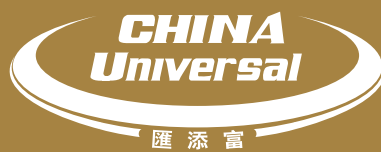
8	Announcement on the amount of Final Distribution per Unit for each Sub-Fund	After 28 February 2018 until Termination Date (at least one business day before the Final Distribution Date)
9	Payment of Final Distribution (as declared by the Manager after having consulted the Trust's and Sub-Funds' auditor and the Trustee and which would include all proceeds from the realisation of the Suspended Stocks) to the Relevant Investors (" <b>Final Distribution Date</b> ")	After 28 February 2018 until Termination Date
10	Termination of the Trust and the Sub-Funds (" <b>Termination Date</b> ")	<p>As soon as possible and expected to be on or before 14 December 2018 (Friday), when all Suspended Stocks resume trading and are disposed and distributions are made to the Relevant Investors, and when the Manager and Trustee form an opinion that the Sub-Funds cease to have any contingent or actual assets or liabilities.</p> <p>If any of the Suspended Stocks has not resumed trading by 30 November 2018, the Manager will issue an announcement to inform Unitholders of the extension of the period of Final Distribution and the postponement of the Termination Date.</p>
11	Deauthorisation of the Trust and the Sub-Funds and Delisting of the Sub-Funds (" <b>Deauthorisation and Delisting Date</b> ")	On or shortly after the Termination Date, which is the date on which the SFC and SEHK approve the deauthorisation and delisting respectively. The Manager expects that the deauthorisation and

		delisting will take place either on the Termination Date or immediately after the Termination Date.
--	--	-----------------------------------------------------------------------------------------------------

A large, artistic brushstroke in a gold color, forming a thick, curved shape that resembles the letter 'C'. The stroke has a textured, layered appearance, suggesting multiple passes of a brush.

# C-Shares

China Universal International ETF Series  
C-Shares CSI 300 Index ETF  
C-Shares CSI Consumer Staples Index ETF  
C-Shares CSI Healthcare Index ETF  
*Prospectus*



## 匯添富資產管理(香港)有限公司

China Universal Asset Management (Hong Kong) Company Limited

Room 3710-11, Two IFC, 8 Finance Street, Central, Hong Kong

Tel: (852) 3983 5600 Fax: (852) 3983 5799

Email: [info@ChinaUniversalAsset.com](mailto:info@ChinaUniversalAsset.com)

Web: [www.99fund.com.hk](http://www.99fund.com.hk)

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

This Addendum forms an integral part of and should be read in conjunction with the Prospectus of the Trust dated 5 May 2014, as amended by the First Addendum dated 25 June 2014, the Second Addendum dated 18 August 2014, the Third Addendum dated 14 November 2014, the Fourth Addendum dated 23 December 2014, the Fifth Addendum dated 30 April 2015, the Sixth Addendum dated 23 May 2016, the Seventh Addendum dated 15 July 2016 and the Eighth Addendum dated 15 November 2016 (the “**Prospectus**”). This Addendum shall not be distributed separately from the Prospectus.

The Manager accepts full responsibility for the accuracy of the information contained in this Addendum as of the date of its publication 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.

## **CHINA UNIVERSAL INTERNATIONAL ETF SERIES (the “Trust”)**

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

**C-Shares CSI 300 Index ETF  
(Stock Codes: 83008 (RMB counter) and 03008 (HKD counter))**

**C-Shares CSI Healthcare Index ETF  
(Stock Codes: 83132 (RMB counter) and 03132 (HKD counter))**

**C-Shares CSI Consumer Staples Index ETF  
(Stock Codes: 83107 (RMB counter) and 03107 (HKD counter))**

**(each, a “Sub-Fund”, and collectively, the “Sub-Funds”)**

## **NINTH ADDENDUM TO PROSPECTUS**

### **AMENDMENTS TO PROSPECTUS**

With immediate effect, the following amendments are made to the Prospectus:

**I. Updates to the General Information Relating To the Trust**

**1. Fees and Charges under Part 1 of the Prospectus**

The sub-section headed “**12.7 Total Expense Ratio**” under the section headed “**12. FEES AND CHARGES**” of “**PART 1 – GENERAL INFORMATION RELATING TO THE TRUST**” of the Prospectus is deleted in its entirety and replaced with the following:

**“12.7 Ongoing Charges Over A Year**

The ongoing charges over a year of each Sub-Fund is set out in Part 2 of this Prospectus. The Sub-Fund’s ongoing charges over a year represents the sum of the estimated or actual ongoing charges chargeable to the Sub-Fund expressed as a percentage of the Sub-Fund’s average Net Asset Value. Please refer to Part 2 of this Prospectus for details. The ongoing charges figure applicable to a Sub-Fund may vary from year to year.”

## II. Updates to the Information Specific to Sub-Funds

### 1. Appendix 1 of Part 2 of the Prospectus

- (a) The sub-section headed “**1.2 Summary of Information**” under the section headed “1. KEY INFORMATION” is deleted in its entirety and replaced with the following:

#### “1.2 Summary of Information

The following table sets out certain key information in respect of the CSI 300 ETF, and should be read in conjunction with the full text of this Prospectus.

Investment Type	Exchange Traded Fund (“ <b>ETF</b> ”) authorized as a collective investment scheme by the Commission under Chapter 8.6 and Appendix I of the Code
Underlying Index	CSI 300 Index Inception Date: 8 April 2005 Number of constituents: 300 Base Currency of Underlying Index: RMB (CNY)
Type of Underlying Index	The Underlying Index is a price return index which means that it does not include the reinvestment of dividends from the constituents (such dividends being net of withholding tax).
Index Provider	China Securities Index Co. Ltd
Investment Strategy	Full replication strategy. Please refer to section “ <b>3. Investment Objective and Strategy</b> ” of this Appendix for further details.
Initial Issue Date	5 July 2013
Listing Date	8 July 2013
Exchange Listing	SEHK - Main Board
Stock Codes	83008 – RMB counter 03008 – HKD counter
Stock Short Names	C-SHS CSI 300-R – RMB counter C-SHS CSI 300 – HKD counter
Trading Board Lot Size	200 Units – RMB counter 200 Units – HKD counter
Base Currency	Renminbi (RMB)
Trading Currency	Renminbi (RMB) – RMB counter Hong Kong dollars (HKD) – HKD counter
Dividend Policy	The Manager intends to distribute income to Unitholders annually having regard to the CSI 300 ETF’s net income after fees and charges. Distributions (if declared) will normally be made within the first quarter of the calendar year.  <b>Distributions on all Units (RMB counter Units and HKD counter Units) will be in RMB only<sup>#</sup>.</b>
Application Unit size for Creation/ Redemption (only by or through Participating Dealers)	Minimum 300,000 Units (or multiples thereof)
Minimum Subscription (only by or through Participating Dealers)	1 Application Unit (i.e. 300,000 Units)



Method of Creation / Redemption		Cash (RMB) only
Parties	Manager / RQFII Holder	China Universal Asset Management (Hong Kong) Company Limited
	Trustee	BOCI-Prudential Trustee Limited
	Custodian	Bank of China (Hong Kong) Limited
	RQFII Custodian	Bank of China Limited
	Registrar	Computershare Hong Kong Investor Services Limited
	Adviser	China Universal Asset Management Company Limited
	Listing Agent	GF Capital (Hong Kong) Limited
	Participating Dealers	BNP Paribas Securities Services BOCI Securities Limited China International Capital Corporation Hong Kong Securities Limited Haitong International Securities Company Limited KGI Securities (Hong Kong) Limited Morgan Stanley Hong Kong Securities Ltd Nomura International (Hong Kong) Limited Orient Securities (Hong Kong) Limited UBS Securities Hong Kong Limited <i>please refer to the Manager's website set out below for the latest list</i>
	Market Makers	<u>RMB counter:</u> Haitong International Securities Company Limited  <u>HKD counter:</u> Haitong International Securities Company Limited <i>please refer to the Manager's website set out below for the latest list</i>
Service Agent	HK Conversion Agency Services Limited	
Financial Year	Ending 31 December each year	
Management Fee	Currently 0.50% per annum of the Net Asset Value of the CSI 300 ETF <sup>^</sup>	
Trustee's Fee	Currently 0.10% per annum (as a % of the Net Asset Value of the CSI 300 ETF) (subject to a minimum of RMB40,000 per month)	
Registrar's Fee	Initial placing fee of HK\$180,000 and an ongoing registry service fee of HK\$96,000 per annum	
Website	www.99fund.com.hk <sup>1</sup>	

<sup>#</sup> Both HKD traded Units and RMB traded Units will receive distributions in RMB only. In the event that the relevant Unitholder has no RMB account, the Unitholder may have to bear the fees and charges associated with the conversion of such dividend from RMB into HKD or any other currency. Unitholders are advised to check with their brokers / intermediaries on the arrangements concerning distributions and to consider the risk factor entitled "RMB distributions risk" below. Please refer to the section headed "5. Distribution Policy" and section headed "RMB distribution risk" under "11.4 Dual Counter Trading risks" in this Appendix for further details.

<sup>^</sup> The Manager currently waives the management fees chargeable to the CSI 300 ETF until 31 December 2017."

- (b) The following is inserted as the third paragraph under the heading "12.1.1 Management Fees" in the subsection headed "12.1 Fees and Expenses payable by CSI 300 ETF" under the section headed "12. FEES AND CHARGES":

"The Manager currently waives the management fees chargeable to the CSI 300 ETF until 31 December 2017."

- (c) The sub-section headed “**12.3 Total Expense Ratio**” under the section headed “12. FEES AND CHARGES” is deleted in its entirety and replaced with the following:

“**12.3 Ongoing Charges Over A Year**

The ongoing charges over a year of CSI 300 ETF represents the sum of the ongoing charges chargeable to the CSI 300 ETF expressed as a percentage of the CSI 300 ETF’s average Net Asset Value. It may vary from year to year.

The ongoing charges figure during the year ended 31 December 2016 was 12.16%. The ongoing charges figure is based on expenses for the year ended 31 December 2016 expressed as a percentage of the CSI 300 ETF’s average Net Asset Value of the same period. It includes the amortised portion of the establishment costs of the CSI 300 ETF applicable to the relevant period for which the ongoing charges figure is calculated.

From 15 November 2016, certain ongoing charges of the CSI 300 ETF are borne by the Manager and are not charged to the CSI 300 ETF and the ongoing charges figure is capped at a maximum 3% of the average Net Asset Value of the CSI 300 ETF.”

**2. Appendix 2 of Part 2 of the Prospectus**

- (a) The sub-section headed “**1.2 Summary of Information**” under the section headed “1. KEY INFORMATION” is deleted in its entirety and replaced with the following:

“**1.2 Summary of Information**

The following table sets out certain key information in respect of the CSI Healthcare ETF, and should be read in conjunction with the full text of this Prospectus.

Investment Type	Exchange Traded Fund (“ <b>ETF</b> ”) authorized as a collective investment scheme by the Commission under Chapter 8.6 and Appendix I of the Code
Underlying Index	CSI Healthcare Index Inception Date: 31 December 2004 Number of current constituents: 76 Base Currency of Underlying Index: RMB (CNY)
Type of Underlying Index	The Underlying Index is a price return index which means that it does not include the reinvestment of dividends from the constituents (such dividends being net of withholding tax).
Index Provider	China Securities Index Co. Ltd
Investment Strategy	Full replication strategy. Please refer to section “ <b>3. Investment Objective and Strategy</b> ” of this Appendix for further details.
Initial Issue Date	9 May 2014
Listing Date	12 May 2014
Exchange Listing	SEHK - Main Board
Stock Codes	83132 – RMB counter 03132 – HKD counter
Stock Short Names	C-SHS CSI HLC-R – RMB counter C-SHS CSI HLC – HKD counter
Trading Board Lot Size	200 Units – RMB counter 200 Units – HKD counter
Base Currency	Renminbi (RMB)
Trading Currency	Renminbi (RMB) – RMB counter Hong Kong dollars (HKD) – HKD counter

Dividend Policy	<p>The Manager intends to distribute income to Unitholders annually having regard to the CSI Healthcare ETF's net income after fees and charges.</p> <p>Distributions will not be paid (whether directly or effectively) out of capital of the CSI Healthcare ETF.</p> <p>Distributions (if declared) will normally be made within the first quarter of the calendar year.</p> <p><b>Distributions on all Units (RMB counter Units and HKD counter Units) will be in RMB only<sup>#</sup>.</b></p>	
Application Unit size for Creation/ Redemption (only by or through Participating Dealers)	Minimum 300,000 Units (or multiples thereof)	
Minimum Subscription (only by or through Participating Dealers)	1 Application Unit (i.e. 300,000 Units)	
Method of Creation / Redemption	Cash (RMB) only	
Parties	Manager / RQFII Holder	China Universal Asset Management (Hong Kong) Company Limited
	Trustee	BOCI-Prudential Trustee Limited
	Custodian	Bank of China (Hong Kong) Limited
	RQFII Custodian	Bank of China Limited
	Registrar	Computershare Hong Kong Investor Services Limited
	Adviser	China Universal Asset Management Company Limited
	Listing Agent	GF Capital (Hong Kong) Limited
	Participating Dealers	<p>BOCI Securities Limited  China International Capital Corporation Hong Kong Securities Limited  China Merchants Securities (HK) Co., Ltd.  CITIC Securities Brokerage (HK) Limited  Haitong International Securities Company Limited  KGI Securities (Hong Kong) Limited  Morgan Stanley Hong Kong Securities Ltd  Nomura International (Hong Kong) Limited  Orient Securities (Hong Kong) Limited  <i>please refer to the Manager's website set out below for the latest list</i></p>
	Market Makers	<p><u>RMB counter:</u>  KGI Securities (Hong Kong) Ltd  Haitong International Securities Company Limited</p> <p><u>HKD counter:</u>  KGI Securities (Hong Kong) Ltd  Haitong International Securities Company Limited  <i>please refer to the Manager's website set out below for the latest list</i></p>
Service Agent	HK Conversion Agency Services Limited	
Financial Year	Ending 31 December each year	
Management Fee	Currently 0.50% per annum of the Net Asset Value of the CSI Healthcare ETF <sup>^</sup>	
Trustee's Fee	Currently 0.10% per annum (as a % of the Net Asset Value of the CSI Healthcare ETF) (subject to a minimum of RMB40,000 per month)	

Registrar's Fee	Initial placing fee of HK\$180,000 and an ongoing registry service fee of HK\$96,000 per annum
Website	www.99fund.com.hk <sup>1</sup>

<sup>#</sup> Both HKD traded Units and RMB traded Units will receive distributions in RMB only. In the event that the relevant Unitholder has no RMB account, the Unitholder may have to bear the fees and charges associated with the conversion of such dividend from RMB into HKD or any other currency. Unitholders are advised to check with their brokers / intermediaries on the arrangements concerning distributions and to consider the risk factor entitled "RMB distributions risk" below. Please refer to the section headed "5. Distribution Policy" and section headed "RMB distribution risk" under "11.4 Dual Counter Trading risks" in this Appendix for further details.

<sup>^</sup> The Manager currently waives the management fees chargeable to the CSI Healthcare ETF until 31 December 2017."

- (b) The following is inserted as the third paragraph under the heading "12.1.1 Management Fees" in the sub-section headed "12.1 Fees and Expenses payable by CSI Healthcare ETF" under the section headed "12. FEES AND CHARGES":

"The Manager currently waives the management fees chargeable to the CSI Healthcare ETF until 31 December 2017."

- (c) The sub-section headed "12.3 Total Expense Ratio" under the section headed "12. FEES AND CHARGES" is deleted in its entirety and replaced with the following:

**"12.3 Ongoing Charges Over A Year"**

The ongoing charges over a year of the CSI Healthcare ETF represents the sum of the ongoing charges chargeable to the CSI Healthcare ETF expressed as a percentage of the CSI Healthcare ETF's average Net Asset Value. It may vary from year to year.

The ongoing charges figure during the year ended 31 December 2016 was 2.71%. The ongoing charges figure is based on expenses for the year ended 31 December 2016 expressed as a percentage of the CSI Healthcare ETF's average Net Asset Value of the same period. It includes the amortised portion of the establishment costs of the CSI Healthcare ETF applicable to the relevant period for which the ongoing charges figure is calculated.

From 15 November 2016, certain ongoing charges of the CSI Healthcare ETF are borne by the Manager and are not charged to the CSI Healthcare ETF and the ongoing charges figure is capped at a maximum 3% of the average Net Asset Value of the CSI Healthcare ETF."

**3. Appendix 3 of Part 2 of the Prospectus**

- (a) The sub-section headed "1.2 Summary of Information" under the section headed "1. KEY INFORMATION" is deleted in its entirety and replaced with the following:

**"1.2 Summary of Information"**

The following table sets out certain key information in respect of the CSI Consumer Staples ETF, and should be read in conjunction with the full text of this Prospectus.

Investment Type	Exchange Traded Fund ("ETF") authorized as a collective investment scheme by the Commission under Chapter 8.6 and Appendix I of the Code
Underlying Index	CSI Consumer Staples Index Inception Date: 31 December 2004 Number of current constituents: 43 Base Currency of Underlying Index: RMB (CNY)
Type of Underlying Index	The Underlying Index is a price return index which means that it does not include the reinvestment of dividends from the constituents (such dividends being net of withholding tax).
Index Provider	China Securities Index Co. Ltd
Investment Strategy	Full replication strategy. Please refer to section "3. Investment Objective and Strategy" of this Appendix for further details.

Initial Issue Date	9 May 2014	
Listing Date	12 May 2014	
Exchange Listing	SEHK - Main Board	
Stock Codes	83107 – RMB counter 03107 – HKD counter	
Stock Short Names	C-SHS CSI STA-R – RMB counter C-SHS CSI STA – HKD counter	
Trading Board Lot Size	200 Units – RMB counter 200 Units – HKD counter	
Base Currency	Renminbi (RMB)	
Trading Currency	Renminbi (RMB) – RMB counter Hong Kong dollars (HKD) – HKD counter	
Dividend Policy	<p>The Manager intends to distribute income to Unitholders annually having regard to the CSI Consumer Staples ETF's net income after fees and charges. Distributions will not be paid (whether directly or effectively) out of capital of the CSI Consumer Staples ETF.</p> <p>Distributions (if declared) will normally be made within the first quarter of the calendar year.</p> <p><b>Distributions on all Units (RMB counter Units and HKD counter Units) will be in RMB only<sup>#</sup>.</b></p>	
Application Unit size for Creation/ Redemption (only by or through Participating Dealers)	Minimum 300,000 Units (or multiples thereof)	
Minimum Subscription (only by or through Participating Dealers)	1 Application Unit (i.e. 300,000 Units)	
Method of Creation / Redemption	Cash (RMB) only	
Parties	Manager / RQFII Holder	China Universal Asset Management (Hong Kong) Company Limited
	Trustee	BOCI-Prudential Trustee Limited
	Custodian	Bank of China (Hong Kong) Limited
	RQFII Custodian	Bank of China Limited
	Registrar	Computershare Hong Kong Investor Services Limited
	Adviser	China Universal Asset Management Company Limited
	Listing Agent	GF Capital (Hong Kong) Limited
	Participating Dealers	BOCI Securities Limited China International Capital Corporation Hong Kong Securities Limited China Merchants Securities (HK) Co., Ltd. CITIC Securities Brokerage (HK) Limited Haitong International Securities Company Limited KGI Securities (Hong Kong) Limited Morgan Stanley Hong Kong Securities Ltd Nomura International (Hong Kong) Limited Orient Securities (Hong Kong) Limited <i>please refer to the Manager's website set out below for the latest list</i>

	Market Makers	<u>RMB counter:</u> KGI Securities (Hong Kong) Ltd CITIC Securities Brokerage (HK) Ltd. Haitong International Securities Company Limited  <u>HKD counter:</u> KGI Securities (Hong Kong) Ltd CITIC Securities Brokerage (HK) Ltd. Haitong International Securities Company Limited <i>please refer to the Manager's website set out below for the latest list</i>
	Service Agent	HK Conversion Agency Services Limited
Financial Year	Ending 31 December each year	
Management Fee	Currently 0.50% per annum of the Net Asset Value of the CSI Consumer Staples ETF <sup>^</sup>	
Trustee's Fee	Currently 0.10% per annum (as a % of the Net Asset Value of the CSI Consumer Staples ETF) (subject to a minimum of RMB40,000 per month)	
Registrar's Fee	Initial placing fee of HK\$180,000 and an ongoing registry service fee of HK\$96,000 per annum	
Website	www.99fund.com.hk <sup>1</sup>	

<sup>#</sup> *Both HKD traded Units and RMB traded Units will receive distributions in RMB only. In the event that the relevant Unitholder has no RMB account, the Unitholder may have to bear the fees and charges associated with the conversion of such dividend from RMB into HKD or any other currency. Unitholders are advised to check with their brokers / intermediaries on the arrangements concerning distributions and to consider the risk factor entitled "RMB distributions risk" below. Please refer to the section headed "5. Distribution Policy" and section headed "RMB distribution risk" under "11.4 Dual Counter Trading risks" in this Appendix for further details.*

<sup>^</sup> *The Manager currently waives the management fees chargeable to the CSI Consumer Staples ETF until 31 December 2017."*

- (b) The following is inserted as the third paragraph under the heading "**12.1.1 Management Fees**" in the sub-section headed "**12.1 Fees and Expenses payable by CSI Consumer Staples ETF**" under the section headed "**12. FEES AND CHARGES**":

"The Manager currently waives the management fees chargeable to the CSI Consumer Staples ETF until 31 December 2017."

- (c) The sub-section headed "**12.3 Total Expense Ratio**" under the section headed "**12. FEES AND CHARGES**" is deleted in its entirety and replaced with the following:

**"12.3 Ongoing Charges Over A Year**

The ongoing charges over a year of the CSI Consumer Staples ETF represents the sum of the ongoing charges chargeable to the CSI Consumer Staples ETF expressed as a percentage of the CSI Consumer Staples ETF's average Net Asset Value. It may vary from year to year.

The ongoing charges figure during the year ended 31 December 2016 was 9.36% .The ongoing charges figure is based on expenses for the year ended 31 December 2016 expressed as a percentage of the CSI Consumer Staples ETF's average Net Asset Value of the same period. It includes the amortised portion of the establishment costs of the CSI Consumer Staples ETF applicable to the relevant period for which the ongoing charges figure is calculated.

From 15 November 2016, certain ongoing charges of the CSI Consumer Staples ETF are borne by the Manager and are not charged to the CSI Consumer Staples ETF and the ongoing charges figure is capped at a maximum 3% of the average Net Asset Value of the CSI Consumer Staples ETF."

#### 4. Updates to the Market Capitalization and the Top 10 Constituents of the Underlying Index

##### 4.1. Section 17 of Appendix 1 of Part 2 of the Prospectus

- (a) The fourth paragraph under the sub-section headed “**17.1 General**” is deleted in its entirety and replaced with the following:

“As of 6 April 2017, the Underlying Index had a total float market capitalisation of RMB 26,917.85 billion and 300 constituents.”

- (b) The first paragraph and the table under the sub-section headed “**17.6 Top 10 Constituents**” are deleted in their entirety and replaced with the following:

“As at 6 April 2017, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 20.24% of the market capitalisation of the Underlying Index based on total shares in issue.

Rank	Constituent Name	Weighting (%)
1.	Ping An Insurance (Group) Company of China Ltd	4.09%
2.	Industrial Bank Co Ltd	2.22%
3.	China Minsheng Banking Corp Ltd	2.05%
4.	Kweichow Moutai Co Ltd	2.01%
5.	China Merchants Bank Co Ltd	2.01%
6.	Bank of Communications Co Ltd	1.75%
7.	Gree Electric Appliances, Inc. of Zhuhai	1.57%
8.	Midea Group Co., Ltd	1.56%
9.	China State Construction Engineering Co Ltd	1.54%
10.	China Vanke Co Ltd	1.44%

##### 4.2. Section 17 of Appendix 2 of Part 2 of the Prospectus

- (a) The fifth paragraph under the sub-section headed “**17.1 General**” is deleted in its entirety and replaced with the following:

“As of 6 April 2017, the Underlying Index had a total float market capitalisation of RMB 1,638.67 billion and 76 constituents.”

- (b) The first paragraph and the table under the sub-section headed “**17.6 Top 10 Constituents**” are deleted in their entirety and replaced with the following:

“As at 6 April 2017, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 36.27% of the market capitalisation of the Underlying Index based on the total shares in issue.

Rank	Constituent Name	Weighting (%)
1.	China National Accord Medicines Corporation Ltd.	7.79%
2.	Shenzhen Neptunus Bioengineering Co Ltd	5.61%
3.	Shandong Dong-Ee Jiao Co Ltd	4.51%
4.	Livzon Pharmaceutical Group Inc	3.48%
5.	Yunnan Baiyao Group Co., Ltd	2.93%
6.	Hainan Haiyao Co Ltd	2.70%
7.	Jilin Aodong Pharmaceutical Group Co., Ltd.	2.70%
8.	Chang Chun High and New Technology Industry (Group) Inc.	2.28%

9.	Jinling Pharmaceutical Co Ltd.	2.19%
10.	Huadong Medicine Co Ltd	2.08%

**4.3. Section 17 of Appendix 3 of Part 2 of the Prospectus**

- (a) The fifth paragraph under the sub-section headed “**17.1 General**” is deleted in its entirety and replaced with the following:

“As of 6 April 2017, the Underlying Index had a total float market capitalisation of RMB 1,612.27 billion and 43 constituents.”

- (b) The first paragraph and the table under the sub-section headed “**17.6 Top 10 Constituents**” are deleted in their entirety and replaced with the following:

“As at 6 April 2017, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 64.63% of the market capitalisation of the Underlying Index based on total shares in issue.

<b>Rank</b>	<b>Constituent Name</b>	<b>Weighting (%)</b>
1.	Kweichow Moutai Co Ltd	16.84%
2.	Inner Mongolia Yili Industrial Group Co Ltd	14.14%
3.	Wuliangye Yibin Co Ltd	10.79%
4.	Jiangsu Yanghe Brewery Joint-Stock Co Ltd	6.87%
5.	Luzhou Laojiao Co Ltd	3.88%
6.	Henan Shuanghui Investment & Development Co Ltd	2.98%
7.	Yonghui Superstores Co Ltd	2.94%
8.	New Hope Liuhe Co., Ltd	2.25%
9.	Shanghai Jahwa United Co Ltd	2.11%
10.	Meihua Holdings Group Co., Ltd	1.83%

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

**China Universal Asset Management (Hong Kong) Company Limited**  
**匯添富資產管理（香港）有限公司**

Date: 28 April 2017



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

This Addendum forms an integral part of and should be read in conjunction with the Prospectus of the Trust dated 5 May 2014, as amended by the First Addendum dated 25 June 2014, the Second Addendum dated 18 August 2014, the Third Addendum dated 14 November 2014, the Fourth Addendum dated 23 December 2014, the Fifth Addendum dated 30 April 2015, the Sixth Addendum dated 23 May 2016 and the Seventh Addendum dated 15 July 2016 (the “**Prospectus**”). This Addendum shall not be distributed separately from the Prospectus.

The Manager accepts full responsibility for the accuracy of the information contained in this Addendum as of the date of its publication 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.

## **CHINA UNIVERSAL INTERNATIONAL ETF SERIES (the “Trust”)**

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

**C-Shares CSI 300 Index ETF  
(Stock Codes: 83008 (RMB counter) and 03008 (HKD counter))**

**C-Shares CSI Healthcare Index ETF  
(Stock Codes: 83132 (RMB counter) and 03132 (HKD counter))**

**C-Shares CSI Consumer Staples Index ETF  
(Stock Codes: 83107 (RMB counter) and 03107 (HKD counter))**

**(each, a “Sub-Fund”, and collectively, the “Sub-Funds”)**

## **EIGHTH ADDENDUM TO PROSPECTUS**

### **I. Other Updates**

With immediate effect, the following amendments are made to the Prospectus:

#### **1. Section 17 of Appendix 1 of Part 2 of the Prospectus**

- (a) The fourth paragraph under the sub-section headed “17.1 General” is deleted in its entirety and replaced with the following:

“As of 31 October 2016, the Underlying Index had a total float market capitalisation of RMB 25,017.88 billion and 300 constituents.”

- (b) The first paragraph and the table under the sub-section headed “17.6 Top 10 Constituents” are deleted in their entirety and replaced with the following:

“As at 31 October 2016, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 21.12% of the market capitalisation of the Underlying Index based on total shares in issue.

<b>Rank</b>	<b>Constituent Name</b>	<b>Weighting (%)</b>
1.	Ping An Insurance (Group) Company of China Ltd	4.16%
2.	Industrial Bank Co Ltd	2.41%
3.	China Minsheng Banking Corp Ltd	2.41%
4.	China Vanke Co Ltd	2.15%
5.	China Merchants Bank Co Ltd	2.04%
6.	Kweichow Moutai Co Ltd	1.77%
7.	Bank of Communications Co Ltd	1.71%
8.	Shanghai Pudong Development Bank Co Ltd	1.56%
9.	Haitong Securities Company Limited	1.46%
10.	CITIC Securities Co Ltd	1.45%

”

**2. Section 17 of Appendix 2 of Part 2 of the Prospectus**

- (a) The fifth paragraph under the sub-section headed “17.1 General” is deleted in its entirety and replaced with the following:

“As of 31 October 2016, the Underlying Index had a total float market capitalisation of RMB 1,344.86 billion and 66 constituents.”

- (b) The first paragraph and the table under the sub-section headed “17.6 Top 10 Constituents” are deleted in their entirety and replaced with the following:

“As at 31 October 2016, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 34.83% of the market capitalisation of the Underlying Index based on the total shares in issue.

<b>Rank</b>	<b>Constituent Name</b>	<b>Weighting (%)</b>
1.	Jiangsu Hengrui Medicine Co Ltd	7.95%
2.	Yunnan Baiyao Group Co., Ltd.	4.41%
3.	Shandong Dong-Ee Jiao Co Ltd	3.58%
4.	Shanghai Fosun Pharmaceutical (Group) Co Ltd	3.33%
5.	Tasly Pharmaceutical Group Co., Ltd	3.27%
6.	Tonghua Dongbao Pharmaceutical Co., Ltd	2.75%
7.	Shanghai RAAS Blood Products Co Ltd	2.64%
8.	Jilin Aodong Pharmaceutical Group Co., Ltd.	2.36%
9.	Jinyu Bio-Technology Co., Ltd.	2.29%
10.	Humanwell Healthcare (Group) Co., Ltd.	2.25%

”

**3. Section 17 of Appendix 3 of Part 2 of the Prospectus**

- (a) The fifth paragraph under the sub-section headed “17.1 General” is deleted in its entirety and replaced with the following:

“As of 31 October 2016, the Underlying Index had a total float market capitalisation of RMB 1,693.24 billion and 55 constituents.”

- (b) The first paragraph and the table under the sub-section headed “17.6 Top 10 Constituents” are deleted in their entirety and replaced with the following:

“As at 31 October 2016, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 55.34% of the market capitalisation of the Underlying Index based on total shares in issue.

<b>Rank</b>	<b>Constituent Name</b>	<b>Weighting (%)</b>
1.	Kweichow Moutai Co Ltd	11.05%
2.	Inner Mongolia Yili Industrial Group Co Ltd	10.78%
3.	Wuliangye Yibin Co Ltd	8.44%
4.	Kangmei Pharmaceutical Co Ltd	6.41%
5.	Jiangsu Yanghe Brewery Joint-Stock Co Ltd	5.34%
6.	Luzhou Laojiao Co Ltd	3.07%
7.	Shanghai Pharmaceuticals Holding Co., Ltd	2.91%
8.	Henan Shuanghui Investment & Development Co Ltd	2.88%
9.	Huadong Medicine Co Ltd	2.27%
10.	Yonghui Superstores Co Ltd	2.19%

”

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

**China Universal Asset Management (Hong Kong) Company Limited**  
**匯添富資產管理（香港）有限公司**

Date: 15 November 2016

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

This Addendum forms an integral part of and should be read in conjunction with the Prospectus of the Trust dated 5 May 2014, as amended by the First Addendum dated 25 June 2014, the Second Addendum dated 18 August 2014, the Third Addendum dated 14 November 2014, the Fourth Addendum dated 23 December 2014, the Fifth Addendum dated 30 April 2015 and the Sixth Addendum dated 23 May 2016 (the “**Prospectus**”). This Addendum shall not be distributed separately from the Prospectus.

The Manager accepts full responsibility for the accuracy of the information contained in this Addendum as of the date of its publication 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.

## **CHINA UNIVERSAL INTERNATIONAL ETF SERIES (the “Trust”)**

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

**C-Shares CSI 300 Index ETF**  
**(Stock Codes: 83008 (RMB counter) and 03008 (HKD counter))**

**C-Shares CSI Healthcare Index ETF**  
**(Stock Codes: 83132 (RMB counter) and 03132 (HKD counter))**

**C-Shares CSI Consumer Staples Index ETF**  
**(Stock Codes: 83107 (RMB counter) and 03107 (HKD counter))**

**(each, a “Sub-Fund”, and collectively, the “Sub-Funds”)**

## **SEVENTH ADDENDUM TO PROSPECTUS**

### **INTRODUCTION**

#### **I. PRC Tax Provisions**

Upon the request of the Beijing Xicheng State Tax Bureau (the “**Beijing Tax Authority**”), the Manager, as the RQFII licence holder, submitted the requested information and documents on behalf of the Sub-Funds to report the PRC withholding income tax (“**WIT**”) payable on gross realised capital gains derived from transfer of China A-Shares issued by land rich companies and apply for tax treaty relief on gross realised capital gains derived from transfer of China A-Shares issued by non-land rich companies under the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (“**Arrangement**”) during the period commencing on the date of inception of the respective Sub-Funds and ending on 16 November 2014, both days inclusive.

The disclosures on PRC taxation in the Prospectus are amended subsequent to the tax reporting and tax treaty relief application made to the Beijing Tax Authority and the revisions of the tax provisioning policy.

#### **II. Ground of Termination of the Sub-Funds**

Pursuant to section 14.5 of Part 1 of the Prospectus, a Sub-Fund may be terminated by the Manager in its absolute discretion by notice in writing if on any date, the aggregate Net Asset Value of the Units of the relevant classes of the Sub-Fund shall be less than the amount as may be disclosed in the relevant Appendix for such Sub-Fund under Part 2 of the Prospectus.

It is currently provided in the Appendices for the Sub-Funds that the Manager does not intend to rely on the ground that the aggregate Net Asset Value of the Units of the relevant classes of the Sub-Funds is less than a certain amount (the “**Small Fund Size**”) for termination of the Sub-Funds.

The disclosures in the Prospectus are to be amended to enable termination of the Sub-Funds on the ground of Small Fund Size.

## **AMENDMENTS TO PROSPECTUS**

### **I. PRC Tax Provisions**

With immediate effect, the following changes are made to the Prospectus:

#### **1. Section 5.1 of Part 1 of the Prospectus**

Paragraph (a)(iii) of the risk factor headed “PRC tax considerations” under section “5.1 Risk Factors relating to China” of Part 1 of the Prospectus is deleted in its entirety and replaced with the following:

“(iii) *Capital gains*

Circular Caishui [2014] No.79 (“**Circular 79**”) states that QFII and RQFII without a place of business or establishment (“**PE**”) in the PRC or QFII and RQFII with a PE in the PRC but the income so derived in the PRC is not effectively connected with its PE are temporarily exempt from PRC corporate income tax (“**CIT**”) on capital gains derived from transfer of equity investment assets (including PRC domestic stocks) effective from 17 November 2014. Circular 79 also states that QFII and RQFII are subject to PRC WIT on capital gains derived from transfer of equity investment assets (including PRC domestic stocks) before 17 November 2014. For an enterprise that is not a PRC tax resident and has no PE in the PRC, a 10% PRC WIT shall apply to capital gains derived from investments in PRC Securities (including China A-Shares), unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

In light of Circular 79, the Manager, having taken independent professional tax advice and acting in accordance with such advice, will not make PRC WIT provision for gross realised or unrealised capital gains derived from investments in China A-Shares via RQFII from 17 November 2014 onwards.

It is also noted that Circular 79 states that the relevant tax exemption are temporary. As such, as and when the PRC authorities announce the expiry date of the exemption, the Sub-Funds may in future need to make additional provisions to reflect taxes payable, which may have a substantial negative impact on the NAV of the Sub-Funds.

As for the gross realised capital gains derived from transfer of China A-Shares via RQFII before 17 November 2014, certain tax treaty relief is applicable to Hong Kong tax residents under the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the “**Arrangement**”).

Pursuant to the Arrangement, capital gains derived by Hong Kong tax residents from the alienation of shares issued by Chinese companies may only be taxed in China if that Chinese company is a “land rich” company (i.e. PRC company in which at least 50% of its assets are comprised, directly or indirectly, of immovable property situated in the PRC) or if the recipient, at any time within 12 months preceding such alienation, had a participation of at least 25% in that Chinese company. Due to the regulatory restriction, the relevant Sub-Funds cannot hold more than 10% of any ordinary shares issued by any single issuer. In such a case, the capital gains derived by the Sub-Funds via RQFII before 17 November 2014 from alienation of China A-Shares should not be subject to PRC WIT unless the China A-Share company is a land rich company.

Pursuant to the relevant PRC tax regulations, to enjoy the tax treaty relief under the Arrangement, a Hong Kong tax resident should submit to the relevant PRC tax authorities with application documents (including a Hong Kong Tax Resident Certificate (“**HKTRC**”) issued by the Inland Revenue Department of Hong Kong (the “**IRD**”)) for assessment.

The Manager has applied to the HKIRD on behalf of the Sub-Funds for the HKTRCs in December 2015 and obtained HKTRCs of the Sub-Funds issued by the HKIRD for each assessment year for the purpose of application of the tax treaty relief under the Arrangement.

The Manager also submitted the requested information and documents on behalf of the Sub-Funds to the Beijing Tax Authority in July 2015 to report the PRC WIT payable on gross realised capital gains derived from transfer of China A-Shares issued by land rich companies and apply for tax treaty relief on gross realised capital gains derived from transfer of China A-Shares issued by non-land rich companies under the Arrangement during the period commencing on the date of inception of the respective Sub-Fund and ending on 16 November 2014, both days inclusive. The HKTRCs for the Sub-Funds as described above were also submitted for the eligibility of the Sub-Funds to benefit from the tax treaty relief under the Arrangement.

The Beijing Tax Authority completed the review on the Sub-Funds' aforesaid tax reporting and tax treaty relief application in February 2016. The Beijing Tax Authority has accepted the Sub-Funds' tax treaty application in the form of record-filing and affixed an official stamp on the "Reporting Form for Non-resident Taxpayer Claiming Tax Treaty Benefits" for each Sub-Fund. Upon the Beijing Tax Authority's confirmation, each of the Sub-Funds settled its PRC tax liability for the period from its inception date to 16 November 2014 in respect of gross realised capital gains derived from transfer of China A-Shares issued by land rich companies. As at the date of this Prospectus, no further tax provision will be made on capital gains arising from the Sub-Funds' disposal of China A-Shares during such period.

In light of the uncertainty on the income tax treatment on capital gains and in order to meet any potential tax liability for capital gains, the Manager reserves the right to provide for PRC WIT on such gains or income and withhold the tax for the account of the relevant Sub-Funds and will notify the Unitholders should the Manager decide to exercise such right. The Manager's current policy on tax provisions is set out in the Appendix of the relevant Sub-Funds."

## 2. **Section 6 of Appendix 1 of Part 2 of the Prospectus**

Section 6 of Appendix 1 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:-

### **"6. PRC TAX PROVISIONS**

#### ***Tax reporting and tax treaty relief application to Beijing tax authority***

Upon the request of the Beijing Xicheng State Tax Bureau (the "**Beijing Tax Authority**"), the Manager, as the RQFII licence holder, submitted the requested information and documents on behalf of the CSI 300 ETF to the Beijing Tax Authority in July 2015 to (i) report the PRC WIT payable on gross realised capital gains derived from transfer of China A-Shares issued by land rich companies and (ii) apply for tax treaty relief on gross realised capital gains derived from transfer of China A-Shares issued by non-land rich companies under the Arrangement during the period commencing on the date of inception of the CSI 300 ETF and ending on 16 November 2014, both days inclusive. The documents and information submitted by the Manager were prepared by professional tax adviser and were reviewed and approved by the Manager. In the documents and information submitted, the Manager has set out the amount of gains, the amount of tax liability, the amount of tax relief or reduction and the Manager's basis for such position.

#### ***Review of the tax reporting and tax treaty relief application by Beijing Tax Authority and WIT payment***

The Beijing Tax Authority completed the review on the CSI 300 ETF's aforesaid tax reporting and tax treaty relief application in February 2016. The Beijing Tax Authority has accepted the CSI 300 ETF's tax treaty relief application in the form of record-filing and affixed an official stamp on the "Reporting Form for Non-resident Taxpayer Claiming Tax Treaty Benefits" for the CSI 300 ETF. Upon the Beijing Tax Authority's confirmation, the CSI 300 ETF settled its PRC tax liability (for the period from its inception date to 16 November 2014) in respect of gross realised capital gains derived from transfer of China A-Shares issued by land rich companies.

#### ***PRC tax provision policy of the CSI 300 ETF***

Pursuant to Circular 79, the CSI 300 ETF, investing through the RQFII quota of the Manager, is temporarily exempt from PRC corporate income tax ("**CIT**") on capital gains from investments in equity investment assets (including China A-Shares) effective from 17 November 2014, but those capital gains derived from investments in equity investment assets (including China A-Shares) prior to 17 November 2014 shall be subject to CIT in accordance with the PRC CIT law.

In consideration of the Beijing Tax Authority's acceptance of the CSI 300 ETF's tax treaty relief application and the CSI 300 ETF's tax reporting, the Manager considers that the CSI 300 ETF has settled its PRC WIT liabilities with regard to its gross realised capital gains derived from transfer of China A-Shares issued by land rich companies since its inception date to 16 November 2014.

Based on Circular 79 and the interpretation from the PRC tax authorities, the Manager, having taken and considered independent professional tax advice, has determined that it will continue not to make any PRC WIT provision for the CSI 300 ETF in respect of gross realised and unrealised capital gains from transfer of China A-Shares.

It is also noted that the Circular 79 states that the CIT exemption effective from 17 November 2014 is temporary. As such, as and when the PRC authorities announce the expiry date of the exemption, the CSI 300 ETF may in future need to make provision to reflect taxes payable, which may have a substantial negative impact on the Net Asset Value of the CSI 300 ETF.

Investors should note that the PRC tax laws, regulation and practice may change from time to time and taxes being applied retrospectively. As such, there is a risk that the CSI 300 ETF will incur tax liabilities, which may

potentially cause substantial loss to the CSI 300 ETF and the Net Asset Value of the CSI 300 ETF may require further adjustment to take into account any retrospective application of new tax regulations and development, including change in interpretation of the relevant regulations by the PRC tax authority.

In the event that tax is levied by the PRC tax authorities, the Net Asset Value of the CSI 300 ETF may be lowered, as the CSI 300 ETF will ultimately have to bear the full amount of tax liabilities. In this case, the tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the CSI 300 ETF, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the CSI 300 ETF.

The Manager will closely monitor any further guidance by the relevant PRC tax authorities and adjust the WIT provisioning policy of the CSI 300 ETF accordingly.

Unitholders should seek their own tax advice on their tax position with regard to their investments in the CSI 300 ETF.

For further details relating to PRC taxes and the associated risks, please refer to the risk factor headed “*PRC tax considerations*” under section “*5.1 Risk Factors relating to China*” in Part 1 of this Prospectus.”

### 3. Section 6 of Appendix 2 of Part 2 of the Prospectus

Section 6 of Appendix 2 of Part 2 of the Prospectus is deleted in its entirety and be replaced with the following:-

#### “6. PRC TAX PROVISIONS

##### *Tax reporting and tax treaty relief application to Beijing tax authority*

Upon the request of the Beijing Xicheng State Tax Bureau (the “**Beijing Tax Authority**”), the Manager, as the RQFII licence holder, submitted the requested information and documents on behalf of the CSI Healthcare ETF to the Beijing Tax Authority in July 2015 to (i) report the PRC WIT payable on gross realised capital gains derived from transfer of China A-Shares issued by land rich companies and (ii) apply for tax treaty relief on gross realised capital gains derived from transfer of China A-Shares issued by non-land rich companies under the Arrangement during the period commencing on the date of inception of the CSI Healthcare ETF and ending on 16 November 2014, both days inclusive. The documents and information submitted by the Manager were prepared by professional tax adviser and were reviewed and approved by the Manager. In the documents and information submitted, the Manager has set out the amount of gains, the amount of tax liability, the amount of tax relief or reduction and the Manager’s basis for such position.

##### *Review of the tax reporting and tax treaty relief application by Beijing Tax Authority and WIT payment*

The Beijing Tax Authority completed the review on the CSI Healthcare ETF’s aforesaid tax reporting and tax treaty relief application in February 2016. The Beijing Tax Authority has accepted the CSI Healthcare ETF’s tax treaty relief application in the form of record-filing and affixed an official stamp on the “Reporting Form for Non-resident Taxpayer Claiming Tax Treaty Benefits” for the CSI Healthcare ETF. Upon the Beijing Tax Authority’s confirmation, the CSI Healthcare ETF settled its PRC tax liability (for the period from its inception date to 16 November 2014) in respect of gross realised capital gains derived from transfer of China A-Shares issued by land rich companies.

##### *PRC tax provision policy of the CSI Healthcare ETF*

Pursuant to Circular 79, the CSI Healthcare ETF, investing through the RQFII quota of the Manager, is temporarily exempt from PRC corporate income tax (“**CIT**”) on capital gains from investments in equity investment assets (including China A-Shares) effective from 17 November 2014, but those capital gains derived from investments in equity investment assets (including China A-Shares) prior to 17 November 2014 shall be subject to CIT in accordance with the PRC CIT law.

In consideration of the Beijing Tax Authority’s acceptance of the CSI Healthcare ETF’s tax treaty relief application and the CSI Healthcare ETF’s tax reporting, the Manager considers that the CSI Healthcare ETF has settled its PRC WIT liabilities with regard to its gross realised capital gains derived from transfer of China A-Shares issued by land rich companies since its inception date to 16 November 2014.

Based on Circular 79 and the interpretation from the PRC tax authorities, the Manager, having taken and considered independent professional tax advice, has determined that it will continue not to make any PRC WIT provision for the CSI Healthcare ETF in respect of gross realised and unrealised capital gains from transfer of China A-Shares.

It is also noted that the Circular 79 states that the CIT exemption effective from 17 November 2014 is temporary. As such, as and when the PRC authorities announce the expiry date of the exemption, the CSI Healthcare ETF

may in future need to make provision to reflect taxes payable, which may have a substantial negative impact on the Net Asset Value of the CSI Healthcare ETF.

Investors should note that the PRC tax laws, regulation and practice may change from time to time and taxes being applied retrospectively. As such, there is a risk that the CSI Healthcare ETF will incur tax liabilities, which may potentially cause substantial loss to the CSI Healthcare ETF and the Net Asset Value of the CSI Healthcare ETF may require further adjustment to take into account any retrospective application of new tax regulations and development, including change in interpretation of the relevant regulations by the PRC tax authority.

In the event that tax is levied by the PRC tax authorities, the Net Asset Value of the CSI Healthcare ETF may be lowered, as the CSI Healthcare ETF will ultimately have to bear the full amount of tax liabilities. In this case, the tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the CSI Healthcare ETF, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the CSI Healthcare ETF.

The Manager will closely monitor any further guidance by the relevant PRC tax authorities and adjust the WIT provisioning policy of the CSI Healthcare ETF accordingly.

Unitholders should seek their own tax advice on their tax position with regard to their investments in the CSI Healthcare ETF.

For further details relating to PRC taxes and the associated risks, please refer to the risk factor headed “*PRC tax considerations*” under section “*5.1 Risk Factors relating to China*” in Part 1 of this Prospectus.”

#### 4. **Section 6 of Appendix 3 of Part 2 of the Prospectus**

Section 6 of Appendix 3 of Part 2 of the Prospectus is deleted in its entirety and be replaced with the following:-

##### “6. **PRC TAX PROVISIONS**

###### ***Tax reporting and tax treaty relief application to Beijing tax authority***

Upon the request of the Beijing Xicheng State Tax Bureau (the “**Beijing Tax Authority**”), the Manager, as the RQFII licence holder, submitted the requested information and documents on behalf of the CSI Consumer Staples ETF to the Beijing Tax Authority in July 2015 to (i) report the PRC WIT payable on gross realised capital gains derived from transfer of China A-Shares issued by land rich companies and (ii) apply for tax treaty relief on gross realised capital gains derived from transfer of China A-Shares issued by non-land rich companies under the Arrangement during the period commencing on the date of inception of the CSI Consumer Staples ETF and ending on 16 November 2014, both days inclusive. The documents and information submitted by the Manager were prepared by professional tax adviser and were reviewed and approved by the Manager. In the documents and information submitted, the Manager has set out the amount of gains, the amount of tax liability, the amount of tax relief or reduction and the Manager’s basis for such position.

###### ***Review of the tax reporting and tax treaty relief application by Beijing Tax Authority and WIT payment***

The Beijing Tax Authority completed the review on the CSI Consumer Staples ETF’s aforesaid tax reporting and tax treaty relief application in February 2016. The Beijing Tax Authority has accepted the CSI Consumer Staples ETF’s tax treaty relief application in the form of record-filing and affixed an official stamp on the “Reporting Form for Non-resident Taxpayer Claiming Tax Treaty Benefits” for the CSI Consumer Staples ETF. Upon the Beijing Tax Authority’s confirmation, the CSI Consumer Staples ETF settled its PRC tax liability (for the period from its inception date to 16 November 2014) in respect of gross realised capital gains derived from transfer of China A-Shares issued by land rich companies.

###### ***PRC tax provision policy of the CSI Consumer Staples ETF***

Pursuant to Circular 79, the CSI Consumer Staples ETF, investing through the RQFII quota of the Manager, is temporarily exempt from PRC corporate income tax (“**CIT**”) on capital gains from investments in equity investment assets (including China A-Shares) effective from 17 November 2014, but those capital gains derived from investments in equity investment assets (including China A-Shares) prior to 17 November 2014 shall be subject to CIT in accordance with the PRC CIT law.

In consideration of the Beijing Tax Authority’s acceptance of the CSI Consumer Staples ETF’s tax treaty relief application and the CSI Consumer Staples ETF’s tax reporting, the Manager considers that the CSI Consumer Staples ETF has settled its PRC WIT liabilities with regard to its gross realised capital gains derived from transfer of China A-Shares issued by land rich companies since its inception date to 16 November 2014.

Based on Circular 79 and the interpretation from the PRC tax authorities, the Manager, having taken and considered independent professional tax advice, has determined that it will continue not to make any PRC WIT



provision for the CSI Consumer Staples ETF in respect of gross realised and unrealised capital gains from transfer of China A-Shares.

It is also noted that the Circular 79 states that the CIT exemption effective from 17 November 2014 is temporary. As such, as and when the PRC authorities announce the expiry date of the exemption, the CSI Consumer Staples ETF may in future need to make provision to reflect taxes payable, which may have a substantial negative impact on the Net Asset Value of the CSI Consumer Staples ETF.

Investors should note that the PRC tax laws, regulation and practice may change from time to time and taxes being applied retrospectively. As such, there is a risk that the CSI Consumer Staples ETF will incur tax liabilities, which may potentially cause substantial loss to the CSI Consumer Staples ETF and the Net Asset Value of the CSI Consumer Staples ETF may require further adjustment to take into account any retrospective application of new tax regulations and development, including change in interpretation of the relevant regulations by the PRC tax authority.

In the event that tax is levied by the PRC tax authorities, the Net Asset Value of the CSI Consumer Staples ETF may be lowered, as the CSI Consumer Staples ETF will ultimately have to bear the full amount of tax liabilities. In this case, the tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the CSI Consumer Staples ETF, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the CSI Consumer Staples ETF.

The Manager will closely monitor any further guidance by the relevant PRC tax authorities and adjust the WIT provisioning policy of the CSI Consumer Staples ETF accordingly.

Unitholders should seek their own tax advice on their tax position with regard to their investments in the CSI Consumer Staples ETF.

For further details relating to PRC taxes and the associated risks, please refer to the risk factor headed “*PRC tax considerations*” under section “*5.1 Risk Factors relating to China*” in Part 1 of this Prospectus.”

## **II. Ground of Termination of the Sub-Funds**

With effect from 15 August 2016, the following changes are made to the Prospectus:

### **1. Section 4.4.4 of Appendix 1 of Part 2 of the Prospectus**

Section 4.4.4 of Appendix 1 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:

#### ***“4.4.4 Termination of the CSI 300 ETF***

Without prejudice to the grounds of termination as set out in the section headed “*14.5 Termination of the Trust or a Sub-Fund*” in Part 1 of this Prospectus, if on any date, the aggregate Net Asset Value of the Units of the relevant classes outstanding in relation to the CSI 300 ETF shall be less than RMB 50 million, the CSI 300 ETF and/or any classes of Units relating to the CSI 300 ETF may be terminated by the Manager in its absolute discretion by notice in writing.”

### **2. Section 4.6.4 of Appendix 2 of Part 2 of the Prospectus**

Section 4.6.4 of Appendix 2 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:

#### ***“4.6.4 Termination of the CSI Healthcare ETF***

Without prejudice to the grounds of termination as set out in the section headed “*14.5 Termination of the Trust or a Sub-Fund*” in Part 1 of this Prospectus, if on any date, the aggregate Net Asset Value of the Units of the relevant classes outstanding in relation to the CSI Healthcare ETF shall be less than RMB 50 million, the CSI Healthcare ETF and/or any classes of Units relating to the CSI Healthcare ETF may be terminated by the Manager in its absolute discretion by notice in writing.”

### **3. Section 4.6.4 of Appendix 3 of Part 2 of the Prospectus**

Section 4.6.4 of Appendix 3 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:

#### ***“4.6.4 Termination of the CSI Consumer Staples ETF***

Without prejudice to the grounds of termination as set out in the section headed “*14.5 Termination of the Trust or a Sub-Fund*” in Part 1 of this Prospectus, if on any date, the aggregate Net Asset Value of the Units of the relevant classes outstanding in relation to the CSI Consumer Staples ETF shall be less than RMB 50 million, the CSI Consumer Staples ETF and/or any classes of Units relating to the CSI Consumer Staples ETF may be terminated by the Manager in its absolute discretion by notice in writing.”

### III. Other Updates

With immediate effect, the following amendments are made to the Prospectus:

#### 1. Section 17 of Appendix 1 of Part 2 of the Prospectus

- (a) The fourth paragraph under the sub-section headed “17.1 General” is deleted in its entirety and replaced with the following:

“As of 16 June 2016, the Underlying Index had a total float market capitalisation of RMB 23,001.63 billion and 300 constituents.”

- (b) The first paragraph and the table under the sub-section headed “17.6 Top 10 Constituents” are deleted in their entirety and replaced with the following:

“As at 16 June 2016, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 21.6% of the market capitalisation of the Underlying Index based on total shares in issue.

Rank	Constituent Name	Weighting (%)
1.	Ping An Insurance (Group) Company of China Ltd	4.14%
2.	China Minsheng Banking Corp Ltd	2.55%
3.	Industrial Bank Co Ltd	2.45%
4.	China Vanke Co Ltd	2.27%
5.	China Merchants Bank Co Ltd	2.15%
6.	Bank of Communications Co Ltd	1.80%
7.	Shanghai Pudong Development Bank Co Ltd	1.67%
8.	Kweichow Moutai Co Ltd	1.65%
9.	CITIC Securities Co Ltd	1.47%
10.	Haitong Securities Company Limited	1.45%

”

#### 2. Section 17 of Appendix 2 of Part 2 of the Prospectus

- (a) The fifth paragraph under the sub-section headed “17.1 General” is deleted in its entirety and replaced with the following:

“As of 16 June 2016, the Underlying Index had a total float market capitalisation of RMB 1,170.13 billion and 66 constituents.”

- (b) The first paragraph and the table under the sub-section headed “17.6 Top 10 Constituents” are deleted in their entirety and replaced with the following:

“As at 16 June 2016, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 34.28% of the market capitalisation of the Underlying Index based on the total shares in issue.

Rank	Constituent Name	Weighting (%)
1.	Jiangsu Hengrui Medicine Co Ltd	7.71%
2.	Yunnan Baiyao Group Co., Ltd.	4.50%
3.	Shandong Dong-Ee Jiao Co Ltd	3.69%
4.	Tasly Pharmaceutical Group Co. Ltd	3.16%
5.	Shanghai Fosun Pharmaceutical (Group) Co Ltd	2.98%
6.	Shanghai RAAS Blood Products Co Ltd	2.87%

7.	Tonghua Dongbao Pharmaceutical Co., Ltd	2.68%
8.	Jilin Aodong Pharmaceutical Group Co., Ltd.	2.43%
9.	Lepu Medical Technology (Beijing) Co Ltd	2.14%
10.	Jinyu Bio-Technology Co., Ltd.	2.12%

”

**3. Section 17 of Appendix 3 of Part 2 of the Prospectus**

- (a) The fifth paragraph under the sub-section headed “17.1 General” is deleted in its entirety and replaced with the following:

“As of 16 June 2016, the Underlying Index had a total float market capitalisation of RMB 1,509.01 billion and 55 constituents.”

- (b) The first paragraph and the table under the sub-section headed “17.6 Top 10 Constituents” are deleted in their entirety and replaced with the following:

“As at 16 June 2016, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 54.18% of the market capitalisation of the Underlying Index based on total shares in issue.

<b>Rank</b>	<b>Constituent Name</b>	<b>Weighting (%)</b>
1.	Inner Mongolia Yili Industrial Group Co Ltd	10.43%
2.	Kweichow Moutai Co Ltd	10.20%
3.	Wuliangye Yibin Co Ltd	8.05%
4.	Kangmei Pharmaceutical Co Ltd	6.44%
5.	Jiangsu Yanghe Brewery Joint-Stock Co Ltd	6.11%
6.	Henan Shuanghui Investment & Development Co Ltd	2.90%
7.	Shanghai Pharmaceuticals Holding Co., Ltd	2.79%
8.	Luzhou Laojiao Co Ltd	2.61%
9.	New Hope Liuhe Co., Ltd	2.41%
10.	Yonghui Superstores Co Ltd	2.24%

”

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

**China Universal Asset Management (Hong Kong) Company Limited**  
**匯添富資產管理（香港）有限公司**

Date: 15 July 2016

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

This Addendum forms an integral part of and should be read in conjunction with the Prospectus of the Trust dated 5 May 2014, as amended by the First Addendum dated 25 June 2014, the Second Addendum dated 18 August 2014, the Third Addendum dated 14 November 2014, the Fourth Addendum dated 23 December 2014 and the Fifth Addendum dated 30 April 2015 (the “**Prospectus**”).

The Manager accepts full responsibility for the accuracy of the information contained in this Addendum as of the date of its publication 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.

**CHINA UNIVERSAL INTERNATIONAL ETF SERIES  
(the “Trust”)**

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

**C-Shares CSI 300 Index ETF  
(Stock Codes: 83008 (RMB counter) and 03008 (HKD counter))**

**C-Shares CSI Healthcare Index ETF  
(Stock Codes: 83132 (RMB counter) and 03132 (HKD counter))**

**C-Shares CSI Consumer Staples Index ETF  
(Stock Codes: 83107 (RMB counter) and 03107 (HKD counter))**

(each, a “Sub-Fund”, and collectively, the “Sub-Funds”)

**SIXTH ADDENDUM TO PROSPECTUS**

**AMENDMENTS TO PROSPECTUS**

**I. Updates to the Market Capitalization and the Top 10 Constituents of the Underlying Index**

With immediate effect, the following amendments are made to the Prospectus:

**1. Section 17 of Appendix 1 of Part 2 of the Prospectus**

- (a) The fourth paragraph under the sub-section headed “17.1 General” is deleted in its entirety and replaced with the following:

“As of 13 May 2016, the Underlying Index had a total float market capitalisation of RMB 22,805.24 billion and 300 constituents.”

- (b) The first paragraph and the table under the sub-section headed “17.6 Top 10 Constituents” are deleted in their entirety and replaced with the following:

“As at 13 May 2016, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 22.81% of the market capitalisation of the Underlying Index based on total shares in issue.

<b>Rank</b>	<b>Constituent Name</b>	<b>Weighting (%)</b>
1.	Ping An Insurance (Group) Company of China Ltd	4.22%
2.	China Minsheng Banking Corp Ltd	3.34%
3.	Industrial Bank Co Ltd	2.61%
4.	China Vanke Co Ltd	2.33%
5.	China Merchants Bank Co Ltd	2.23%
6.	Shanghai Pudong Development Bank Co Ltd	2.08%
7.	Kweichow Moutai Co Ltd	1.55%
8.	Bank of Communications Co Ltd	1.52%
9.	CITIC Securities Co Ltd	1.49%
10.	Haitong Securities Company Limited	1.44%

**2. Section 17 of Appendix 2 of Part 2 of the Prospectus**

- (a) The fifth paragraph under the sub-section headed “17.1 General” is deleted in its entirety and replaced with the following:

“As of 13 May 2016, the Underlying Index had a total float market capitalisation of RMB 1,192.51 billion and 69 constituents.”

- (b) The first paragraph and the table under the sub-section headed “17.6 Top 10 Constituents” are deleted in their entirety and replaced with the following:

“As at 13 May 2016, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 34.37% of the market capitalisation of the Underlying Index based on the total shares in issue.

<b>Rank</b>	<b>Constituent Name</b>	<b>Weighting (%)</b>
1.	Jiangsu Hengrui Medicine Co Ltd	7.61%
2.	Yunnan Baiyao Group Co., Ltd.	4.46%
3.	Shandong Dong-Ee Jiao Co Ltd	3.35%
4.	Tasly Pharmaceutical Group Co. Ltd	3.19%
5.	Shanghai Fosun Pharmaceutical (Group) Co Ltd	2.96%
6.	Shanghai RAAS Blood Products Co Ltd	2.87%
7.	Tonghua Dongbao Pharmaceutical Co.,Ltd	2.71%
8.	Beijing Tongrentang Co Ltd	2.62%
9.	Jilin Aodong Pharmaceutical Group Co., Ltd.	2.43%
10.	Jinyu Bio-Technology Co.,Ltd.	2.17%

**3. Section 17 of Appendix 3 of Part 2 of the Prospectus**

- (a) The fifth paragraph under the sub-section headed “17.1 General” is deleted in its entirety and replaced with the following:

“As of 13 May 2016, the Underlying Index had a total float market capitalisation of RMB 1,502.32 billion and 57 constituents.”

- (b) The first paragraph and the table under the sub-section headed “17.6 Top 10 Constituents” are deleted in their entirety and replaced with the following:

“As at 13 May 2016, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 53.64% of the market capitalisation of the Underlying Index based on total shares in issue.

	<b>Constituent Name</b>	<b>Weighting (%)</b>
1.	Kweichow Moutai Co Ltd	12.38%
2.	Inner Mongolia Yili Industrial Group Co Ltd	10.52%
3.	Wuliangye Yibin Co Ltd	7.25%
4.	Kangmei Pharmaceutical Co Ltd	5.74%
5.	Jiangsu Yanghe Brewery Joint-Stock Co Ltd	5.24%
6.	Shanghai Pharmaceuticals Holding Co., Ltd	2.75%
7.	Henan Shuanghui Investment & Development Co Ltd	2.71%
8.	Beijing Dabeinong Technology Group Co Ltd	2.56%
9.	New Hope Liuhe Co., Ltd	2.31%
10.	Meihua Holdings Group Co., Ltd	2.18%

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

**China Universal Asset Management (Hong Kong) Company Limited**  
**匯添富資產管理（香港）有限公司**

Date: 23 May 2016

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

This Addendum forms an integral part of and should be read in conjunction with the Prospectus of the Trust dated 5 May 2014, as amended by the First Addendum dated 25 June 2014, the Second Addendum dated 18 August 2014, the Third Addendum dated 14 November 2014 and the Fourth Addendum dated 23 December 2014 (the “**Prospectus**”).

The Manager accepts full responsibility for the accuracy of the information contained in this Addendum as of the date of its publication 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.

## **CHINA UNIVERSAL INTERNATIONAL ETF SERIES (the “Trust”)**

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

**C-Shares CSI 300 Index ETF**  
**(Stock Codes: 83008 (RMB counter) and 03008 (HKD counter))**

**C-Shares CSI Healthcare Index ETF**  
**(Stock Codes: 83132 (RMB counter) and 03132 (HKD counter))**

**C-Shares CSI Consumer Staples Index ETF**  
**(Stock Codes: 83107 (RMB counter) and 03107 (HKD counter))**

**(collectively, the “Sub-Funds”)**

## **FIFTH ADDENDUM TO PROSPECTUS**

### **INTRODUCTION**

Pursuant to the Government’s Securities and Futures (Levy) (Amendment) Order 2014, the transaction levy payable by a buyer or a seller for a transaction of securities has been reduced from 0.003% to 0.0027% from 1 November 2014. As such, the disclosures on the transaction levy in the Prospectus are updated to reflect this.

### **AMENDMENTS TO PROSPECTUS**

#### **I. Transaction Levy**

With immediate effect, the following changes are made to the Prospectus:

##### **1. Section 12 of Appendix 1 of Part 2 of the Prospectus**

- (a) The table under the sub-section headed “12.2.3 Secondary Market Investors Dealing in Units on the SEHK” in Appendix 1 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:

Brokerage	Market rates (in currency determined by the intermediaries used by the investors)
Transaction levy	0.0027% (see Note 4 and Note 8)
Trading fee	0.005% (see Note 5 and Note 8)

Stamp duty	Nil (see Note 6)
Investor compensation levy	0.002% (currently suspended) (see Note 7)
Inter-counter transfers	HKD 5 (see Note 9)

- (b) Note 4 under the sub-section headed “12.2.3 Secondary Market Investors Dealing in Units on the SEHK” in Appendix 1 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:

“A transaction levy of 0.0027% of the trading price of the Units, payable by each of the buyer and the seller.”

**2. Section 12 of Appendix 2 of Part 2 of the Prospectus**

- (a) The table under the sub-section “12.2.3 Secondary Market Investors Dealing in Units on the SEHK” in Appendix 2 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:

Brokerage	Market rates (in currency determined by the intermediaries used by the investors)
Transaction levy	0.0027% (see Note 4 and Note 8)
Trading fee	0.005% (see Note 5 and Note 8)
Stamp duty	Nil (see Note 6)
Investor compensation levy	0.002% (currently suspended) (see Note 7)
Inter-counter transfers	HKD 5 (see Note 9)

- (b) Note 4 under the sub-section headed “12.2.3 Secondary Market Investors Dealing in Units on the SEHK” in Appendix 2 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:

“A transaction levy of 0.0027% of the trading price of the Units, payable by each of the buyer and the seller.”

**3. Section 12 of Appendix 3 of Part 2 of the Prospectus**

- (a) The table under the sub-section headed “12.2.3 Secondary Market Investors Dealing in Units on the SEHK” in Appendix 3 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:

Brokerage	Market rates (in currency determined by the intermediaries used by the investors)
Transaction levy	0.0027% (see Note 4 and Note 8)
Trading fee	0.005% (see Note 5 and Note 8)
Stamp duty	Nil (see Note 6)
Investor compensation levy	0.002% (currently suspended) (see Note 7)
Inter-counter transfers	HKD 5 (see Note 9)

- (b) Note 4 under the sub-section headed “12.2.3 Secondary Market Investors Dealing in Units on the SEHK” in Appendix 3 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:

“A transaction levy of 0.0027% of the trading price of the Units, payable by each of the buyer and the seller.”

**II. Other Updates**

With immediate effect, the following amendments are made to the Prospectus:

**1. Section 17 of Appendix 1 of Part 2 of the Prospectus**

- (a) The fourth paragraph under the sub-section headed “17.1 General” is deleted in its entirety and replaced with the following:

“As of 17 April 2015, the Underlying Index had a total float market capitalisation of RMB 26,758.43 billion and 300 constituents.”



- (b) The first paragraph and the table under the sub-section headed “**17.6 Top 10 Constituents**” are deleted in their entirety and replaced with the following:

“As at 17 April 2015, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 22.35% of the market capitalisation of the Underlying Index based on total shares in issue.

<b>Rank</b>	<b>Constituent Name</b>	<b>Weighting (%)</b>
1.	Ping An Insurance (Group) Company of China Ltd	4.20%
2.	China Merchants Bank Co Ltd	2.73%
3.	China Minsheng Banking Corp Ltd	2.68%
4.	CITIC Securities Co Ltd	2.50%
5.	Industrial Bank	2.12%
6.	Haitong Securities Company Limited	2.02%
7.	Shanghai Pudong Development Bank Co Ltd	1.88%
8.	CSR Co Ltd	1.53%
9.	China CNR Co Ltd	1.41%
10.	China Vanke Co Ltd	1.29%

**2. Section 17 of Appendix 2 of Part 2 of the Prospectus**

- (a) The fifth paragraph under the sub-section headed “**17.1 General**” is deleted in its entirety and replaced with the following:

“As of 17 April 2015, the Underlying Index had a total float market capitalisation of RMB 1,370.67 billion and 65 constituents.”

- (b) The first paragraph and the table under the sub-section headed “**17.6 Top 10 Constituents**” are deleted in their entirety and replaced with the following:

“As at 17 April 2015, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 33.37% of the market capitalisation of the Underlying Index based on the total shares in issue.

<b>Rank</b>	<b>Constituent Name</b>	<b>Weighting (%)</b>
1.	Jiangsu Hengrui Medicine Co Ltd	4.93%
2.	Yunnan Baiyao Group Co., Ltd.	4.49%
3.	Shanghai Fosun Pharmaceutical (Group) Co Ltd	3.76%
4.	Tasly Pharmaceutical Group Co. Ltd	3.68%
5.	Jilin Aodong Pharmaceutical Group Co., Ltd	3.54%
6.	Shandong Dong-Ee Jiao Co Ltd	3.11%
7.	Beijing Tongrentang Co Ltd	2.62%
8.	Da An Gene Co Ltd of Sun Yat-Sen University	2.47%
9.	Guangzhou Baiyunshan Pharmaceutical Holdings Company Ltd	2.40%
10.	Guangxi Wuzhou Zhongheng Group Co Ltd	2.38%

**3. Section 17 of Appendix 3 of Part 2 of the Prospectus**

- (a) The fifth paragraph under the sub-section headed “*17.1 General*” is deleted in its entirety and replaced with the following:

“As of 17 April 2015, the Underlying Index had a total float market capitalisation of RMB 1,698.81 billion and 67 constituents.”

- (b) The first paragraph and the table under the sub-section headed “*17.6 Top 10 Constituents*” are deleted in their entirety and replaced with the following:

“As at 17 April 2015, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 46.94% of the market capitalisation of the Underlying Index based on total shares in issue.

<b>Rank</b>	<b>Constituent Name</b>	<b>Weighting (%)</b>
1.	Inner Mongolia Yili Industrial Group Co Ltd	9.72%
2.	Kweichow Moutai Co Ltd	9.65%
3.	Kangmei Pharmaceutical Co Ltd	5.70%
4.	Wuliangye Yibin Co Ltd	5.37%
5.	Jiangsu Yanghe Brewery Joint-Stock Co Ltd	3.25%
6.	Henan Shuanghui Investment & Development Co Ltd	2.82%
7.	Shanghai Jahwa United Co Ltd	2.66%
8.	Shenzhen Agricultural Products Co Ltd	2.65%
9.	Shanghai Pharmaceuticals Holding Co., Ltd	2.62%
10.	Tsingtao Brewery Co Ltd	2.51%

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

**China Universal Asset Management (Hong Kong) Company Limited**  
**匯添富資產管理（香港）有限公司**

Date: 30 April 2015

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

This Addendum forms an integral part of and should be read in conjunction with the Prospectus of the Trust dated 5 May 2014, as amended by the First Addendum dated 25 June 2014, the Second Addendum dated 18 August 2014 and the Third Addendum dated 14 November 2014 (the “**Prospectus**”).

The Manager accepts full responsibility for the accuracy of the information contained in this Addendum 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.

## **CHINA UNIVERSAL INTERNATIONAL ETF SERIES (the “Trust”)**

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

**C-Shares CSI 300 Index ETF  
(Stock Codes: 83008 (RMB counter) and 03008 (HKD counter))**

**C-Shares CSI Healthcare Index ETF  
(Stock Codes: 83132 (RMB counter) and 03132 (HKD counter))**

**C-Shares CSI Consumer Staples Index ETF  
(Stock Codes: 83107 (RMB counter) and 03107 (HKD counter))**

**(collectively, the “Sub-Funds”)**

## **FOURTH ADDENDUM TO PROSPECTUS**

### **INTRODUCTION**

1. The Ministry of Finance of the PRC (the “**MoF**”), the State Administration of Taxation of the PRC (the “**SAT**”) and the China Securities Regulatory Commission (the “**CSRC**”) issued the “Notice on the issues of temporary exemption from the imposition of corporate income tax arising from gains from the transfer of equity investment assets such as PRC domestic stocks by QFII and RQFII” (“關於QFII和RQFII取得中國境內的股票等權益性投資資產轉讓所得暫免徵收企業所得稅問題的通知”) Caishui [2014] No.79 on 14 November 2014 (the “**Circular 79**”). In light of the Circular 79, the Manager has reviewed the current tax provisioning policy for gross realised or unrealised capital gains derived from investments in China A-Shares.
2. Hong Kong and the United States signed a Model 2 inter-governmental agreement on 13 November 2014 for the implementation of the US Foreign Account Tax Compliance Act (“**FATCA**”). As such, the disclosures on FATCA will be updated to reflect this.

## **AMENDMENTS TO PROSPECTUS**

### **I. PRC withholding tax provisioning policy of the Sub-Funds**

With immediate effect, the following changes are made to the Prospectus:

#### **1. Section 5.1 of Part 1 of the Prospectus**

Paragraph (a)(iii) in the risk factor headed “PRC tax considerations” in section 5.1 of Part 1 of the Prospectus is deleted in its entirety and replaced with the following:

##### *“(iii) Capital gains*

Having taken and considered independent professional tax advice on the application of the Arrangement and acting in accordance with such advice, the Manager considers that, under the Arrangement, capital gains derived by a Hong Kong tax resident from the disposal of Renminbi denominated corporate, government and non-government bonds should not be subject to PRC WIT upon approval by the PRC tax authorities.

Circular Caishui [2014] No.79 (“**Circular 79**”) states that RQFII without a PE in the PRC or RQFII with a PE in the PRC but the income so derived in the PRC is not effectively connected with its PE is temporarily exempt from PRC WIT on capital gains derived from investments in China A-Shares effective from 17 November 2014. Circular 79 also states that RQFII is subject to PRC WIT on capital gains derived from investments in China A-Shares before 17 November 2014. Specific rules governing taxes on capital gains derived by RQFII from the investment in PRC Securities other than China A-Shares have yet to be announced. In the absence of such specific rules, the PRC CIT treatment should be governed by the general tax provisions of the CIT law. For an enterprise that is not a tax resident enterprise and has no PE in the PRC, a 10% PRC WIT shall apply to capital gains derived from investments in PRC Securities other than China A-Shares, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

Notwithstanding Circular 79, the Manager, having regard to the independent professional tax advice on the application of the Arrangement, considers that for assessment of PRC WIT on capital gains derived by RQFII before 17 November 2014 from investments in China A-Shares, potential treaty relief under the Arrangement should be applied.

Pursuant to the Arrangement, capital gains derived by Hong Kong tax residents from the alienation of shares issued by Chinese companies may only be taxed in China if that Chinese company is a “land rich” company (i.e. PRC company in which at least 50% of its assets are comprised, directly or indirectly, of immovable property situated in the PRC) or if the recipient, at any time within 12 months preceding such alienation, had a participation of at least 25% in that Chinese company. Due to the regulatory restriction, the relevant Sub-Funds cannot hold more than 10% of any ordinary shares issued by any single issuer. In such a case, the capital gains derived before 17 November 2014 from alienation of the shares of non-land rich China A-Shares companies may be exempted from the PRC WIT, subject to the approval of the relevant PRC tax authorities.

Pursuant to the relevant PRC tax regulations, approval by the relevant PRC tax authorities should be obtained before a Hong Kong resident can enjoy relief under the Arrangement, and a Hong Kong Tax Resident Certificate (“**HKTRC**”) issued by the Inland Revenue Department of Hong Kong (the “**IRD**”) may be required to be submitted to the relevant PRC tax authorities for this purpose. No HKTRC has been obtained from the IRD in respect of the relevant Sub-Funds at the date of this Prospectus. If the PRC tax authorities enforce the collection of PRC WIT on capital gains and require the relevant Sub-Funds to provide a HKTRC in order to obtain the PRC WIT exemption, the Manager will apply for a HKTRC on behalf of the relevant Sub-Funds on an annual basis, which is subject to the assessment of the IRD. The Manager will consider independent professional tax advice relating to the relevant Sub-Funds’ eligibility to obtain a HKTRC and to benefit from the China-HK Arrangements in determining its tax provisioning policy for the relevant Sub-Funds.

In light of the uncertainty on the income tax treatment on capital gains and in order to meet any potential tax liability for capital gains, the Manager reserves the right to provide for PRC WIT on such gains or income and withhold the tax for the account of the relevant Sub-Funds and will notify the Unitholders should the Manager decide to exercise such right. The Manager’s current policy on tax provisions is set out in the Appendix of the relevant Sub-Funds.”

#### **2. Section 6 of Appendix 1 of Part 2 of the Prospectus**

The section headed “6. PRC TAX PROVISIONS” in Appendix 1 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:

##### **6. PRC TAX PROVISIONS**

After careful consideration of the Manager’s assessment and having taken and considered independent professional tax advice on the CSI 300 ETF’s eligibility for treaty relief under the Arrangement and acting in

accordance with such advice, the Manager considers that the CSI 300 ETF should qualify as a Hong Kong tax resident and it should be able to enjoy a PRC WIT exemption on capital gain under the Arrangement. Therefore, no PRC WIT provision will be made on the gross realised and unrealised capital gains derived from investments in China A-Shares prior to 17 November 2014, except for realised gains derived from investments in land-rich companies.

Pursuant to Circular 79, the CSI 300 ETF, investing through the RQFII quota of the Manager, is temporarily exempt from PRC WIT on capital gains from investments in China A-Shares effective from 17 November 2014, but those capital gains derived before that date are not exempted from paying PRC WIT. The Manager has determined, having taken and considered independent professional tax advice and acting in accordance with such advice, that:

- (a) no PRC WIT provision will be made on the gross realised and unrealised capital gains derived from investments in China A-Shares, except for those gross realised capital gains derived before 17 November 2014 from investments in China A-Shares issued by PRC tax resident companies which are “land rich companies” (i.e. at least 50% of the PRC tax resident company’s assets are comprised, directly or indirectly, of immovable property situated in the PRC); and
- (b) a 10% provision for PRC WIT will be made for the gross realised capital gains derived before 17 November 2014 by the CSI 300 ETF from investments in China A-Shares issued by PRC tax resident companies which are land rich companies. The methodology adopted by the Manager in identifying whether or not PRC resident companies are land rich companies has been agreed and accepted by the CSI 300 ETF’s auditor. The amount of provision will be disclosed in the financial statements of the CSI 300 ETF.

It should be noted that there are uncertainties regarding the PRC WIT provisioning policy, including:

- (a) The Arrangement may be changed in the future and the CSI 300 ETF may ultimately be required to pay PRC WIT on capital gains.
- (b) To date, the CSI 300 ETF has not obtained from the IRD a HKTRC, which if the PRC tax authorities enforce the collection of PRC WIT and require the CSI 300 ETF to provide a HKTRC in the future, the Manager will apply for a HKTRC on behalf of the CSI 300 ETF. However, there is a risk that the Manager may not be able to obtain a HKTRC on behalf of the CSI 300 ETF. The CSI 300 ETF’s obtaining of a HKTRC may also be affected if there is a change of the applicable tax rules or prevailing practice in Hong Kong and/or the PRC.
- (c) To date, the PRC tax authorities have not sought to enforce PRC WIT collection on capital gains derived by RQFIIs such as the Manager for the CSI 300 ETF. If the PRC tax authorities start enforcing PRC WIT collection on capital gains, the relief under the Arrangement is still subject to the final approval of the PRC tax authorities. Even if the Manager, in accordance with the independent professional tax advice, believes that the CSI 300 ETF should be eligible for such relief, the PRC tax authorities may ultimately hold a different view.
- (d) Due to the limitation to the availability of the public information in the PRC (e.g. in respect of the market value of land and land use rights), the information to be adopted by the PRC tax authorities in assessing land rich companies may be different from the information used by the Manager in assessing land rich companies which may result in different conclusion by the Manager for some China A-Shares companies to those of the PRC tax authorities.
- (e) Circular 79 states that the corporate income tax exemption effective from 17 November 2014 is temporary. As such, as and when the PRC authorities announce the expiry date of the exemption, the CSI 300 ETF may in future need to make provision to reflect taxes payable.

For the above reasons, any PRC WIT provision on capital gains made by the Manager in respect of the CSI 300 ETF may be less than the CSI 300 ETF’s actual tax liabilities. It should also be noted that there is a possibility of the PRC tax rules being changed and taxes being applied retrospectively. As such, it should be noted that the level of provision may be inadequate to meet actual PRC tax liabilities on investments made by the CSI 300 ETF. Consequently, Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. If the actual tax levied is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the CSI 300 ETF may be lowered, as the CSI 300 ETF will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the CSI 300 ETF, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the CSI 300 ETF. On the other hand, the actual tax liabilities may be lower

than the tax provision made. In that case, those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision and as such may be disadvantaged. Notwithstanding the above change in tax provisioning policy, persons who have already redeemed their Units in the CSI 300 ETF before the return of any overprovision to the account of the CSI 300 ETF will not be entitled or have any right to claim any part of such overprovision. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

For further details relating to PRC taxes and the associated risks, please refer to the risk factor headed “*PRC tax considerations*” under section “*5.1 Risk Factors relating to China*” in Part 1 of this Prospectus.”

**3. Section 6 of Appendix 2 of Part 2 of the Prospectus**

The section headed “6. PRC TAX PROVISIONS” in Appendix 1 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:

**“6. PRC TAX PROVISIONS**

After careful consideration of the Manager’s assessment and having taken and considered independent professional tax advice on the CSI Healthcare ETF’s eligibility for treaty relief under the Arrangement and acting in accordance with such advice, the Manager considers that the CSI Healthcare ETF should qualify as a Hong Kong tax resident and it should be able to enjoy a PRC WIT exemption on capital gain under the Arrangement. Therefore, no PRC WIT provision will be made on the gross realised and unrealised capital gains derived from investments in China A-Shares prior to 17 November 2014, except for realised gains derived from investments in land-rich companies.

Pursuant to Circular 79, the CSI Healthcare ETF, investing through the RQFII quota of the Manager, is temporarily exempt from PRC WIT on capital gains from investments in China A-Shares effective from 17 November 2014, but those capital gains derived before that date are not exempted from paying PRC WIT. The Manager has determined, having taken and considered independent professional tax advice and acting in accordance with such advice, that:

- (a) no PRC WIT provision will be made on the gross realised and unrealised capital gains derived from investments in China A-Shares, except for those gross realised capital gains derived before 17 November 2014 from investments in China A-Shares issued by PRC tax resident companies which are “land rich companies” (i.e. at least 50% of the PRC tax resident company’s assets are comprised, directly or indirectly, of immovable property situated in the PRC); and
- (b) a 10% provision for PRC WIT will be made for the gross realised capital gains derived before 17 November 2014 by the CSI Healthcare ETF from investments in China A-Shares issued by PRC tax resident companies which are land rich companies. The methodology adopted by the Manager in identifying whether or not PRC resident companies are land rich companies has been agreed and accepted by the CSI Healthcare ETF’s auditor. The amount of provision will be disclosed in the financial statements of the CSI Healthcare ETF.

It should be noted that there are uncertainties regarding the PRC WIT provisioning policy, including:

- (a) The Arrangement may be changed in the future and the CSI Healthcare ETF may ultimately be required to pay PRC WIT on capital gains.
- (b) To date, the CSI Healthcare ETF has not obtained from the IRD a HKTRC, which if the PRC tax authorities enforce the collection of PRC WIT and require the CSI Healthcare ETF to provide a HKTRC in the future, the Manager will apply for a HKTRC on behalf of the CSI Healthcare ETF. However, there is a risk that the Manager may not be able to obtain a HKTRC on behalf of the CSI Healthcare ETF. The CSI Healthcare ETF’s obtaining of a HKTRC may also be affected if there is a change of the applicable tax rules or prevailing practice in Hong Kong and/or the PRC.
- (c) To date, the PRC tax authorities have not sought to enforce PRC WIT collection on capital gains derived by RQFIIs such as the Manager for the CSI Healthcare ETF. If the PRC tax authorities start enforcing PRC WIT collection on capital gains, the relief under the Arrangement is still subject to the final approval of the PRC tax authorities. Even if the Manager, in accordance with the independent professional tax advice, believes that the CSI Healthcare ETF should be eligible for such relief, the PRC tax authorities may ultimately hold a different view.

- (d) Due to the limitation to the availability of the public information in the PRC (e.g. in respect of the market value of land and land use rights), the information to be adopted by the PRC tax authorities in assessing land rich companies may be different from the information used by the Manager in assessing land rich companies which may result in different conclusion by the Manager for some A-Shares companies to those of the PRC tax authorities.
- (e) Circular 79 states that the corporate income tax exemption effective from 17 November 2014 is temporary. As such, as and when the PRC authorities announce the expiry date of the exemption, the CSI Healthcare ETF may in future need to make provision to reflect taxes payable.

For the above reasons, any PRC WIT provision on capital gains made by the Manager in respect of the CSI Healthcare ETF may be less than the CSI Healthcare ETF's actual tax liabilities. It should also be noted that there is a possibility of the PRC tax rules being changed and taxes being applied retrospectively. As such, it should be noted that the level of provision may be inadequate to meet actual PRC tax liabilities on investments made by the CSI Healthcare ETF. Consequently, Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. If the actual tax levied is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the CSI Healthcare ETF may be lowered, as the CSI Healthcare ETF will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the CSI Healthcare ETF, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the CSI Healthcare ETF. On the other hand, the actual tax liabilities may be lower than the tax provision made. In that case, those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision and as such may be disadvantaged. Notwithstanding the above change in tax provisioning policy, persons who have already redeemed their Units in the CSI Healthcare ETF before the return of any overprovision to the account of the CSI Healthcare ETF will not be entitled or have any right to claim any part of such overprovision. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

For further details relating to PRC taxes and the associated risks, please refer to the risk factor headed "*PRC tax considerations*" under section "*5.1 Risk Factors relating to China*" in Part 1 of this Prospectus."

#### 4. **Section 6 of Appendix 3 of Part 2 of the Prospectus**

The section headed "6. PRC TAX PROVISIONS" in Appendix 1 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:

##### **6. PRC TAX PROVISIONS**

After careful consideration of the Manager's assessment and having taken and considered independent professional tax advice on the CSI Consumer Staples ETF's eligibility for treaty relief under the Arrangement and acting in accordance with such advice, the Manager considers that the CSI Consumer Staples ETF should qualify as a Hong Kong tax resident and it should be able to enjoy a PRC WIT exemption on capital gain under the Arrangement. Therefore, no PRC WIT provision will be made on the gross realised and unrealised capital gains derived from investments in China A-Shares prior to 17 November 2014, except for realised gains derived from investments in land-rich companies.

Pursuant to Circular 79, the CSI Consumer Staples ETF, investing through the RQFII quota of the Manager, is temporarily exempt from PRC WIT on capital gains from investments in China A-Shares effective from 17 November 2014, but those capital gains derived before that date are not exempted from paying PRC WIT. The Manager has determined, having taken and considered independent professional tax advice and acting in accordance with such advice, that:

- (a) no PRC WIT provision will be made on the gross realised and unrealised capital gains derived from investments in China A-Shares, except for those gross realised capital gains derived before 17 November 2014 from investments in China A-Shares issued by PRC tax resident companies which are "land rich companies" (i.e. at least 50% of the PRC tax resident company's assets are comprised, directly or indirectly, of immovable property situated in the PRC); and

- (b) a 10% provision for PRC WIT will be made for the gross realised capital gains derived before 17 November 2014 by the CSI Consumer Staples ETF from investments in China A-Shares issued by PRC tax resident companies which are land rich companies. The methodology adopted by the Manager in identifying whether or not PRC resident companies are land rich companies has been agreed and accepted by the CSI Consumer Staples ETF's auditor. The amount of provision will be disclosed in the financial statements of the CSI Consumer Staples ETF.

It should be noted that there are uncertainties regarding the PRC WIT provisioning policy, including:

- (a) The Arrangement may be changed in the future and the CSI Consumer Staples ETF may ultimately be required to pay PRC WIT on capital gains.
- (b) To date, the CSI Consumer Staples ETF has not obtained from the IRD a HKTRC, which if the PRC tax authorities enforce the collection of PRC WIT and require the CSI Consumer Staples ETF to provide a HKTRC in the future, the Manager will apply for a HKTRC on behalf of the CSI Consumer Staples ETF. However, there is a risk that the Manager may not be able to obtain a HKTRC on behalf of the CSI Consumer Staples ETF. The CSI Consumer Staples ETF's obtaining of a HKTRC may also be affected if there is a change of the applicable tax rules or prevailing practice in Hong Kong and/or the PRC.
- (c) To date, the PRC tax authorities have not sought to enforce PRC WIT collection on capital gains derived by RQFIIs such as the Manager for the CSI Consumer Staples ETF. If the PRC tax authorities start enforcing PRC WIT collection on capital gains, the relief under the Arrangement is still subject to the final approval of the PRC tax authorities. Even if the Manager, in accordance with the independent professional tax advice, believes that the CSI Consumer Staples ETF should be eligible for such relief, the PRC tax authorities may ultimately hold a different view.
- (d) Due to the limitation to the availability of the public information in the PRC (e.g. in respect of the market value of land and land use rights), the information to be adopted by the PRC tax authorities in assessing land rich companies may be different from the information used by the Manager in assessing land rich companies which may result in different conclusion by the Manager for some A-Shares companies to those of the PRC tax authorities.
- (e) Circular 79 states that the corporate income tax exemption effective from 17 November 2014 is temporary. As such, as and when the PRC authorities announce the expiry date of the exemption, the CSI Consumer Staples ETF may in future need to make provision to reflect taxes payable.

For the above reasons, any PRC WIT provision on capital gains made by the Manager in respect of the CSI Consumer Staples ETF may be less than the CSI Consumer Staples ETF's actual tax liabilities. It should also be noted that there is a possibility of the PRC tax rules being changed and taxes being applied retrospectively. As such, it should be noted that the level of provision may be inadequate to meet actual PRC tax liabilities on investments made by the CSI Consumer Staples ETF. Consequently, Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. If the actual tax levied is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the CSI Consumer Staples ETF may be lowered, as the CSI Consumer Staples ETF will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the CSI Consumer Staples ETF, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the CSI Consumer Staples ETF. On the other hand, the actual tax liabilities may be lower than the tax provision made. In that case, those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision and as such may be disadvantaged. Notwithstanding the above change in tax provisioning policy, persons who have already redeemed their Units in the CSI Consumer Staples ETF before the return of any overprovision to the account of the CSI Consumer Staples ETF will not be entitled or have any right to claim any part of such overprovision. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

For further details relating to PRC taxes and the associated risks, please refer to the risk factor headed "*PRC tax considerations*" under section "*5.1 Risk Factors relating to China*" in Part 1 of this Prospectus."



## II. FATCA

With immediate effect, the following amendments are made to the Prospectus:

### 1. Section 5 of Part 1 of the Prospectus

The third and fourth paragraphs under the sub-section headed “5.6 Foreign Account Tax Compliance Act” are deleted in their entirety and replaced with the following:

“Hong Kong entered into an intergovernmental agreement with the US on 13 November 2014 (“IGA”) for the implementation of FATCA, adopting “Model 2” IGA arrangements. Under this “Model 2” IGA arrangements, FFIs in Hong Kong (such as the Trust and the Sub-Funds) would be required to enter into the FFI Agreement with the US IRS, register with the US IRS and comply with the terms of FFI Agreement. Otherwise they will be subject to a 30% withholding tax on relevant US-sourced payments to them.

As an IGA has been signed between Hong Kong and the US, FFIs in Hong Kong (such as the Trust and the Sub-Funds) complying with the FFI Agreement (i) will generally not be subject to the above described 30% withholding tax; and (ii) will not be required to withhold tax on payments to recalcitrant accounts (i.e. accounts of which the holders do not consent to FATCA reporting and disclosure to the US IRS) or close those recalcitrant accounts (provided that information regarding such recalcitrant account holders is reported to the US IRS), but may be required to withhold tax on payments made to non-compliant FFIs.”

## III. Other Updates

With immediate effect, the following amendments are made to the Prospectus:

### 1. Section 17 of Appendix 1 of Part 2 of the Prospectus

- (a) The fourth paragraph under the sub-section headed “17.1 General” is deleted in its entirety and replaced with the following:

“As of 24 November 2014, the Underlying Index had a total float market capitalisation of RMB 14,874.45 billion and 300 constituents.”

- (b) The first paragraph and the table under the sub-section headed “17.6 Top 10 Constituents” are deleted in their entirety and replaced with the following:

“As at 24 November 2014, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 21.24% of the market capitalisation of the Underlying Index based on total shares in issue.

Rank	Constituent Name	Weighting (%)
1.	Ping An Insurance (Group) Company of China Ltd	3.59%
2.	China Merchants Bank Co Ltd	2.93%
3.	China Minsheng Banking Corp Ltd	2.88%
4.	CITIC Securities Co Ltd	2.13%
5.	Industrial Bank	2.00%
6.	Shanghai Pudong Development Bank Co Ltd	1.99%
7.	Haitong Securities Company Limited	1.79%
8.	China Vanke Co Ltd	1.61%
9.	Gree Electric Appliances, Inc. of Zhuhai	1.17%
10.	China Pacific Insurance (Group) Co Ltd	1.16%

### 2. Section 17 of Appendix 2 of Part 2 of the Prospectus

- (a) The fifth paragraph under the sub-section headed “17.1 General” is deleted in its entirety and replaced with the following:

“As of 24 November 2014, the Underlying Index had a total float market capitalisation of RMB 871.07 billion and 61 constituents.”

- (b) The first paragraph and the table under the sub-section headed “17.6 Top 10 Constituents” are deleted in their entirety and replaced with the following:

“As at 24 November 2014, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 37.70% of the market capitalisation of the Underlying Index based on the total shares in issue.

Rank	Constituent Name	Weighting (%)
1.	Yunnan Baiyao Group Co., Ltd.	5.45%
2.	Jiangsu Hengrui Medicine Co Ltd	5.21%
3.	Tasly Pharmaceutical Group Co. Ltd	4.74%
4.	Shanghai Fosun Pharmaceutical (Group) Co Ltd	4.60%
5.	Jilin Aodong Pharmaceutical Group Co., Ltd.	3.75%
6.	Shandong Dong-Ee Jiao Co Ltd	3.52%
7.	Guangzhou Baiyunshan Pharmaceutical Holdings Company Ltd	2.72%
8.	Guangxi Wuzhou Zhongheng Group Co Ltd	2.62%
9.	Tonghua Dongbao Pharmaceutical Co., Ltd.	2.62%
10.	Beijing Tongrentang Co Ltd	2.48%

**3. Section 17 of Appendix 3 of Part 2 of the Prospectus**

- (a) The fifth paragraph under the sub-section headed “17.1 General” is deleted in its entirety and replaced with the following:

“As of 24 November 2014, the Underlying Index had a total float market capitalisation of RMB 1,061.63 billion and 65 constituents.”

- (b) The first paragraph and the table under the sub-section headed “17.6 Top 10 Constituents” are deleted in their entirety and replaced with the following:

“As at 24 November 2014, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 45.88% of the market capitalisation of the Underlying Index based on total shares in issue.

Rank	Constituent Name	Weighting (%)
1.	Inner Mongolia Yili Industrial Group Co Ltd	10.14%
2.	Kweichow Moutai Co Ltd	9.58%
3.	Wuliangye Yibin Co Ltd	5.68%
4.	Kangmei Pharmaceutical Co Ltd	3.99%
5.	Jiangsu Yanghe Brewery Joint-Stock Co Ltd	3.26%
6.	Henan Shuanghui Investment & Development Co Ltd	3.15%
7.	Shanghai Jahwa United Co Ltd	2.79%
8.	Shenzhen Agricultural Products Co Ltd	2.66%
9.	Shanghai Pharmaceuticals Holding Co., Ltd	2.37%
10.	Tsingtao Brewery Co Ltd	2.27%

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

**China Universal Asset Management (Hong Kong) Company Limited**  
**匯添富資產管理（香港）有限公司**

Date: 23 December 2014

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

This Addendum forms an integral part of and should be read in conjunction with the Prospectus of the Trust dated 5 May 2014, as amended by the First Addendum dated 25 June 2014 and the Second Addendum dated 18 August 2014 (the “Prospectus”).

The Manager accepts full responsibility for the accuracy of the information contained in this Addendum 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.

**CHINA UNIVERSAL INTERNATIONAL ETF SERIES  
(the “Trust”)**

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

**C-Shares CSI 300 Index ETF  
(Stock Codes: 83008 (RMB counter) and 03008 (HKD counter))**

**C-Shares CSI Healthcare Index ETF  
(Stock Codes: 83132 (RMB counter) and 03132 (HKD counter))**

**C-Shares CSI Consumer Staples Index ETF  
(Stock Codes: 83107 (RMB counter) and 03107 (HKD counter))**

**(collectively, the “Sub-Funds”)**

**THIRD ADDENDUM TO PROSPECTUS**

**INTRODUCTION**

The disclosures on the index methodology of the CSI 300 Index and CSI 500 Index will be updated to include ChiNext stocks that have listed more than 3 years. The CSI 300 Index is the Underlying Index of the C-Shares CSI 300 Index ETF while both of the CSI 300 Index and CSI 500 Index are the components of the Parent Reference Index (i.e. CSI 800 Index) of the C-Shares CSI Healthcare Index ETF and C-Shares CSI Consumer Staples Index ETF. The aforesaid change will take effect from the next periodic index review for the second half of 2014 (i.e. December 2014).

**AMENDMENTS TO PROSPECTUS**

**Change of index methodology of CSI 300 Index and CSI 500 Index**

**1. Section 17.2 of Appendix 1 of Part 2 of the Prospectus**

The paragraph under the heading “*Index Universe*” in the section headed “**17.2 Index Methodology**” in Appendix 1 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:

“The selection universe of the Underlying Index (the “**Index Universe**”) includes all the China A-Shares constituting the Parent Reference Index (each a “**Stock**”) listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange satisfying the conditions below.

- (a) For non-ChiNext Stocks, the Stock has been listed for more than three months at the time it is considered for inclusion in the Underlying Index. If it has been listed for less than 3 months, it will be considered for inclusion in the Index Universe if its daily average total market value since its initial listing has ranked within the top 30 companies in all the China A-Shares.

For ChiNext Stocks, the Stock has been listed for more than 3 years at the time it is considered for inclusion in the Underlying Index; and

- (b) The Stock is not designated for special treatment or potential delisting by any of the CSRC, the Shanghai Stock Exchange or the Shenzhen Stock Exchange as a result of continuous financial losses.”

## **2. Section 17.2 of Appendix 2 of Part 2 of the Prospectus**

The paragraph under the heading “*Index Universe*” in the section headed “17.2 Index Methodology” in Appendix 2 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:

“The selection universe of the Underlying Index (the “**Index Universe**”) includes all the China A-Shares constituting the Parent Reference Index (each a “**Stock**”) listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange satisfying the conditions below.

- (a) For non-ChiNext Stocks, the Stock has been listed for more than three months at the time it is considered for inclusion in the Underlying Index. If it has been listed for less than 3 months, it will be considered for inclusion in the Index Universe if its daily average total market value since its initial listing has ranked within the top 30 companies in all the China A-Shares.

For ChiNext Stocks, the Stock has been listed for more than 3 years at the time it is considered for inclusion in the Underlying Index; and

- (b) The Stock is not designated for special treatment or potential delisting by any of the CSRC, the Shanghai Stock Exchange or the Shenzhen Stock Exchange as a result of continuous financial losses.”

## **3. Section 17.2 of Appendix 3 of Part 2 of the Prospectus**

The paragraph under the heading “*Index Universe*” in the section headed “17.2 Index Methodology” in Appendix 3 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:

“The selection universe of the Underlying Index (the “**Index Universe**”) includes all the China A-Shares constituting the Parent Reference Index (each a “**Stock**”) listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange satisfying the conditions below.

- (a) For non-ChiNext Stocks, the Stock has been listed for more than three months at the time it is considered for inclusion in the Underlying Index. If it has been listed for less than 3 months, it will be considered for inclusion in the Index Universe if its daily average total market value since its initial listing has ranked within the top 30 companies in all the China A-Shares.

For ChiNext Stocks, the Stock has been listed for more than 3 years at the time it is considered for inclusion in the Underlying Index; and

- (b) The Stock is not designated for special treatment or potential delisting by any of the CSRC, the Shanghai Stock Exchange or the Shenzhen Stock Exchange as a result of continuous financial losses.”

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

**China Universal Asset Management (Hong Kong) Company Limited**  
匯添富資產管理（香港）有限公司

Date: 14 November 2014

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

This Addendum forms an integral part of and should be read in conjunction with the Prospectus of the Trust dated 5 May 2014, as amended by an addendum dated 25 June 2014 (the “**Prospectus**”).

The Manager accepts full responsibility for the accuracy of the information contained in this Addendum 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.

## **CHINA UNIVERSAL INTERNATIONAL ETF SERIES (the “Trust”)**

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

**C-Shares CSI 300 Index ETF  
(Stock Codes: 83008 (RMB counter) and 03008 (HKD counter))**

**C-Shares CSI Healthcare Index ETF  
(Stock Codes: 83132 (RMB counter) and 03132 (HKD counter))**

**C-Shares CSI Consumer Staples Index ETF  
(Stock Codes: 83107 (RMB counter) and 03107 (HKD counter))**

**(collectively, the “Sub-Funds”)**

## **SECOND ADDENDUM TO PROSPECTUS**

### **INTRODUCTION**

1. The PRC withholding tax provisioning policy of the Sub-Funds will be changed.
2. The disclosures on the index methodology of the CSI 300 will be updated to reflect certain changes to the index methodology of the CSI 300.
3. Enhancement of disclosures on the Foreign Account Tax Compliance Act.
4. The disclosures on RQFII will be updated to reflect certain changes in the RQFII quota administration rules of the State Administration of Foreign Exchange.

Unless otherwise stated below, the following changes to the Prospectus shall apply with immediate effect.

### **AMENDMENTS TO PROSPECTUS**

#### **I. Change in PRC withholding tax provisioning policy of the Sub-Funds**

With effect from 18 August 2014 (the “**Effective Date**”), the following changes are made to the Prospectus:

##### **1. Section 5.1 of Part 1 of the Prospectus**

Paragraph (a)(iii) in the risk factor headed “*PRC tax considerations*” in section 5.1 of Part 1 of the Prospectus is deleted in its entirety and replaced with the following:

“(iii) *Capital gains*

Specific rules governing taxes on capital gains derived by QFIIs or RQFIIs from the trading of PRC Securities (including China A-Shares) have yet to be announced. It is possible that the relevant tax authorities may in the

future clarify the tax position on capital gains realised by the relevant Sub-Fund dealing in PRC Securities or by a relevant QFII or RQFII from dealing in PRC Securities. In the absence of such specific rules, the income tax treatment should be governed by the general tax provisions of the PRC CIT law. If the foreign investor is a non-tax resident enterprise without PE in the PRC, a 10% WIT would be imposed on the PRC-sourced capital gains from the disposals of PRC Securities, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

Having taken and considered independent professional tax advice on the application of the Arrangement and acting in accordance with such advice, the Manager considers that, under the Arrangement, capital gains derived by a Hong Kong tax resident from the disposal of Renminbi denominated corporate, government and non-government bonds should not be subject to PRC WIT upon approval by the PRC tax authorities.

A relevant Sub-Fund that invests in China A-Shares will do so through the Manager's (which is a Hong Kong tax resident) RQFII quota. Pursuant to the Arrangement, capital gains derived by Hong Kong tax residents from the alienation of shares issued by Chinese companies may only be taxed in China if that Chinese company is a "land rich" company (i.e. PRC company in which at least 50% of its assets are comprised, directly or indirectly, of immovable property situated in the PRC) or if the recipient, at any time within 12 months preceding such alienation, had a participation of at least 25% in that Chinese company. Due to the regulatory restriction, the relevant Sub-Fund cannot hold more than 10% of any ordinary shares issued by any single issuer. In such a case, unless the PRC company which issues A-Shares is a land-rich company, the capital gains derived from alienation of A-Shares may only be taxed in Hong Kong as trading income under the laws of Hong Kong.

Pursuant to the relevant PRC tax regulations, approval by the relevant PRC tax authority should be obtained before a Hong Kong resident can enjoy relief under the Arrangement, and a Hong Kong Tax Resident Certificate ("HKTRC") issued by the Inland Revenue Department of Hong Kong (the "IRD") may be required to be submitted to the relevant PRC tax authority for this purpose. In this connection, the Manager will further assess and seek independent professional tax advice relating to a relevant Sub-Fund's eligibility to obtain a HKTRC and to benefit from the Arrangement. Further details on this are set out in the Appendix of the relevant Sub-Fund.

## 2. **Section 6 of Appendix 1 of Part 2 of the Prospectus**

The section headed "6. PRC TAX PROVISIONS" in Appendix 1 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:

### **6. PRC TAX PROVISIONS**

In light of the uncertainty on the income tax treatment on capital gains and in order to meet the potential tax liability for capital gains, the Manager reserves the right to provide for PRC WIT on such gains or income and withhold the tax for the account of the CSI 300 ETF. Having taken and considered independent professional tax advice regarding the CSI 300 ETF's eligibility for treating benefits under the Arrangement and acting in accordance with such advice, the Manager considers that the CSI 300 ETF should qualify as a Hong Kong tax resident and should be able to enjoy a PRC WIT exemption on capital gain under the Arrangement. As such, there is a change in PRC WIT provisioning policy with respect to the CSI 300 ETF effective from 18 August 2014. In this connection, the Manager has determined, having taken and considered independent professional tax advice and acting in accordance with such advice, that no PRC WIT provision will be made on the gross realised and unrealised gains derived from the investment in A-Shares, except for those capital gains derived from the investment in A-Shares issued by PRC tax resident companies which are land rich companies (i.e. companies in which at least 50% of their assets are comprised, directly or indirectly, of immovable property situated in the PRC). A 10% provision for PRC WIT will continue to be provided for the gross realised and unrealised capital gains derived by the CSI 300 ETF from investments in A-Shares issued by PRC tax resident companies which are land rich companies. The methodology adopted by the Manager in identifying whether or not PRC resident companies are land rich companies has been agreed and accepted by the CSI 300 ETF's auditor. The amount of provision will be disclosed in the financial statements of the CSI 300 ETF.

It should be noted that there are uncertainties regarding the PRC WIT provisioning policy, including:

- (a) The Arrangement may be changed in the future and the CSI 300 ETF may ultimately be required to pay PRC WIT on capital gains.
- (b) To date, the CSI 300 ETF has not obtained from the IRD a HKTRC, which if the PRC tax authorities enforce the collection of PRC WIT and require the CSI 300 ETF to provide a HKTRC in the future, the Manager will apply for a HKTRC on behalf of the CSI 300 ETF. The CSI 300 ETF may need to apply with the IRD for a HKTRC on an annual basis, which is subject to the assessment of the IRD. However, there is a risk that the Manager may not be able to obtain a HKTRC on behalf of the CSI 300 ETF. The CSI 300 ETF's obtaining of a HKTRC may also be affected if there is a change of the applicable tax rules or prevailing practice in Hong Kong and/or the PRC.

- (c) To date, the PRC tax authorities have not sought to enforce PRC WIT collection on capital gains derived by RQFIs such as the Manager for the CSI 300 ETF. If the PRC tax authorities start enforcing PRC WIT collection on capital gains, the relief under the Arrangement is still subject to the final approval of the PRC tax authorities. Even if the Manager, in accordance with the independent professional tax advice, believes that the CSI 300 ETF should be eligible for such relief, the PRC tax authorities may ultimately hold a different view.
- (d) Due to the limitation to the availability of the public information in the PRC (e.g. in respect of the market value of land and land use rights), the information to be adopted by the PRC tax authorities in assessing land rich companies may be different from the information used by the Manager in assessing land rich companies which may result in different conclusion by the Manager for some A-Shares companies to those of the PRC tax authorities.

For the above reasons, any PRC WIT provision on capital gains made by the Manager in respect of the CSI 300 ETF may be less than the CSI 300 ETF's actual tax liabilities. It should also be noted that there is a possibility of the PRC tax rules being changed and taxes being applied retrospectively. As such, it should be noted that the level of provision may be inadequate to meet actual PRC tax liabilities on investments made by the CSI 300 ETF. Consequently, Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. If the actual tax levied is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the CSI 300 ETF may be lowered, as the CSI 300 ETF will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the CSI 300 ETF, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the CSI 300 ETF. On the other hand, the actual tax liabilities may be lower than the tax provision made. In that case, those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision and as such may be disadvantaged. Notwithstanding the above change in tax provisioning policy, persons who have already redeemed their Units in the CSI 300 ETF before the return of any overprovision to the account of the CSI 300 ETF will not be entitled or have any right to claim any part of such overprovision. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

For further details relating to PRC taxes and the associated risks, please refer to the risk factor headed "*PRC tax considerations*" under section "*5.1 Risk Factors relating to China*" in Part 1 of this Prospectus."

### 3. **Section 6 of Appendix 2 of Part 2 of the Prospectus**

The section headed "6. PRC TAX PROVISIONS" in Appendix 2 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:

#### **6. PRC TAX PROVISIONS**

In light of the uncertainty on the income tax treatment on capital gains and in order to meet the potential tax liability for capital gains, the Manager reserves the right to provide for PRC WIT on such gains or income and withhold the tax for the account of the CSI Healthcare ETF. Having taken and considered independent professional tax advice regarding the CSI Healthcare ETF's eligibility for treating benefits under the Arrangement and acting in accordance with such advice, the Manager considers that the CSI Healthcare ETF should qualify as a Hong Kong tax resident and should be able to enjoy a PRC WIT exemption on capital gain under the Arrangement. As such, there is a change in PRC WIT tax provisioning policy with respect to the CSI Healthcare ETF effective from 18 August 2014. In this connection, the Manager has determined, having taken and considered independent professional tax advice and acting in accordance with such advice, that no PRC WIT provision will be made on the gross realised and unrealised gains derived from the investment in A-Shares, except for those capital gains derived from the investment in A-Shares issued by PRC tax resident companies which are land rich companies (i.e. companies in which at least 50% of their assets are comprised, directly or indirectly, of immovable property situated in the PRC). A 10% provision for PRC WIT will continue to be provided for the gross realised and unrealised capital gains derived by the CSI Healthcare ETF from investments in A-Shares issued by PRC tax resident companies which are land rich companies. The methodology adopted by the Manager in identifying whether or not PRC resident companies are land rich companies has been agreed and accepted by the CSI Healthcare ETF's auditor. The amount of provision will be disclosed in the financial statements of the CSI Healthcare ETF.



It should be noted that there are uncertainties regarding the PRC WIT provisioning policy, including:

- (a) The Arrangement may be changed in the future and the CSI Healthcare ETF may ultimately be required to pay PRC WIT on capital gains.
- (b) To date, the CSI Healthcare ETF has not obtained from the IRD a HKTRC, which if the PRC tax authorities enforce the collection of PRC WIT and require the CSI Healthcare ETF to provide a HKTRC in the future, the Manager will apply for a HKTRC on behalf of the CSI Healthcare ETF. The CSI Healthcare ETF may need to apply with the IRD for a HKTRC on an annual basis, which is subject to the assessment of the IRD. However, there is a risk that the Manager may not be able to obtain a HKTRC on behalf of the CSI Healthcare ETF. The CSI Healthcare ETF's obtaining of a HKTRC may also be affected if there is a change of the applicable tax rules or prevailing practice in Hong Kong and/or the PRC.
- (c) To date, the PRC tax authorities have not sought to enforce PRC WIT collection on capital gains derived by RQFIIIs such as the Manager for the CSI Healthcare ETF. If the PRC tax authorities start enforcing PRC WIT collection on capital gains, the relief under the China-HK Arrangement is still subject to the final approval of the PRC tax authorities. Even if the Manager, in accordance with the independent professional tax advice, believes that the CSI Healthcare ETF should be eligible for such relief, the PRC tax authorities may ultimately hold a different view.
- (d) Due to the limitation to the availability of the public information in the PRC (e.g. in respect of the market value of land and land use rights), the information to be adopted by the PRC tax authorities in assessing land rich companies may be different from the information used by the Manager in assessing land rich companies which may result in different conclusion by the Manager for some A-Shares companies to those of the PRC tax authorities.

For the above reasons, any PRC WIT provision on capital gains made by the Manager in respect of the CSI Healthcare ETF may be less than the CSI Healthcare ETF's actual tax liabilities. It should also be noted that there is a possibility of the PRC tax rules being changed and taxes being applied retrospectively. As such, it should be noted that the level of provision may be inadequate to meet actual PRC tax liabilities on investments made by the CSI Healthcare ETF. Consequently, Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. If the actual tax levied is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the CSI Healthcare ETF may be lowered, as the CSI Healthcare ETF will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the CSI Healthcare ETF, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the CSI Healthcare ETF. On the other hand, the actual tax liabilities may be lower than the tax provision made. In that case, those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision and as such may be disadvantaged. Notwithstanding the above change in tax provisioning policy, persons who have already redeemed their Units in the CSI Healthcare ETF before the return of any overprovision to the account of the CSI Healthcare ETF will not be entitled or have any right to claim any part of such overprovision. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

For further details relating to PRC taxes and the associated risks, please refer to the risk factor headed "*PRC tax considerations*" under section "*5.1 Risk Factors relating to China*" in Part 1 of this Prospectus."

#### **4. Section 6 of Appendix 3 of Part 2 of the Prospectus**

The section headed "6. PRC TAX PROVISIONS" in Appendix 3 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:

#### **"6. PRC TAX PROVISIONS**

In light of the uncertainty on the income tax treatment on capital gains and in order to meet the potential tax liability for capital gains, the Manager reserves the right to provide for PRC WIT on such gains or income and withhold the tax for the account of the CSI Consumer Staples ETF. Having taken and considered independent professional tax advice regarding the CSI Consumer Staples ETF's eligibility for treating benefits under the Arrangement and acting in accordance with such advice, the Manager considers that the CSI Consumer Staples ETF should qualify as a Hong Kong tax resident and should be able to enjoy a PRC WIT exemption on capital gain under the Arrangement. As such, there is a change in PRC WIT provisioning policy with respect to the

CSI Consumer Staples ETF effective from 18 August 2014. In this connection, the Manager has determined, having taken and considered independent professional tax advice and acting in accordance with such advice, that no PRC WIT provision will be made on the gross realised and unrealised gains derived from the investment in A-Shares, except for those capital gains derived from the investment in A-Shares issued by PRC tax resident companies which are land rich companies (i.e. companies in which at least 50% of their assets are comprised, directly or indirectly, of immovable property situated in the PRC). A 10% provision for PRC WIT will continue to be provided for the gross realised and unrealised capital gains derived by the CSI Consumer Staples ETF from investments in A-Shares issued by PRC tax resident companies which are land rich companies. The methodology adopted by the Manager in identifying whether or not PRC resident companies are land rich companies has been agreed and accepted by the CSI Consumer Staples ETF's auditor. The amount of provision will be disclosed in the financial statements of the CSI Consumer Staples ETF.

It should be noted that there are uncertainties regarding the PRC WIT provisioning policy, including:

- (a) The Arrangement may be changed in the future and the CSI Consumer Staples ETF may ultimately be required to pay PRC WIT on capital gains.
- (b) To date, the CSI Consumer Staples ETF has not obtained from the IRD a HKTRC, which if the PRC tax authorities enforce the collection of PRC WIT and require the CSI Consumer Staples ETF to provide a HKTRC in the future, the Manager will apply for a HKTRC on behalf of the CSI Consumer Staples ETF. The CSI Consumer Staples ETF may need to apply with the IRD for a HKTRC on an annual basis, which is subject to the assessment of the IRD. However, there is a risk that the Manager may not be able to obtain a HKTRC on behalf of the CSI Consumer Staples ETF. The CSI Consumer Staples ETF's obtaining of a HKTRC may also be affected if there is a change of the applicable tax rules or prevailing practice in Hong Kong and/or the PRC.
- (c) To date, the PRC tax authorities have not sought to enforce PRC WIT collection on capital gains derived by RQFIIs such as the Manager for the CSI Consumer Staples ETF. If the PRC tax authorities start enforcing PRC WIT collection on capital gains, the relief under the China-HK Arrangement is still subject to the final approval of the PRC tax authorities. Even if the Manager, in accordance with the independent professional tax advice, believes that the CSI Consumer Staples ETF should be eligible for such relief, the PRC tax authorities may ultimately hold a different view.
- (d) Due to the limitation to the availability of the public information in the PRC (e.g. in respect of the market value of land and land use rights), the information to be adopted by the PRC tax authorities in assessing land rich companies may be different from the information used by the Manager in assessing land rich companies which may result in different conclusion by the Manager for some A-Shares companies to those of the PRC tax authorities.

For the above reasons, any PRC WIT provision on capital gains made by the Manager in respect of the CSI Consumer Staples ETF may be less than the CSI Consumer Staples ETF's actual tax liabilities. It should also be noted that there is a possibility of the PRC tax rules being changed and taxes being applied retrospectively. As such, it should be noted that the level of provision may be inadequate to meet actual PRC tax liabilities on investments made by the CSI Consumer Staples ETF. Consequently, Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. If the actual tax levied is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the CSI Consumer Staples ETF may be lowered, as the CSI Consumer Staples ETF will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the CSI Consumer Staples ETF, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the CSI Consumer Staples ETF. On the other hand, the actual tax liabilities may be lower than the tax provision made. In that case, those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision and as such may be disadvantaged. Notwithstanding the above change in tax provisioning policy, persons who have already redeemed their Units in the CSI Consumer Staples ETF before the return of any overprovision to the account of the CSI Consumer Staples ETF will not be entitled or have any right to claim any part of such overprovision. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

For further details relating to PRC taxes and the associated risks, please refer to the risk factor headed "*PRC tax considerations*" under section "*5.1 Risk Factors relating to China*" in Part 1 of this Prospectus."

## II. Change of index methodology of CSI 300

### 5. Section 17.5 of Appendix 1 of Part 2 of the Prospectus

With immediate effect, the second paragraph under the heading “*Periodical Review*” in the section headed “17.5 Index Adjustments” is deleted in its entirety and replaced with the following:

“The number of constituents adjusted at each periodical review will not exceed 10% and CSI has adopted buffer zone rules in order to minimise the Index turnover. Index Constituents that rank within the top 60% by average daily trading value will then be ranked by market capitalisation. The top 240 Stocks (by decreasing order of free float market capitalisation) within the Selection Universe will be given priority to be selected as Index Constituents. Index Constituents ranking within the top 360 Stocks (by decreasing order of free float market capitalisation) will be given priority to remain in the Index.”

## III. Enhanced disclosures on Foreign Account Tax Compliance Act

With immediate effect, the following amendments are made to the Prospectus to enhance disclosures on the Foreign Account Tax Compliance Act:-

### 6. Section 5 of Part 1 of the Prospectus

A new sub-section headed “**5.6 Foreign Account Tax Compliance Act**” is inserted after the sub-section headed “**5.5 Risks associated with the Underlying Index**” under section 5 in Part 1 of the Prospectus:

#### “**5.6 Foreign Account Tax Compliance Act**”

Sections 1471 – 1474 (referred to as “**FATCA**”) of the US Internal Revenue Code of 1986, as amended (“**IRS Code**”) will impose new rules with respect to certain payments to non-United States persons, such as the Trust and the Sub-Funds, including interest and dividends from securities of US issuers and gross proceeds from the sale of such securities. All such payments may be subject to withholding at a 30% rate, unless the recipient of the payment satisfies certain requirements intended to enable the US Internal Revenue Service (“**IRS**”) to identify United States persons (within the meaning of the IRS Code) with interests in such payments. To avoid such withholding on payments made to it, a foreign financial institution (an “**FFI**”), such as the Trust and the Sub-Funds (and, generally, other investment funds organised outside the US), generally will be required to enter into an agreement (an “**FFI Agreement**”) with the US IRS under which it will agree to identify its direct or indirect owners who are United States persons and report certain information concerning such United States person owners to the US IRS.

In general, an FFI which does not sign an FFI Agreement or is not otherwise exempt will face a punitive 30% withholding tax on all “withholdable payments” derived from US sources, including dividends, interest and certain derivative payments made on or after 1 July 2014. In addition, starting from 1 January 2017, gross proceeds such as sales proceeds and returns of principal derived from stocks and debt obligations generating US source dividends or interest will be treated as “withholdable payments”. It is expected that certain non-U.S. source payments attributable to amounts that would be subject to FATCA withholding (referred to as “**passthru payments**”) will also be subject to FATCA withholding, though the definition of “passthru payment” in US Treasury Regulations is currently pending.

The Hong Kong government has announced that Hong Kong will enter into an intergovernmental agreement with the US (“**IGA**”) for the implementation of FATCA, adopting “Model 2” IGA arrangements. Under this “Model 2” IGA arrangements, FFIs in Hong Kong (such as the Trust and the Sub-Funds) would be required to enter into the FFI Agreement with the US IRS, register with the US IRS and comply with the terms of FFI Agreement. Otherwise they will be subject to a 30% withholding tax on relevant US-sourced payments to them.

As an IGA has been reached in substance between Hong Kong and the US, it is expected that FFIs in Hong Kong (such as the Trust and the Sub-Funds) complying with the FFI Agreement (i) will generally not be subject to the above described 30% withholding tax; and (ii) will not be required to withhold tax on payments to recalcitrant accounts (i.e. accounts of which the holders do not consent to FATCA reporting and disclosure to the US IRS) or close those recalcitrant accounts (provided that information regarding such recalcitrant account holders is reported to the US IRS), but may be required to withhold tax on payments made to non-compliant FFIs. However, as of the date hereof, the US and Hong Kong have yet to sign the IGA, and the terms of such IGA may vary from the Model 2 agreement on which the above described expectations are based.

As of the date hereof, the Trust and each Sub-Fund established as at the date hereof have already registered with the US IRS and agreed to comply with the requirements of the FFI Agreement. An officer of the Manager is acting as the Responsible Officer for the Trust and the Sub-Funds.

**Name of Trust and Sub-Funds**

**GIIN**

China Universal International ETF Series	XVJ4HF.99999.SL.344
C-Shares CSI 300 Index ETF	AJ9CGV.99999.SL.344
C-Shares CSI Consumer Staples Index ETF	6EAAKQ.99999.SL.344
C-Shares CSI Healthcare Index ETF	DWXD59.99999.SL.344

The Trust and each Sub-Fund will endeavour to satisfy the requirements imposed under FATCA and the FFI Agreement to avoid any withholding tax but no assurance can be given that the Fund and the Sub-Funds will be able to satisfy all these obligations. In the event that the Trust or any Sub-Fund is not able to comply with the requirements imposed by FATCA or the FFI Agreement and the Trust or such Sub-Fund does suffer US withholding tax on its investments as a result of non-compliance, the Net Asset Value of the Trust or that Sub-Fund may be adversely affected and the Trust or such Sub-Fund may suffer significant loss as a result.

In the event a Unitholder does not provide the requested information and/or documentation, whether or not that actually leads to compliance failures by the Trust or the relevant Sub-Fund, or a risk of the Trust or the relevant Sub-Fund being subject to withholding tax under FATCA, the Manager on behalf of the Trust and each of such relevant Sub-Fund reserves the right to take any action and/or pursue all remedies at its disposal including, without limitation, (i) reporting the relevant information of such Unitholder to the US IRS; (ii) withholding or deducting from such Unitholder's redemption proceeds or distributions to the extent permitted by applicable laws and regulations; and/or (iii) deeming such Unitholder to have given notice to redeem all his Units in the relevant Sub-Fund. The Manager in taking any such action or pursuing any such remedy shall act in good faith and on reasonable grounds. As at the date hereof, all Units in the Sub-Funds are registered in the name of HKSCC Nominees Limited. It is the Manager's understanding that HKSCC has completed registration with the US IRS as a "Reporting Financial Institution under a Model 2 IGA".

Each Unitholder and prospective investor should consult with his own tax advisor as to the potential impact of FATCA in its own tax situation."

**7. Section 14 of Part 1 of the Prospectus**

Two new sub-sections headed "**14.18 Certification for Compliance with FATCA or Other Applicable Laws**" and "**14.19 Power to Disclose Information to Tax Authorities**" are inserted after the sub-section headed "**14.17 Complaints and Enquiries**" under section 14 in Part 1 of the Prospectus:

**"14.18 Certification for Compliance with FATCA or Other Applicable Laws**

Each investor (i) shall be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Trust or a Sub-Fund (A) to prevent withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Trust or the relevant Sub-Fund receives payments and/or (B) to satisfy reporting or other obligations under IRS Code and the United States Treasury Regulations promulgated under the IRS Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction, including reporting obligations that may be imposed by future legislation.

**14.19 Power to Disclose Information to Tax Authorities**

Subject to applicable laws and regulations in Hong Kong, the Trust, the relevant Sub-Fund, the Trustee or the Manager or any of their authorised person(s) (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the US IRS), certain information in relation to a Unitholder, including but not limited to the Unitholder's name, address, tax identification number (if any), social security number (if any) and certain information relating to the Unitholder's holdings, to enable the Trust or the relevant Sub-Fund to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law, regulation or agreement under FATCA)."

#### **IV. Change of RQFII quota administration rules**

With immediate effect, the following amendments are made to the Prospectus to reflect certain changes to the RQFII quota administration rules:-

##### **8. Section 7 of Appendix 1 of Part 2 of the Prospectus**

The third paragraph in section 7 of Appendix 1 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:

“The CSI 300 ETF will obtain exposure to securities issued within the PRC through the RQFII quota of the Manager. The Manager has obtained RQFII status in the PRC. The Manager (as RQFII holder) may from time to time make available RQFII quota for the purpose of the CSI 300 ETF’s direct investment into the PRC. Under the SAFE’s RQFII quota administration policy, the Manager has the flexibility to allocate its RQFII quota across different public fund products, or, subject to SAFE’s approval, to products and/or accounts that are not public funds. The Manager may therefore allocate additional RQFII quota to the CSI 300 ETF, or allocate RQFII quota which may otherwise be available to the CSI 300 ETF to other products and/or accounts. The Manager may also apply to SAFE for additional RQFII quota which may be utilised by the CSI 300 ETF, other clients of the Manager or other products managed by the Manager. However, there is no assurance that the Manager will make available RQFII quota that is sufficient for the CSI 300 ETF’s investment at all times.”

##### **9. Section 11.3 of Appendix 1 of Part 2 of the Prospectus**

Section 11.3 of Appendix 1 of Part 2 of the Prospectus is amended as follows:-

(a) The first paragraph is deleted in its entirety and replaced with the following:

“*RQFII risk.* The CSI 300 ETF is not a RQFII but may obtain access to China A-Shares, or other permissible investments directly using RQFII quotas of a RQFII. The CSI 300 ETF may invest directly in RQFII eligible securities investment via the RQFII status of the Manager.”

(b) The fourth paragraph is deleted in its entirety and replaced with the following:

“RQFII quotas are generally granted to a RQFII. The rules and restrictions under RQFII Regulations generally apply to the RQFII as a whole and not simply to the investments made by the CSI 300 ETF. It is provided in the RQFII Measures that the size of the quota may be reduced or cancelled by the SAFE if the RQFII is unable to use its RQFII quota effectively within one year since the quota is granted. If SAFE reduces the RQFII’s quota, it may affect the Manager’s ability to effectively pursue the investment strategy of the CSI 300 ETF. On the other hand, SAFE is vested with the power to impose regulatory sanctions if the RQFII or the RQFII Custodian violates any provision of the RQFII Measures. Any violations could result in the revocation of the RQFII’s quota or other regulatory sanctions and may adversely impact on the portion of the RQFII’s quota made available for investment by the CSI 300 ETF.”

(c) The fifth paragraph is deleted in its entirety and replaced with the following:

“Investors should note that there can be no assurance that a RQFII will continue to maintain its RQFII status or to make available its RQFII quota, or the CSI 300 ETF will be allocated a sufficient portion of RQFII quotas from a RQFII to meet all applications for subscription to the CSI 300 ETF, or that redemption requests can be processed in a timely manner due to adverse changes in relevant laws or regulations. The CSI 300 ETF may not have exclusive use of the entire RQFII quota granted by SAFE to the RQFII (i.e. the Manager), as the RQFII may in its discretion allocate RQFII quota which may otherwise be available to the CSI 300 ETF to other products. Such restrictions may respectively result in a rejection of applications and a suspension of dealings of the CSI 300 ETF. In extreme circumstances, the CSI 300 ETF may incur significant losses due to insufficiency of RQFII quota, limited investment capabilities, or may not be able to fully implement or pursue its investment objective or strategy, due to RQFII investment restrictions, illiquidity of the Chinese domestic securities market, and/or delay or disruption in execution of trades or in settlement of trades.”

##### **10. Section 7 of Appendix 2 of Part 2 of the Prospectus**

The third paragraph in section 7 of Appendix 2 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:

“The CSI Healthcare ETF will obtain exposure to securities issued within the PRC through the RQFII quota of the Manager. The Manager has obtained RQFII status in the PRC. The Manager (as RQFII holder) may from time to time make available RQFII quota for the purpose of the CSI Healthcare ETF’s direct investment into the PRC. Under the SAFE’s RQFII quota administration policy, the Manager has the flexibility to allocate its RQFII quota across different

public fund products, or, subject to SAFE's approval, to products and/or accounts that are not public funds. The Manager may therefore allocate additional RQFII quota to the CSI Healthcare ETF, or allocate RQFII quota which may otherwise be available to the CSI Healthcare ETF to other products and/or accounts. The Manager may also apply to SAFE for additional RQFII quota which may be utilised by the CSI Healthcare ETF, other clients of the Manager or other products managed by the Manager. However, there is no assurance that the Manager will make available RQFII quota that is sufficient for the CSI Healthcare ETF's investment at all times."

**11. Section 11.3 of Appendix 2 of Part 2 of the Prospectus**

Section 11.3 of Appendix 2 of Part 2 of the Prospectus is amended as follows:-

- (a) The first paragraph is deleted in its entirety and replaced with the following:

*"RQFII risk.* The CSI Healthcare ETF is not a RQFII but may obtain access to China A-Shares, or other permissible investments directly using RQFII quotas of a RQFII. The CSI Healthcare ETF may invest directly in RQFII eligible securities investment via the RQFII status of the Manager."

- (b) The fourth paragraph is deleted in its entirety and replaced with the following:

"RQFII quotas are generally granted to a RQFII. The rules and restrictions under RQFII Regulations generally apply to the RQFII as a whole and not simply to the investments made by the CSI Healthcare ETF. It is provided in the RQFII Measures that the size of the quota may be reduced or cancelled by the SAFE if the RQFII is unable to use its RQFII quota effectively within one year since the quota is granted. If SAFE reduces the RQFII's quota, it may affect the Manager's ability to effectively pursue the investment strategy of the CSI Healthcare ETF. On the other hand, SAFE is vested with the power to impose regulatory sanctions if the RQFII or the RQFII Custodian violates any provision of the RQFII Measures. Any violations could result in the revocation of the RQFII's quota or other regulatory sanctions and may adversely impact on the portion of the RQFII's quota made available for investment by the CSI Healthcare ETF."

- (c) The fifth paragraph is deleted in its entirety and replaced with the following:

"Investors should note that there can be no assurance that a RQFII will continue to maintain its RQFII status or to make available its RQFII quota, or the CSI Healthcare ETF will be allocated a sufficient portion of RQFII quotas from a RQFII to meet all applications for subscription to the CSI Healthcare ETF, or that redemption requests can be processed in a timely manner due to adverse changes in relevant laws or regulations. The CSI Healthcare ETF may not have exclusive use of the entire RQFII quota granted by SAFE to the RQFII (i.e. the Manager), as the RQFII may in its discretion allocate RQFII quota which may otherwise be available to the CSI Healthcare ETF to other products. Such restrictions may respectively result in a rejection of applications and a suspension of dealings of the CSI Healthcare ETF. In extreme circumstances, the CSI Healthcare ETF may incur significant losses due to insufficiency of RQFII quota, limited investment capabilities, or may not be able to fully implement or pursue its investment objective or strategy, due to RQFII investment restrictions, illiquidity of the Chinese domestic securities market, and/or delay or disruption in execution of trades or in settlement of trades."

**12. Section 7 of Appendix 3 of Part 2 of the Prospectus**

The third paragraph in section 7 of Appendix 3 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:

"The CSI Consumer Staples ETF will obtain exposure to securities issued within the PRC through the RQFII quota of the Manager. The Manager has obtained RQFII status in the PRC. The Manager (as RQFII holder) may from time to time make available RQFII quota for the purpose of the CSI Consumer Staples ETF's direct investment into the PRC. Under the SAFE's RQFII quota administration policy, the Manager has the flexibility to allocate its RQFII quota across different public fund products, or, subject to SAFE's approval, to products and/or accounts that are not public funds. The Manager may therefore allocate additional RQFII quota to the CSI Consumer Staples ETF, or allocate RQFII quota which may otherwise be available to the CSI Consumer Staples ETF to other products and/or accounts. The Manager may also apply to SAFE for additional RQFII quota which may be utilised by the CSI Consumer Staples ETF, other clients of the Manager or other products managed by the Manager. However, there is no assurance that the Manager will make available RQFII quota that is sufficient for the CSI Consumer Staples ETF's investment at all times."

**13. Section 11.3 of Appendix 3 of Part 2 of the Prospectus**

- (a) The first paragraph is deleted in its entirety and replaced with the following:

*"RQFII risk.* The CSI Consumer Staples ETF is not a RQFII but may obtain access to China A-Shares, or other permissible investments directly using RQFII quotas of a RQFII. The CSI Consumer Staples ETF may invest directly in RQFII eligible securities investment via the RQFII status of the Manager."

- (b) The fourth paragraph is deleted in its entirety and replaced with the following:
- “RQFII quotas are generally granted to a RQFII. The rules and restrictions under RQFII Regulations generally apply to the RQFII as a whole and not simply to the investments made by the CSI Consumer Staples ETF. It is provided in the RQFII Measures that the size of the quota may be reduced or cancelled by the SAFE if the RQFII is unable to use its RQFII quota effectively within one year since the quota is granted. If SAFE reduces the RQFII’s quota, it may affect the Manager’s ability to effectively pursue the investment strategy of the CSI Consumer Staples ETF. On the other hand, SAFE is vested with the power to impose regulatory sanctions if the RQFII or the RQFII Custodian violates any provision of the RQFII Measures. Any violations could result in the revocation of the RQFII’s quota or other regulatory sanctions and may adversely impact on the portion of the RQFII’s quota made available for investment by the CSI Consumer Staples ETF.”
- (c) The fifth paragraph is deleted in its entirety and replaced with the following:
- “Investors should note that there can be no assurance that a RQFII will continue to maintain its RQFII status or to make available its RQFII quota, or the CSI Consumer Staples ETF will be allocated a sufficient portion of RQFII quotas from a RQFII to meet all applications for subscription to the CSI Consumer Staples ETF, or that redemption requests can be processed in a timely manner due to adverse changes in relevant laws or regulations. The CSI Consumer Staples ETF may not have exclusive use of the entire RQFII quota granted by SAFE to the RQFII (i.e. the Manager), as the RQFII may in its discretion allocate RQFII quota which may otherwise be available to the CSI Consumer Staples ETF to other products. Such restrictions may respectively result in a rejection of applications and a suspension of dealings of the CSI Consumer Staples ETF. In extreme circumstances, the CSI Consumer Staples ETF may incur significant losses due to insufficiency of RQFII quota, limited investment capabilities, or may not be able to fully implement or pursue its investment objective or strategy, due to RQFII investment restrictions, illiquidity of the Chinese domestic securities market, and/or delay or disruption in execution of trades or in settlement of trades.”

## V. Other Updates

With immediate effect, the following amendments are made to the Prospectus:-

### 14. Section 17 of Appendix 1 of Part 2 of the Prospectus

- (a) The fourth paragraph under the sub-section headed “**17.1 General**” is deleted in its entirety and replaced with the following:
- “As of 31 July 2014, the Underlying Index had a total float market capitalisation of RMB 13,243.76 billion and 300 constituents.”
- (b) The first paragraph and the table under the sub-section headed “**17.6 Top 10 Constituents**” are deleted in their entirety and replaced with the following:
- “As at 31 July 2014, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 22.85% of the market capitalisation of the Underlying Index based on total shares in issue.

Rank	Constituent Name	Weighting (%)
1.	Ping An Insurance (Group) Company of China Ltd	3.94%
2.	China Merchants Bank Co Ltd	3.37%
3.	China Minsheng Banking Corp Ltd	3.32%
4.	Industrial Bank	2.33%
5.	Shanghai Pudong Development Bank Co Ltd	2.02%
6.	CITIC Securities Co Ltd	1.91%
7.	China Vanke Co Ltd	1.77%
8.	Haitong Securities Company Limited	1.50%
9.	Kweichow Moutai Co Ltd	1.35%
10.	Gree Electric Appliances Inc of Zhuhai	1.34%

### 15. Section 17 of Appendix 2 of Part 2 of the Prospectus

- (a) The fifth paragraph under the sub-section headed “**17.1 General**” is deleted in its entirety and replaced with the following:
- “As of 31 July 2014, the Underlying Index had a total float market capitalisation of RMB 787.40 billion and 61 constituents.”

- (b) The first paragraph and the table under the sub-section headed “**17.6 Top 10 Constituents**” are deleted in their entirety and replaced with the following:

“As at 31 July 2014, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 38.40% of the market capitalisation of the Underlying Index based on total shares in issue.

Rank	Constituent Name	Weighting (%)
1.	Yunnan Baiyao Group Co., Ltd.	5.97%
2.	Tasly Pharmaceutical Group Co., Ltd	5.27%
3.	Jiangsu Hengrui Medicine Co Ltd	5.24%
4.	Shanghai Fosun Pharmaceutical (Group) Co Ltd	4.55%
5.	Shandong Dong-Ee Jiao Co Ltd	4.11%
6.	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited	2.91%
7.	Beijing Tongrentang Co Ltd	2.77%
8.	Humanwell Healthcare (Group) Co., Ltd.	2.61%
9.	Jilin Aodong Pharmaceutical Group Co., Ltd.	2.57%
10.	Beijing SL Pharmaceutical Co Ltd	2.38%

**16. Section 17 of Appendix 3 of Part 2 of the Prospectus**

- (a) The fifth paragraph under the sub-section headed “**17.1 General**” is deleted in its entirety and replaced with the following:

“As of 31 July 2014, the Underlying Index had a total float market capitalisation of RMB 1,061.63 billion and 65 constituents.”

- (b) The first paragraph and the table under the sub-section headed “**17.6 Top 10 Constituents**” are deleted in their entirety and replaced with the following:

“As at 31 July 2014, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 49.68% of the market capitalisation of the Underlying Index based on total shares in issue.

Rank	Constituent Name	Weighting (%)
1.	Inner Mongolia Yili Industrial Group Co Ltd	11.20%*
2.	Kweichow Moutai Co Ltd	10.36%*
3.	Wuliangye Yibin Co Ltd	6.42%
4.	Henan Shuanghui Investment & Development Co Ltd	4.36%
5.	Kangmei Pharmaceutical Co Ltd	3.96%
6.	Jiangsu Yanghe Brewery Joint-Stock Co Ltd	3.31%
7.	Shanghai Jahwa United Co Ltd	2.91%
8.	Tsingtao Brewery Co Ltd	2.56%
9.	Luzhou Lao Jiao Co Ltd	2.35%
10.	Shenzhen Agricultural Products Co Ltd	2.25%

\* Share price appreciation accounts for the increase of weighting over 10%. CSI will adjust the weighting in the coming index rebalance session.

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

**China Universal Asset Management (Hong Kong) Company Limited**  
**匯添富資產管理（香港）有限公司**

**Date: 18 August 2014**



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

This Addendum forms an integral part of and should be read in conjunction with the Prospectus of the Trust dated 5 May 2014 (the “**Prospectus**”).

The Manager accepts full responsibility for the accuracy of the information contained in this Addendum 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.

## **CHINA UNIVERSAL INTERNATIONAL ETF SERIES (the “Trust”)**

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

**C-Shares CSI 300 Index ETF  
(Stock Codes: 83008 (RMB counter) and 03008 (HKD counter))**

**C-Shares CSI Healthcare Index ETF  
(Stock Codes: 83132 (RMB counter) and 03132 (HKD counter))**

**C-Shares CSI Consumer Staples Index ETF  
(Stock Codes: 83107 (RMB counter) and 03107 (HKD counter))**

### **ADDENDUM TO PROSPECTUS**

#### **INTRODUCTION**

1. The transaction fee payable by Participating Dealers per application for the creation of Units and the redemption of Units of C-Shares CSI Healthcare Index ETF and C-Shares CSI Consumer Staples Index ETF respectively will be reduced.
2. The registered office and contact address of the Manager will be changed.

Unless otherwise stated below, the following changes to the Prospectus shall apply with immediate effect.

#### **AMENDMENTS TO PROSPECTUS**

##### **I. Reduction of Transaction Fee**

###### **1. Section 12.2 of Appendix 2 of Part 2 of the Prospectus**

Reference to “RMB20,000” in the row “Transaction Fee” in the tables headed “*Creation of Units by a Participating Dealer*” and “*Redemption of Units by a Participating Dealer*” under the sub-section headed “**12.2.1 Participating Dealers**” in Appendix 2 of Part 2 of the Prospectus is revised to “RMB12,000”.

Note 2 under section “**12.2 Fees Payable by Participating Dealers, Primary Market Investors and Secondary Market Investors**” in Appendix 2 of Part 2 is consequentially deleted in its entirety and replaced with the following:

“2. A Transaction Fee of RMB12,000 per Application is payable by each Participating Dealer for the account and benefit of the Trustee.”

###### **2. Section 12.2 of Appendix 3 of Part 2 of the Prospectus**

Reference to “RMB20,000” in the row “Transaction Fee” in the tables headed “*Creation of Units by a Participating Dealer*” and “*Redemption of Units by a Participating Dealer*” under the sub-section headed “**12.2.1 Participating Dealers**” in Appendix 3 of Part 2 of the Prospectus is revised to “RMB12,000”.

Note 2 under section “12.2 Fees Payable by Participating Dealers, Primary Market Investors and Secondary Market Investors” in Appendix 3 of Part 2 is consequentially deleted in its entirety and replaced with the following:

“2. A Transaction Fee of RMB12,000 per Application is payable by each Participating Dealer for the account and benefit of the Trustee.”

## II. Change of Address of Manager

### 3. “DIRECTORY” in Part 1 of the Prospectus

The information of “Manager and RQFII Holder” under “DIRECTORY” on page 3 of the Prospectus is deleted and replaced with the following:

“China Universal Asset Management (Hong Kong) Company Limited  
Room 3710-3711, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong”

### 4. Section 14.17 of Part 1 of the Prospectus

The first bullet point under the section headed “14.17 Complaints and Enquiries” on page 45 of the Prospectus is deleted and replaced with the following:

“• In writing to Room 3710-3711, Two International Finance Centre, 8 Finance Street, Central, Hong Kong”

## III. Other Updates

### 5. Section 17 of Appendix 1 of Part 2 of the Prospectus

The section headed “17. THE UNDERLYING INDEX” in Appendix 1 of Part 2 of the Prospectus is amended as follows:

- (a) The fourth paragraph under the section headed “17.1 General” under the section headed “17. THE UNDERLYING INDEX” in Appendix 1 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:

“As of 30 May 2014, the Underlying Index had a total float market capitalisation of RMB 12,153.04 billion and 300 constituents.”

- (b) The first paragraph and the table under the section headed “17.6 Top 10 Constituents” under the section headed “17. THE UNDERLYING INDEX” in Appendix 1 of Part 2 of the Prospectus are deleted in their entirety and replaced with the following:

“As at 30 May 2014, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 23.26% of the market capitalisation of the Underlying Index based on total shares in issue.

Rank	Constituent Name	Weighting (%)
1.	Ping An Insurance (Group) Company of China Ltd	3.96%
2.	China Minsheng Banking Corp Ltd	3.49%
3.	China Merchants Bank Co Ltd	3.48%
4.	Industrial Bank	2.33%
5.	Shanghai Pudong Development Bank Co Ltd	2.22%
6.	China Vanke Co Ltd	1.72%
7.	CITIC Securities Co Ltd	1.62%
8.	Haitong Securities Company Limited	1.55%
9.	Gree Electric Appliances Inc of Zhuhai	1.55%
10.	Agricultural Bank of China Co Ltd	1.34%

”

### 6. Section 17 of Appendix 2 of Part 2 of the Prospectus

The section headed “17. THE UNDERLYING INDEX” in Appendix 2 of Part 2 of the Prospectus is amended as follows:

- (a) The fifth paragraph under the section headed “17.1 General” under the section headed “17. THE UNDERLYING INDEX” in Appendix 2 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:

“As of 30 May 2014, the Underlying Index had a total float market capitalisation of RMB 748.96 billion and 60 constituents.”

- (b) The first paragraph and the table under the section headed “17.6 Top 10 Constituents” under the section headed “17. THE UNDERLYING INDEX” in Appendix 2 of Part 2 of the Prospectus are deleted in their entirety and replaced with the following:

“As at 30 May 2014, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 41.11% of the market capitalisation of the Underlying Index based on total shares in issue.

Rank	Constituent Name	Weighting (%)
1.	Yunnan Baiyao Industry Co Ltd	6.59%
2.	Jiangsu Hengrui Medicine Co Ltd	5.33%
3.	Kangmei Pharmaceutical Co Ltd	5.17%
4.	Tasly Pharmaceutical Group Co., Ltd	5.11%
5.	Shanghai Fosun Pharmaceutical (Group) Co Ltd	4.97%
6.	Shandong Dong-Ee Jiao Co Ltd	3.62%
7.	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited	2.95%
8.	Humanwell Healthcare (Group) Co., Ltd.	2.48%
9.	Beijing SL Pharmaceutical Co Ltd	2.45%
10.	Guizhou Yibai Pharmaceutical Co Ltd	2.44%

”

#### 7. **Section 17 of Appendix 3 of Part 2 of the Prospectus**

The section headed “17. THE UNDERLYING INDEX” in Appendix 3 of Part 2 of the Prospectus is amended as follows:

- (a) The fifth paragraph under the section headed “17.1 General” under the section headed “17. THE UNDERLYING INDEX” in Appendix 3 of Part 2 of the Prospectus is deleted in its entirety and replaced with the following:

“As of 30 May 2014, the Underlying Index had a total float market capitalisation of RMB 912.46 billion and 62 constituents.”

- (b) The first paragraph and the table under the section headed “17.6 Top 10 Constituents” under the section headed “17. THE UNDERLYING INDEX” in Appendix 3 of Part 2 of the Prospectus are deleted in their entirety and replaced with the following:

“As at 30 May 2014, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 50.08% of the market capitalisation of the Underlying Index based on total shares in issue.

Rank	Constituent Name	Weighting (%)
1.	Kweichow Moutai Co Ltd	12.43%*
2.	Inner Mongolia Yili Industrial Group Co Ltd	9.66%
3.	Wuliangye Yibin Co Ltd	6.55%
4.	Henan Shuanghui Investment & Development Co Ltd	4.65%
5.	Jiangsu Yanghe Brewery Joint-Stock Co Ltd	3.69%
6.	Shanghai Jahwa United Co Ltd	3.14%
7.	Tsingtao Brewery Co Ltd	3.04%
8.	Shanghai Pharmaceuticals Co Ltd	2.46%
9.	Luzhou Lao Jiao Co Ltd	2.27%
10.	Bright Dairy & Food Co Ltd	2.20%

[\* The share price of Kweichow Moutai Co Ltd rose from RMB124.46 to 153.22 per share from 31 December 2013 to 30 May 2014. Share price appreciation accounts for the increase of weighting over 10%. CSI will adjust the weighting in the coming index rebalance session.]

”

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

**China Universal Asset Management (Hong Kong) Company Limited**  
**匯添富資產管理(香港)有限公司**

**Date: 25 June 2014**

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

# CHINA UNIVERSAL INTERNATIONAL ETF SERIES

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

---

## PROSPECTUS

---

MANAGER

**China Universal Asset Management (Hong Kong) Company Limited**  
**匯添富資產管理(香港)有限公司**

5 May 2014

The Stock Exchange of Hong Kong Limited (“SEHK”), Hong Kong Exchanges and Clearing Limited (“HKEx”), Hong Kong Securities Clearing Company Limited (“HKSCC”) and the Hong Kong Securities and Futures Commission (“Commission”) 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. China Universal International ETF Series (“Trust”) and its sub-funds set out in Part 2 of this Prospectus (collectively referred to as the “Sub-Funds”) have been authorized by the Commission pursuant to section 104 of the Securities and Futures Ordinance. Each of the Sub-Funds is a fund falling within Chapter 8.6 and Appendix I of the Code on Unit Trusts and Mutual Funds (“Code”). Authorisation by the Commission is not a recommendation or endorsement of the Trust or any of the Sub-Funds nor does it guarantee the commercial merits of the Trust, the Sub-Funds or their performance. It does not mean the Trust or the Sub-Funds are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

## TABLE OF CONTENTS

DIRECTORY .....	3
PRELIMINARY .....	5
DEFINITIONS .....	6
PART 1 .....	11
GENERAL INFORMATION RELATING TO THE TRUST .....	11
PART 1 - GENERAL INFORMATION RELATING TO THE TRUST .....	12
1. THE TRUST .....	12
2. KEY OPERATORS AND SERVICE PROVIDERS .....	12
3. INVESTMENT CONSIDERATIONS .....	16
4. INVESTMENT AND BORROWING RESTRICTIONS .....	16
5. GENERAL RISK FACTORS .....	16
6. INVESTING IN A SUB-FUND .....	26
7. CREATION AND REDEMPTION OF APPLICATION UNITS (PRIMARY MARKET) .....	27
8. TRADING OF UNITS ON THE SEHK (SECONDARY MARKET) .....	34
9. EVIDENCE OF UNITHOLDING .....	34
10. VALUATION AND SUSPENSION .....	34
11. DISTRIBUTION POLICY .....	37
12. FEES AND CHARGES .....	37
13. TAXATION .....	38
14. OTHER IMPORTANT INFORMATION .....	39
SCHEDULE 1 - INVESTMENT AND BORROWING RESTRICTIONS .....	46
PART 2 .....	48
INFORMATION SPECIFIC TO SUB-FUNDS .....	48
APPENDIX 1 .....	49
C-Shares CSI 300 Index ETF .....	49
1. KEY INFORMATION .....	50
2. INVESTMENT OBJECTIVE AND STRATEGY .....	53
3. INVESTMENT AND BORROWING RESTRICTIONS .....	53
4. DEALING .....	54
5. DISTRIBUTION POLICY .....	56
6. PRC TAX PROVISIONS .....	57
7. RENMINBI QUALIFIED FOREIGN INSTITUTIONAL INVESTOR (RQFII) .....	57
8. OVERVIEW OF THE OFFSHORE RMB MARKET .....	58
9. CHINA A-SHARES MARKET IN THE PRC .....	60
10. RMB PAYMENT AND ACCOUNT PROCEDURES .....	64
10A. RENMINBI EQUITY TRADING SUPPORT FACILITY (“TSF”) .....	65
11. RISK FACTORS RELATING TO THE CSI 300 ETF .....	65
12. FEES AND CHARGES .....	72
13. ADDITIONAL DOCUMENTS AVAILABLE FOR INSPECTION .....	74
13A. PUBLICATION OF INFORMATION RELATING TO CSI 300 ETF .....	75
14. INDEX LICENCE AGREEMENT .....	75
15. MATERIAL CHANGES TO THE INDEX .....	76
16. REPLACEMENT OF UNDERLYING INDEX .....	76
17. THE UNDERLYING INDEX .....	76

APPENDIX 2.....	80
C-Shares CSI Healthcare Index ETF .....	80
1. KEY INFORMATION .....	81
2. INVESTMENT OBJECTIVE AND STRATEGY .....	84
3. INVESTMENT AND BORROWING RESTRICTIONS.....	84
4. INITIAL OFFER AND DEALING .....	85
5. DISTRIBUTION POLICY .....	87
6. PRC TAX PROVISIONS .....	88
7. RENMINBI QUALIFIED FOREIGN INSTITUTIONAL INVESTOR (RQFII).....	88
8. OVERVIEW OF THE OFFSHORE RMB MARKET .....	89
9. CHINA A-SHARES MARKET IN THE PRC .....	91
10. RMB PAYMENT AND ACCOUNT PROCEDURES .....	95
10A. RENMINBI EQUITY TRADING SUPPORT FACILITY (“TSF”).....	96
11. RISK FACTORS RELATING TO THE CSI HEALTHCARE ETF .....	97
12. FEES AND CHARGES .....	104
13. ADDITIONAL DOCUMENTS AVAILABLE FOR INSPECTION.....	106
13A. PUBLICATION OF INFORMATION RELATING TO CSI HEALTHCARE ETF.....	106
14. INDEX LICENCE AGREEMENT.....	107
15. MATERIAL CHANGES TO THE INDEX.....	107
16. REPLACEMENT OF UNDERLYING INDEX.....	107
17. THE UNDERLYING INDEX .....	108
APPENDIX 3 .....	112
C-Shares CSI Consumer Staples Index ETF .....	112
1. KEY INFORMATION .....	113
2. INVESTMENT OBJECTIVE AND STRATEGY .....	116
3. INVESTMENT AND BORROWING RESTRICTIONS.....	116
4. INITIAL OFFER AND DEALING .....	117
5. DISTRIBUTION POLICY .....	120
6. PRC TAX PROVISIONS .....	120
7. RENMINBI QUALIFIED FOREIGN INSTITUTIONAL INVESTOR (RQFII).....	120
8. OVERVIEW OF THE OFFSHORE RMB MARKET .....	121
9. CHINA A-SHARES MARKET IN THE PRC .....	123
10. RMB PAYMENT AND ACCOUNT PROCEDURES .....	127
10A. RENMINBI EQUITY TRADING SUPPORT FACILITY (“TSF”).....	128
11. RISK FACTORS RELATING TO THE CSI CONSUMER STAPLES ETF .....	129
12. FEES AND CHARGES .....	136
13. ADDITIONAL DOCUMENTS AVAILABLE FOR INSPECTION.....	139
13A. PUBLICATION OF INFORMATION RELATING TO CSI CONSUMER STAPLES ETF .....	139
14. INDEX LICENCE AGREEMENT.....	139
15. MATERIAL CHANGES TO THE INDEX.....	140
16. REPLACEMENT OF UNDERLYING INDEX.....	140
17. THE UNDERLYING INDEX .....	140

---

## DIRECTORY

---

**Manager and RQFII Holder**

China Universal Asset Management (Hong Kong) Company Limited  
2701, One International Finance Centre,  
1 Harbour View Street  
Central  
Hong Kong

**Directors of the Manager**

LIN Li Jun  
LI Wen  
ZHANG Hui

**Trustee**

BOCI-Prudential Trustee Limited  
12/F & 25/F, Citicorp Centre  
18 Whitfield Road  
Causeway Bay  
Hong Kong

**Custodian**

Bank of China (Hong Kong) Limited  
14/F Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

**Registrar**

Computershare Hong Kong Investor Services Limited  
46th Floor, Hopewell Centre  
183 Queen's Road East  
Wan Chai Hong Kong

**Service Agent or Conversion Agent**

HK Conversion Agency Services Limited  
2nd Floor, Infinitus Plaza  
199 Des Voeux Road Central  
Hong Kong

**Adviser**

China Universal Asset Management Company Limited  
22/F, Aurora Plaza  
No. 99 Fucheng Road  
Pudong District  
Shanghai 200120  
China

**RQFII Custodian**

Bank of China Limited  
No. 1, Fuxingmen Nei Dajie  
Beijing 100818  
China

**Listing Agent**

GF Capital (Hong Kong) Limited  
29 – 30 Floor  
Li Po Chun Chambers  
189 Des Voeux Road  
Central  
Hong Kong

**Legal Adviser to the Manager**

Deacons  
5th Floor, Alexandra House  
18 Chater Road  
Central  
Hong Kong

**Auditors**

Ernst & Young  
22nd Floor,  
CITIC Tower,  
1 Tim Mei Avenue,  
Central,  
Hong Kong



---

## PRELIMINARY

---

This Prospectus has been prepared in connection with the offer in Hong Kong of Units in the Trust and its Sub-Funds. The Trust is an umbrella unit trust established under Hong Kong law by a trust deed dated 31 May 2013 between China Universal Asset Management (Hong Kong) Company Limited (the “**Manager**”) and BOCI-Prudential Trustee Limited (the “**Trustee**”), as amended and supplemented from time to time.

The Manager accepts full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of its knowledge and belief, there are no other facts the omission of which would make any statement misleading. The Manager also confirms that this Prospectus includes particulars given in compliance with the Rules Governing the Listing of Securities on the SEHK and 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 Trust and the Sub-Funds. The Prospectus contains the information necessary for investors to be able to make an informed judgment of the investment and meets the disclosure requirements under the Code. Before making any investment decisions, investors should consider their own specific circumstances, including without limitation, their own risk tolerance level, financial circumstances, investment objectives. If in doubt, investors should consult their financial adviser, consult their 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 them to acquire Units and as to whether any taxation effects, foreign exchange restrictions or exchange control requirements are applicable and to determine whether any investment in any of the Sub-Funds, is appropriate.

Application may be made to the SEHK for the listing of, and permission to deal in, the Units in a Sub-Fund. Subject to the approval for granting of listing of, and permission to deal in the Units on the SEHK and compliance with the relevant admission requirements of the HKSCC, Units in such Sub-Fund will be accepted as eligible securities by HKSCC for deposit, clearing and settlement in the Central Clearing and Settlement System (“**CCASS**”) with effect from the date of commencement of dealings in Units on the SEHK or such other date as may be determined by HKSCC. For further details on listing or application for listing of a Sub-Fund on the SEHK and admission of Units of such Sub-Fund as eligible securities by HKSCC, please refer to Part 2 of this Prospectus.

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.

No action has been taken to permit an offering of Units or the distribution of this Prospectus in any jurisdiction other than Hong Kong where action would be required for such purposes. Accordingly, this Prospectus may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized. Distribution of this Prospectus shall not be permitted unless it is accompanied by a copy of the latest Product Key Facts Statement of each of the Sub-Funds, the latest annual report and accounts of the Trust (if any) and, if later, its most recent interim report.

The Trust is not registered as an investment company with the United States Securities and Exchange Commission. Units have not been, and will not be, registered under the United States Securities Act of 1933 or any other United States Federal or State law and accordingly Units are not offered to, and may not be transferred to or acquired by, US persons (including without limitation US citizens and residents as well as business entities organized under United States’ law), except under any relevant exemption.

The Manager shall have the power to impose such restrictions as the Manager may think necessary for the purpose of ensuring that no Units in any Sub-Fund are acquired or held by an Unqualified Person (as defined in the “**Definitions**” section).

Potential applicants for Units in any of the Sub-Funds should inform themselves as to (a) the possible tax consequences, (b) the legal requirements and (c) any foreign exchange restrictions or exchange control requirements which they might encounter under the laws of the countries of their incorporation, citizenship, residence or domicile and which might be relevant to the subscription, holding or disposal of Units in such Sub-Fund.

Investors should note that any amendment or addendum to this Prospectus will only be posted on the Manager’s website [www.99fund.com.hk](http://www.99fund.com.hk)<sup>1</sup>.

Investment involves risk and investors should note that losses may be sustained on their investment. There is no assurance that the investment objective of any of the Sub-Funds of the Trust will be achieved. In particular, investors should consider the general risk factors set out in section “**5. General Risk Factors**” of Part 1 of this Prospectus and any specific risk factors relating to a Sub-Fund as set out in Part 2 of this Prospectus, before investing in any of the Sub-Funds.

Application has been made by the Manager for the trademark registration of “C-Shares” in Hong Kong. Please note the reference to “C-Shares” in the name of the Sub-Funds do not have any implication on the fee structure of a Sub-Fund.

---

<sup>1</sup> The contents of this website and any other websites referred to in this Prospectus and the Product Key Facts Statements of the Sub-Funds have not been reviewed by the Commission.

---

## DEFINITIONS

---

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

“**Application**” means, in respect of a Sub-Fund, a Creation Application or a Redemption Application.

“**Application Basket Value**” means the aggregate value of the Index Securities comprising a Basket as fixed by the Manager on the relevant Valuation Day for the purpose of the creation and redemption of Units in an Application Unit size.

“**Application Cancellation Fee**” means the fee payable by a Participating Dealer in respect of cancellation of an Application as set out in the Trust Deed, the rate of which is set out in Part 2 of this Prospectus.

“**Application Unit**” means, in respect of a Sub-Fund, such number of Units of a class or whole multiples thereof as specified in Part 2 of this Prospectus or such other multiple of Units of a class from time to time determined by the Manager, in consultation with the Trustee, and notified to Participating Dealers, either generally or for a particular class or classes of Units.

“**Auditors**” means the auditor or auditors of the Sub-Funds and the Trust from time to time appointed by the Manager with the prior approval of the Trustee pursuant to the provisions of the Trust Deed.

“**Base Currency**” means the currency of account of a Sub-Fund as specified in Part 2 of this Prospectus.

“**Basket**” means, for the purpose of the creation and redemption of Units in an Application Unit size, a portfolio of Index Securities, which seeks to benchmark the Underlying Index by replication strategy provided that such portfolio shall comprise only whole numbers of Index Securities and no fraction or, if the Manager determines, shall comprise only round lots and not odd lots.

“**B-Shares**” means shares issued by companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, traded in foreign currencies and available for investment by domestic (Chinese) investors and foreign investors.

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

“**Cancellation Compensation**” means an amount payable by a Participating Dealer in respect of cancellation of an Application pursuant to the Trust Deed.

“**Cash Component**” means the aggregate Net Asset Value of the Units comprising the Application Unit(s) less the relevant Application Basket Value.

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

“**CCASS Operational Procedures**” means the CCASS Operational Procedures as amended from time to time.

“**CCASS Settlement Day**” means the term “Settlement Day” as defined in the General Rules of CCASS.

“**China**”, “**mainland China**” or the “**PRC**” means the People’s Republic of China excluding Hong Kong, Macau and Taiwan for purpose of this document.

“**China A-Shares**” means shares issued by companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, traded in Renminbi and available for investment by domestic (Chinese) investors, RQFII Holders and QFIIs.

“**Code**” means the Code on Unit Trusts and Mutual Funds issued by the Commission, as may be amended from time to time.

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

“**Connected Person**” in relation to a company, means:

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

“**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.

“**Conversion Agency Agreement**” means each agreement entered amongst the Trustee, the Manager, the Registrar, the Participating Dealer, the Conversion Agent and HKSCC by which the Conversion Agent agrees with the Manager and the Trustee to provide its services.

“**Creation Application**” means an application by a Participating Dealer for the creation of Units of a Sub-Fund in Application Unit size (or whole multiples thereof) in accordance with the relevant procedures set out in the Trust Deed, and the relevant Participation Agreement.

“**CSRC**” means China Securities Regulatory Commission.

“**Custodian**” means Bank of China (Hong Kong) Limited and/or such person or person(s) as may from time to time be appointed by the Trustee with the prior approval of the Manager to act as custodian of all or part of the assets of the Trust and/or any Sub-Fund.

“**Dealing Day**” means, in respect of a Sub-Fund, each Business Day during the continuance of such Sub-Fund or such other day or days as the Manager may from time to time, in consultation with the Trustee, determine either generally or in respect of a particular class or classes of Units.

“**Dealing Deadline**” in relation to any Dealing Day, shall be such time or times as the Manager may from time to time in consultation with the Trustee determine generally or in relation to a particular class or classes of Units or any particular jurisdiction in which Units may from time to time be sold or any particular place for submission of Application(s) by a Participating Dealer, as set out in Part 2 of this Prospectus.

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

“**Dual Counter**” means the facility by which the Units of a Sub-Fund traded in RMB and traded in HKD are each assigned separate stock codes on the SEHK and are accepted for deposit, clearing and settlement in CCASS in more than one eligible currency (RMB or HKD) as described in Part 2 of this Prospectus.

“**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, all fees, duties and charges as set out in the Operating Guidelines 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 of the Trust for the purpose of such issue or redemption of Units and (b) (in the case of an issue of Units) the prices which would be used when acquiring the same Securities if they were acquired by the Trust with the amount of cash received by the Trust upon such issue of Units and (in the case of a redemption of Units) the prices which would be used when selling the same Securities if they were sold by the Trust in order to realize the amount of cash required to be paid out of the Trust upon such redemption of Units.

“**Extension Fee**” means any fee payable by a Participating Dealer to the Trustee for its account and benefit on each occasion the Manager grants the request of such Participating Dealer for extended settlement in respect of an Application, as set out in the Operating Guidelines and Part 2 of this Prospectus.

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

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

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

“**H-Shares**” means shares issued by companies incorporated in the PRC and listed on The Stock Exchange of Hong Kong and traded in Hong Kong dollars.

“**Income Property**” means, in respect of each Sub-Fund, (a) all interest, dividends and other sums deemed by the Manager (after consulting the Auditors either on a general or case by case basis), to be in the nature of income (including taxation repayments, if any) received or receivable by the Trustee in respect of the Deposited Property of the relevant Sub-Fund (whether in cash or, without limitation, by warrant, cheque, money, credit or otherwise or the proceeds of sale of any Income Property received in a form other than cash); (b) all Cash Component payments received or receivable by the Trustee for the account of the relevant Sub-Fund; and (c) all Cancellation Compensation received or receivable by the Trustee for the account of the relevant Sub-Fund; (d) all interest and other sums received or receivable by the Trustee in respect of (a), (b) or (c) of this definition, but excluding (i) the Deposited Property of the relevant Sub-Fund; (ii) any amount for the time being standing to the credit of the Distribution Account (as defined in the Trust Deed) for the account of the relevant Sub-Fund or previously distributed to

Unitholders; (iii) gains for the account of the relevant Sub-Fund arising from the realisation of Securities; and (iv) any sums applied towards payment of the fees, costs and expenses payable by the Trust from the Income Property of the relevant Sub-Fund.

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

“**Index Securities**” means (i) the constituent Securities of the relevant Underlying Index; (ii) such other Securities the Index Provider has publicly announced shall form part of the Underlying Index in the future but are currently not constituent Securities of the relevant Underlying Index.

“**Initial Issue Date**” means, in respect of a Sub-Fund, the date of the first issue of Units relating to the Sub-Fund as set out in Part 2 of this Prospectus.

“**Initial Offer Period**” means, in respect of a class of Units, such period as may be agreed between the Trustee and the Manager for the purpose of making an initial offer of Units of such class as set out in Part 2 of this Prospectus.

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

“**Issue Price**” means, in respect of each Sub-Fund, the issue price per Unit of a particular class during the Initial Offer Period as determined by the Manager in respect of such class of Units and thereafter the issue price per Unit calculated pursuant to the Trust Deed at which Units are from time to time issued or to be issued, each as set out in Part 2 of this Prospectus.

“**Listing Agent**” means, in respect of a Sub-Fund, such entity appointed by the Manager as the listing agent for such Sub-Fund.

“**Listing Date**” means, in respect of a Sub-Fund, the date on which Units of such Sub-Fund are listed on the SEHK.

“**Manager**” means China Universal Asset Management (Hong Kong) Company Limited or any other person (or persons) who for the time being is duly appointed as manager (or managers) of the Trust and accepted by the Commission as qualified to act as such for the purposes of the Code.

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

“**Operating Guidelines**” means, in respect of a Sub-Fund, the operating guidelines governing the Participating Dealers, including without limitation, the procedures for creation and redemption of Units of such Sub-Fund, as amended and agreed from time to time between the Manager and the Trustee in accordance with the terms of the relevant Participation Agreement.

“**Participating Dealer**” means, in respect of each Sub-Fund, a broker or dealer (licensed for Type 1 regulated activity under the Securities and Futures Ordinance) which has entered into a Participation Agreement.

“**Participation Agreement**” means an agreement entered into between the Trustee, the Manager and a Participating Dealer, setting out, amongst other things, the arrangements in respect of Applications by such Participating Dealer, as may be amended from time to time. References to the Participation Agreement shall, where appropriate, mean the Participation Agreement, read together with the Operating Guidelines.

“**PBOC**” means the People’s Bank of China.

“**Primary Market Investor**” means an investor who makes a request to a Participating Dealer or to a stockbroker who has opened an account with a Participating Dealer to effect an Application on his behalf.

“**QFII**” means a qualified foreign institutional investor approved pursuant to the relevant PRC laws and regulations, as may be promulgated and/or amended from time to time.

“**Redemption Application**” means, in respect of a Sub-Fund, an application by a Participating Dealer for the redemption of Units in Application Unit size (or whole multiples thereof) in accordance with the relevant procedures set out in the Trust Deed and the relevant Participation Agreement.

“**Redemption Price**” means, in respect of a Unit of each Sub-Fund, the redemption price per Unit of a particular class calculated in accordance with the Trust Deed at which Units are from time to time redeemed, as set out in Part 2 of this Prospectus.

“**Register**” means, in respect of each Sub-Fund, the register of Unitholders of that Sub-Fund to be kept pursuant to the Trust Deed.

“**Registrar**” means Computershare Hong Kong Investor Services Limited or such person as may from time to time be appointed by the Manager and acceptable to the Trustee, to maintain the Register.

“**Registrar Agreement**” means the agreement entered into between the Manager and the Registrar, as may be amended and supplemented from time to time.

“**RMB**” or “**Renminbi**” means renminbi, the currency of the PRC.

“**RQFII**” or “**RQFII Holder**” means a Renminbi qualified foreign institutional investor approved pursuant to the relevant PRC laws and regulations, as may be promulgated and/or amended from time to time.

“**RQFII Custodian**” in respect of a Sub-Fund (where applicable), means such person appointed as the RQFII custodian of such Sub-Fund.

“**SAFE**” means the State Administration of Foreign Exchange of the PRC.

“**Securities**” has the meaning given to such term in Section 1 of Part I of Schedule 1 of the Securities and Futures Ordinance.

“**SEHK**” means The Stock Exchange of Hong Kong Limited or its successors.

“**Secondary Market Investor**” means an investor who purchases and sells Units in the secondary market on the SEHK.

“**Securities and Futures Ordinance**” means the Securities and Futures Ordinance (Cap. 571) of Hong Kong.

“**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 Agreement**” means the service agreement entered into among the Manager, the Trustee, the Service Agent, HKSCC, the Registrar and the relevant Participating Dealer by which the Service Agent agrees with the Manager and the Trustee to provide its services.

“**Settlement Day**” in relation to any Sub-Fund, means the Business Day which is two Business Days after the relevant Dealing Day (or such other Business Day as permitted pursuant to the Operating Guidelines) or such other Business Day as the Manager, in consultation with the Trustee, may determine and notify to the relevant Participating Dealer, either generally or for a particular class or classes of Units.

“**Sub-Fund**” means a separate trust fund with a segregated pool of assets and liabilities established under the Trust, specific details of which are set out in Part 2 of this Prospectus.

“**Transaction Fee**” means the fee which may at the discretion of the Trustee be charged for the account and benefit of the Trustee to each Participating Dealer under the Trust Deed, the maximum level of which shall be determined by the Trustee with the consent of the Manager from time to time and set out in Part 2 of this Prospectus.

“**Trust**” means the unit trust constituted by the Trust Deed and to be called China Universal International ETF Series or such other name as the Trustee and the Manager may from time to time determine.

“**Trust Deed**” means the trust deed dated 31 May 2013 between the Manager and the Trustee, as amended, modified or supplemented from time to time.

“**Trustee**” means BOCI-Prudential Trustee Limited or such other person (or persons) who for the time being is duly appointed to be trustee (or trustees) of the Trust.

“**Underlying Index**” means the index against which the relevant Sub-Fund is benchmarked.

“**Unit**” means such number of undivided shares or such fraction of an undivided share of a Sub-Fund to which a Unit relates as is represented by a Unit of the relevant class and, except where used in relation to a particular class of Unit, a reference to Units means and includes Units of all classes.

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

“**US dollar**” or “**US\$**” means the lawful currency for the time being and from time to time of the United States of America.

“**Unqualified Person**” means:

- (a) a person who by virtue of any law or requirement of any country or governmental authority is not qualified to hold a Unit or who would be in breach of any such law or regulation in acquiring or holding a Unit or if, in the opinion of the Manager, the holding of a Unit by such person might result in the Trust and/or any of its Sub-Funds incurring any liability to taxation or suffering a pecuniary disadvantage which the Trust and/or any of its Sub-Funds might not otherwise have incurred or suffered, or might result in the Trust and/or any of its Sub-Funds, the Manager or the Trustee or any of their Connected Persons being exposed to any liability, penalty or regulatory action; or
- (b) any person if the holding of a Unit by such person might, due to any circumstances whether directly affecting such person and whether relating to such person alone or to any other person in conjunction therewith (whether such persons are connected or not), in the opinion of the Manager, result in the Trust and/or any of its Sub-Funds incurring any liability to taxation or suffering a pecuniary disadvantage which the Trust and/or any of its Sub-Funds might not otherwise have incurred or suffered, or in the Trust and/or any of its Sub-Funds, the Manager or the Trustee or any of their Connected Persons being exposed to any liability, penalty or regulatory action.

**“Valuation Day”** means each Business Day on which the Net Asset Value of a Sub-Fund and/or the Net Asset Value of a Unit falls to be calculated and in relation to each Dealing Day of any class or classes of Units means either such Dealing Day or such Business Day as the Manager may from time to time determine in its absolute discretion (in consultation with the Trustee). At least one calendar month’s prior notice shall be given to the Unitholders of the relevant class or classes of Units before any change in the Manager’s determination on the Valuation Day shall become effective.

**“Valuation Point”** means, in respect of a Sub-Fund, the official closing of trading on: (i) the securities market on which the Index Securities are listed; or (ii) the commodities market on which any commodities held by a Sub-Fund (if any) are traded, on each Valuation Day, and in case there are more than one such securities or commodities markets, the official close of trading on the last relevant securities or commodities market to close, or such other time or times as determined by the Manager, in consultation with the Trustee, from time to time provided that there shall always be a Valuation Point on each Valuation Day other than where there is a suspension of determination of the Net Asset Value of the relevant Sub-Fund pursuant to the provisions of the Trust Deed.

**PART 1**

**GENERAL INFORMATION RELATING TO THE TRUST**

## **PART 1 - GENERAL INFORMATION RELATING TO THE TRUST**

**Part 1 of this Prospectus contains general information about the Trust and its Sub-Funds, while Part 2 of this Prospectus sets out additional details specific to a Sub-Fund (such as additional terms, conditions and restrictions applicable to the relevant Sub-Fund). Investors should read both Parts of the Prospectus before investing in any of the Sub-Fund. In case of any inconsistency between Part 1 and Part 2, the information in Part 2 shall prevail.**

### **1. THE TRUST**

The Trust is an umbrella unit trust constituted by the Trust Deed, (as amended and supplemented from time to time). The terms of the Trust Deed are governed by the laws of Hong Kong.

Specific details of a Sub-Fund of the Trust are set out in Part 2 of this Prospectus. Each of the Sub-Funds is a fund falling within Chapter 8.6 and Appendix I of the Code.

The Manager may create further Sub-Funds in the future. Where indicated in the relevant Appendix in Part 2 of this Prospectus, Units in a Sub-Fund may be available for trading on the SEHK using a Dual Counter.

Multiple classes of Units may be issued in respect of each Sub-Fund and the Manager may create additional classes of Units for any Sub-Fund in its sole discretion in the future. All assets and liabilities attributable to each Sub-Fund shall be segregated from the assets and liabilities of any other Sub-Funds, and shall not be used for the purpose of, or borne by the assets of, any other Sub-Fund (as the case may be).

### **2. KEY OPERATORS AND SERVICE PROVIDERS**

#### **2.1 Manager**

The Manager of the Trust and its Sub-Funds is China Universal Asset Management (Hong Kong) Company Limited.

The Manager is an asset management company registered in Hong Kong on 3 November 2009. The Manager has a registered capital of HKD 268,500,000 and is licensed to carry on Types 4 (Advising on Securities) and 9 (Asset Management) Regulated Activities under Part V of the SFO.

The Manager is a wholly owned subsidiary of the Shanghai-based China Universal Asset Management Company Limited.

The Manager undertakes the management of the assets of the Trust and its Sub-Funds. The Manager may appoint sub-managers or investment advisers in relation to a specific Sub-Fund subject to prior approval of the Commission. Details of such appointment (if any) are set out in the Appendix relating to the relevant Sub-Fund in Part 2 of this Prospectus. The remuneration of such sub-managers and investment advisers will be borne by the Manager.

Any indemnity expressly given to the Manager under the Trust Deed is in addition to and without prejudice to any indemnity allowed by law, provided that nothing in any of the provisions of the Trust Deed shall in any case exempt the Manager from or indemnify the Manager against any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence for which the Manager may be liable in relation to its duties and the Manager may not be indemnified against such liability by Unitholders or at Unitholders' expense.

#### ***Directors of the Manager***

The directors of the Manager are Lin Li Jun, Li Wen and Zhang Hui and their profiles are set out below.

#### **LIN Li Jun**

Mr. Lin is the Chairman and Responsible Officer of the Manager where he has overall responsibility for its business. Mr. Lin is also the Chief Executive Officer and a Director of China Universal Asset Management Company Limited ("CUAM"). CUAM, headquartered in Shanghai and the parent company of the Manager, is a rapidly growing asset management firm in the PRC with assets under management of about US\$ 12.11 billion.

Prior to joining CUAM in 2004, Mr. Lin worked with State Street Global Advisors in Boston, United States, and was responsible for risk management. From 1997 to 2001, he was an Assistant Director at the Shanghai Stock Exchange and was responsible for regulating companies listed on the exchange. Between 2000 and 2001, he worked as a manager at the Market Supervision Department and Listing Regulation Department of the China Securities Regulatory Commission.

Mr. Lin has been a member of the standing committee of the China Securities Association since 2007. Mr. Lin is the Vice President of Asset Management Association of China. Mr. Lin graduated with a Master's Degree in Economics from Fudan University in Shanghai in 1997, and received a Masters of Business Administration from Harvard Business School in 2003.



## **LI Wen**

Mr. Li has been the Chief Compliance Officer of China Universal Asset Management Co., Ltd. (“CUAM”) since 2004.

Prior to joining CUAM in 2004, from 2001 to 2004, Mr. Li worked as the Deputy General Manager and General Manager of Capital Finance Management Department in Orient Securities Company Limited. From 1999 to 2001, he worked in the People’s Bank of China, Xiamen City Central Branch as the Director Assistant of Banking Supervisory I Division and Deputy Director of Banking Supervisory II Division.

Mr. Li received his doctoral degree in accountancy in 2001 from Xiamen University.

## **ZHANG Hui**

Mr. Zhang joined CUAM as the Deputy General Manager / Chief Investment Officer in 2005. He has been the responsible officer of China Universal Asset Management (Hong Kong) Company Limited since March 2013.

Mr. Zhang has over 16 years of experience in asset management industry. Prior to joining CUAM, from 1999 to 2005, Mr. Zhang worked in Fullgoal Fund Management Co., Ltd as a senior analyst, head of research and fund manager. From 1996 to 1999, he worked in Shenying & Wanguo Securities as a senior analyst.

Mr. Zhang received a Master of Economics degree from Shanghai University of Finance and Economics in 1997.

## **2.2 Trustee**

BOCI-Prudential Trustee Limited, which is a registered trust company in Hong Kong, acts as the Trustee of the Trust and its Sub-Funds.

The Trustee is a joint venture founded by BOC Group Trustee Company Limited and Prudential Corporation Holdings Limited. BOC Group Trustee Company Limited is owned by Bank of China (Hong Kong) Limited and BOC International Holdings Limited, which are subsidiaries of Bank of China Limited. The Trustee is a subsidiary of Bank of China Limited (being a bank licensed under s16 of the Banking Ordinance in Hong Kong).

Under the Trust Deed, the Trustee is responsible for the safe-keeping of the assets of the Trust and its Sub-Funds and monitoring the compliance by the Manager with the requirements of the Trust Deed.

The Trustee may from time to time 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 or any of its Sub-Funds. The Trustee shall remain liable for any act or omission of any agent, nominee, custodian or joint custodian (other than (a) Euroclear Clearing System Limited, Clearstream Banking S.A. or any other central depositories or clearing system; and (b) any agent, nominee, custodian or joint custodian who is not a Connected Person of the Trustee) (the “**Correspondents**”) as if the same were the act or omission of the Trustee. Subject to the Trustee (i) having exercised reasonable care and diligence in the selection, appointment and ongoing monitoring of such persons; and (ii) being satisfied that such persons remain suitably qualified and competent to provide the relevant services to the Sub-Fund, the Trustee shall not be liable for any act or omission, insolvency, liquidation or bankruptcy of such persons which is not a Connected Person of the Trustee. The Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of Euroclear Clearing System Limited or Clearstream Banking S.A. or any other central depositories or clearing system. For the purpose of the foregoing “Correspondent” shall include the Custodian and the RQFII Custodian which are Connected Persons of the Trustee and the Trustee will be responsible for their acts and omissions. The Custodian is Bank of China (Hong Kong) Limited and the RQFII Custodian is Bank of China Limited.

Subject as provided in the Trust Deed, the Trustee is entitled to be indemnified from the assets of the Trust and/or the relevant 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 breach of trust through fraud or negligence on the part of the Trustee) which may be incurred by or asserted against the Trustee in performing its obligations or duties in connection with the Trust and/or the relevant Sub-Fund. Subject to applicable law and the provisions of the Trust Deed, the Trustee shall not, in the absence of breach of trust through fraud or negligence by it, be liable for any losses, costs or damages to the Trust, the relevant Sub-Fund or any Unitholder.

Any indemnity expressly given to the Trustee under the Trust Deed is in addition to and without prejudice to any indemnity allowed by law, provided that nothing in any of the provisions of the Trust Deed shall in any case exempt the Trustee from or indemnify the Trustee against any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence for which the Trustee may be liable in relation to its duties and the Trustee may not be indemnified against such liability by Unitholders or at Unitholders’ expense. 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 Trustee will be entitled to the fees described in the section headed “*Fees and Charges*” and to be reimbursed for all costs and expenses in accordance with the provisions of the Trust Deed.

The Manager has the sole responsibility for making investment decisions in relation to the Trust and/or each Sub-Fund and the Trustee (including its delegates) is not responsible for any investment decision made by the Manager. Except as expressly stated in this Prospectus, the Trust Deed 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. Also, none of the Trustee, its employees, service providers or agents is responsible for the preparation or issue of this Prospectus, and they are no responsible for the preparation or issue of this Prospectus other than the descriptions under the section “*2.2 Trustee*”.

The Trustee has put in place proper arrangements to ensure that:

- the Trustee takes into its custody or under its control the assets of the Sub-Funds, including (where applicable) assets deposited in the securities and cash accounts with the RQFII Custodian and/or Custodian, and holds the same in trust for the holders of the relevant Sub-Fund;
- the Trustee registers the assets of the Sub-Funds, including (where applicable) assets deposited in the securities and cash accounts with the RQFII Custodian and/or Custodian, to the order of the Trustee; and
- the Custodian will look to the Trustee for instructions and solely act in accordance with the Trustee’s instructions; the RQFII Custodian will look to the Trustee for instructions (through the Custodian) and solely act in accordance with the Trustee’s instructions (through the Custodian).

### **2.3 Custodian**

The Custodian of the Trust and its Sub-Funds is Bank of China (Hong Kong) Limited (“**BOCHK**”).

The Custodian was incorporated in Hong Kong on 16 October, 1964. As a locally incorporated licensed bank, it was re-structured to the present form since 1 October 2001 by combining the businesses of ten of the twelve banks in Hong Kong originally belonging to the Bank of China Group. In addition, it holds shares in Nanyang Commercial Bank Limited and Chiyu Banking Corporation Limited, both of which are incorporated in Hong Kong, as well as BOC Credit Card (International) Limited.

BOC Hong Kong (Holdings) Limited was incorporated in Hong Kong on 12 September 2001 to hold the entire equity interest in BOCHK, its principal operating subsidiary. After a successful global IPO, BOC Hong Kong (Holdings) Limited began trading on the Main Board of the Stock Exchange of Hong Kong Limited on 25 July 2002 with stock code “2388” and became a Hang Seng Index constituent stock on 2 December 2002.

With a network of over 280 branches, servicing more than 600,000 corporates and 2 million retail customers, the Custodian is the second largest banking group in Hong Kong. It offers a full range of banking services, including global custody and also fund-related services for institutional clients.

The Custodian has been appointed by the Trustee to act as the custodian of the Trust’s assets, which will be held directly by the Custodian or through its agents, sub-custodians, or delegates pursuant to the custody agreement. The Trustee is solely responsible for the appointment of the Custodian.

### **2.4 RQFII Custodian**

Where a Sub-Fund invests directly in PRC securities using RQFII quotas granted to the Manager, the Manager as the RQFII Holder is required to appoint a custodian in the PRC for the custody of assets, pursuant to relevant laws and regulations.

Bank of China Limited (“**Bank of China**” or “**RQFII Custodian**”) has been appointed by the Manager together with the Custodian as the RQFII Custodian in respect of the investments held by the Sub-Funds pursuant to the custody agreement entered into between the Custodian, the RQFII Custodian and the Manager (“**RQFII Custody Agreement**”).

The RQFII Custodian will look to the Trustee for instructions (through the Custodian) and solely act in accordance with the Trustee’s instructions (through the Custodian).

Bank of China was founded in February 1912 following the approval of Dr. Sun Yat-sen. Until the founding of the People’s Republic of China in 1949, Bank of China served as the central bank, international exchange bank and specialized foreign trade bank of the country. In 1994, Bank of China was transformed into a state-owned commercial bank. It was then selected as a pilot bank for the joint stock reforms of state-owned commercial banks in 2003, so it was incorporated in August 2004 and got listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange in June and July 2006 respectively, becoming the first A and H dual listed Chinese commercial bank.

Bank of China engages in full-scaled commercial banking business, including a wide spectrum of corporate and retail services, treasury functions and institutional banking. The latter refers to services offered to banks, brokerage houses, fund companies, and insurance companies worldwide, ranging from clearing and inter-bank lending to agency and custody services etc. The Bank of China has been providing custody services since 1998 as one of the first qualified custodians in the China market. During the past decade, the Bank of China has been playing a leading role in the

domestic custodian industry in terms of research capabilities, service standards, internal controls and IT constructions. It also leads the market in a number of product innovations. As the Bank of China has moved into the global custody arena in recent years, it has achieved total assets under custody of nearly RMB 3 trillion within the Bank of China Group world-wide as at the end of 2011, making it the largest Chinese global custodian. Its Custody and Investor Services Department has over 130 professional staff. Fund houses, insurance companies, securities firms, trust companies, commercial banks, National Council for Social Security, pensions, private equity companies, and individual clients are all well served by the Bank of China. In addition, the Bank of China maintains close relationships with various regulatory authorities to enable effective communication and top notch services.

## **2.5 Parent Company - Adviser**

China Universal Asset Management Company Limited (“CUAM”), the PRC parent company of the Manager has sufficient experience and expertise in managing and operating physical China A-Shares exchange traded funds listed and traded in the PRC.

The Manager may substantially tap into the relevant infrastructure and expertise of CUAM to support its operation of the Sub-Funds in Hong Kong.

Accordingly, the Manager may appoint CUAM to act as adviser to the Manager and provide advice and backup operational support in relation to the operations in respect of certain Sub-Funds. Where CUAM has been appointed to act as adviser, this will be disclosed in the Appendix relating to the relevant Sub-Fund in Part 2 of this Prospectus.

Unless otherwise disclosed in the Appendix relating to the relevant Sub-Fund in Part 2 of this Prospectus, the Manager retains discretionary investment powers in the management of the Sub-Funds.

## **2.6 Registrar**

Computershare Hong Kong Investor Services Limited has been appointed as the Registrar of the Trust and its Sub-Funds. The Registrar provides services in respect of the establishment and maintenance of the Register of Unitholders.

## **2.7 Listing Agent**

The details of the Listing Agent appointed in respect of a Sub-Fund are set out in Part 2 of this Prospectus.

## **2.8 Service Agent or Conversion Agent**

HK Conversion Agency Services Limited will act as Service Agent or Conversion Agent, as appropriate in respect of a Sub-Fund, the details of which are set out in Part 2 of this Prospectus. Under the terms of the Service Agreement or Conversion Agency Agreement (as the case may be), the Service Agent or the Conversion Agent (as the case may be) performs, through HKSCC, certain of its services in connection with the creation and redemption of Units in a Sub-Fund by Participating Dealers.

## **2.9 Auditors**

The auditors of the Trust and the Sub-Funds are Ernst & Young.

## **2.10 Participating Dealers**

The role of the Participating Dealers is to apply to create and redeem Units in a Sub-Fund from time to time in accordance with the terms of the relevant Participation Agreement.

The Manager has the right to appoint the Participating Dealers for a Sub-Fund. The criteria for the eligibility and selection of Participating Dealers by the Manager is as follows: (i) the Participating Dealer must be licensed for at least Type 1 regulated activity pursuant to the Securities and Futures Ordinance with a business presence in Hong Kong; (ii) the Participating Dealer must have entered into a Participating Agreement with the Manager and the Trustee; (iii) the Participating Dealer must be acceptable to the Manager; and (iv) the Participating Dealer must be a participant in CCASS.

The list of Participating Dealers in respect of each Sub-Fund is available on [www.99fund.com.hk](http://www.99fund.com.hk). The Participating Dealers are not responsible for the preparation of this Prospectus and shall not be held liable to any person for any information disclosed in this Prospectus.

## **2.11 Market Makers**

A market maker is a broker or a dealer permitted by the SEHK to act as such by making a market for the Units in the secondary market on the SEHK. A market maker's obligations include quoting bid prices to potential sellers and offer prices to potential buyers when there is a wide spread between the prevailing bid prices and offer prices for Units on the SEHK. Market makers accordingly facilitate the efficient trading of Units by providing liquidity in the secondary market when it is required in accordance with the market making requirements of the SEHK. Subject to applicable regulatory requirements, the Manager intends to ensure that there is at least one market maker for each Sub-Fund to facilitate efficient trading. Where a Dual Counter has been adopted it is a requirement that the Manager ensures that there is at least one market maker for HKD traded Units and at least one market maker for RMB traded Units although these

market makers may be the same entity. 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 to facilitate the efficient trading of Units. The Manager will ensure that at least one Market Maker per counter is required to give not less than 90 days' prior notice to terminate market making under the relevant market making agreement. The list of market makers in respect of each Sub-Fund is available on [www.99fund.com.hk](http://www.99fund.com.hk) and from time to time will be displayed on [www.hkex.com.hk](http://www.hkex.com.hk). Further details relating to market making arrangement (including market making arrangement where Dual Counter is adopted) are described in Part 2 of this Prospectus.

### **3. INVESTMENT CONSIDERATIONS**

The investment objective of each Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Underlying Index to that Sub-Fund.

An Underlying Index comprises a group of Index Securities which an Index Provider selects as being representative of a market, market segment, specific industry sector or other appropriate benchmark. The Index Provider determines the relative weightings of the Index Securities in the relevant Underlying Index and publishes information regarding the market value of such Underlying Index.

The investment objective and strategy specific to each Sub-Fund, as well as other important details, are set out in Part 2 of this Prospectus.

### **4. INVESTMENT AND BORROWING RESTRICTIONS**

Investors should refer to Schedule 1 for a list of investment and borrowing restrictions applicable to the Sub-Funds of the Trust.

Investors should refer to Part 2 of this Prospectus for details of any additional investment restrictions specific to a Sub-Fund.

### **5. GENERAL RISK FACTORS**

Investments involve risks. Each Sub-Fund is subject to market fluctuations and to the risks inherent in all investments. The price of Units of each Sub-Fund and the income from them may go down as well as up and an investor may not get back part or all of the amount they invest.

The performance of each Sub-Fund will be subject to a number of risks, including those risk factors set out below. Some or all of the risk factors may adversely affect a Sub-Fund's Net Asset Value, yield, total return and/or its ability to achieve its investment objective. There is no assurance that a Sub-Fund will achieve its investment objective. The following general risk factors apply to each Sub-Fund unless stated otherwise.

**Before investing in any of the Sub-Funds, investors should carefully consider the general risk factors set out in this section and any specific risk factors relating to a Sub-Fund as set out in Part 2 of this Prospectus.**

#### **5.1 Risk Factors relating to China**

The following risk factors relating to China apply to the Sub-Funds which invest in China.

*China market risk.* A Sub-Fund may invest in China. Investing in the China market is subject to the risks of investing in emerging markets generally and the risks specific to the China market which involves a greater risk of loss than investment in more developed countries due to higher economic, political, social and regulatory uncertainty and risks linked to volatility and market liquidity.

Since 1978, the PRC government has implemented economic reform measures which emphasise decentralisation and the utilisation of market forces in the development of the Chinese economy, moving from the previous planned economy system. However, many of the economic measures are experimental or unprecedented and may be subject to adjustment and modification. Any significant change in PRC's political, social or economic policies may have a negative impact on investments in the China market.

Chinese accounting standards and practices may deviate significantly from international accounting standards. The settlement and clearing systems of the Chinese securities markets may not be well tested and may be subject to increased risks of error or inefficiency.

Investments in equity interests of Chinese companies may be made through China A-Shares, B-Shares and H-Shares. The PRC securities market has in the past experienced substantial price volatility, and there is no assurance that such volatility will not occur in future.

Investment in RMB denominated bonds may be made in or outside the PRC. As the number of these securities and their combined total market value are relatively small compared to more developed markets, investments in these securities may be subject to increased price volatility and lower liquidity.

Investors should also be aware that changes in the PRC taxation legislation could affect the amount of income which may be derived, and the amount of capital returned, from the investments of the relevant Sub-Fund. Laws governing taxation will continue to change and may contain conflicts and ambiguities.

Foreign exchange control risk. The Renminbi is not currently a freely convertible currency and is subject to exchange control imposed by the Chinese government. Such control of currency conversion and movements in the Renminbi exchange rates may adversely affect the operations and financial results of companies in the PRC. Insofar as a Sub-Fund's assets are invested in the PRC, it will be subject to the risk of the PRC government's imposition of restrictions on the repatriation of funds or other assets out of the country, limiting the ability of the relevant Sub-Fund to satisfy payments to investors.

Renminbi exchange risk. Starting from 2005, the exchange rate of the Renminbi is no longer pegged to the US dollar. The Renminbi has now moved to a managed floating exchange rate based on market supply and demand with reference to a basket of foreign currencies. The daily trading price of the Renminbi against other major currencies in the inter-bank foreign exchange market would be allowed to float within a narrow band around the central parity published by the PBOC. As the exchange rates are based primarily on market forces, the exchange rates for Renminbi against other currencies, including US dollars and Hong Kong dollars, are susceptible to movements based on external factors. It should be noted that the Renminbi is currently not a freely convertible currency as it is subject to foreign exchange control policies of the Chinese government. The possibility that the appreciation of Renminbi will be accelerated cannot be excluded. On the other hand, there can be no assurance that the Renminbi will not be subject to devaluation. In particular, there is no guarantee that the value of Renminbi against the investors' base currencies (for example HKD) will not depreciate. Any devaluation of the Renminbi could adversely affect the value of investors' investments in the relevant Sub-Fund. Investors whose base currency is not the Renminbi may be adversely affected if the Renminbi depreciates against the base currency of holding of the investors in that such investors' investments may be worth less when they exchange Renminbi back to their base currency.

Further, the PRC government's imposition of restrictions on the repatriation of Renminbi out of China may limit the depth of the Renminbi market in Hong Kong and reduce the liquidity of the relevant Sub-Fund. Any delay in repatriation of Renminbi may result in delay in payment of redemption proceeds to the redeeming Unitholders. The Chinese government's policies on exchange control and repatriation restrictions are subject to change, and the relevant Sub-Fund's or the investors' position may be adversely affected.

PRC tax considerations. By investing in securities issued by tax residents in the PRC (including without limitation China A-Shares and bonds) ("**PRC Securities**"), a Sub-Fund may be subject to withholding and other taxes imposed in the PRC.

(a) Corporate Income Tax ("CIT"):

If the Trust or the relevant Sub-Fund is considered as a tax resident enterprise of the PRC, it will be subject to PRC CIT at 25% on its worldwide taxable income. If the Trust or the relevant Sub-Fund is considered as a non-tax resident enterprise with an establishment or place of business ("**PE**") in the PRC, the profits attributable to that PE would be subject to CIT at 25%.

The Manager intends to manage and operate the Trust and the relevant Sub-Fund in such a manner that the Trust and the relevant Sub-Fund should not be treated as tax resident enterprises of the PRC or non-tax resident enterprises with a PE in the PRC for CIT purposes, although this cannot be guaranteed.

(i) Interests

Interests derived from government bonds issued by the in-charge Finance Bureau of the State Council shall be exempt from PRC income tax under the CIT law.

Unless a specific exemption / reduction is applicable, for recipients that are non-tax residents without a PE in the PRC under the CIT law, a withholding income tax ("**WIT**") is levied on the payment of interests on debt instruments issued by PRC tax residents, including bonds issued by enterprises established within mainland China. The general WIT rate applicable is 10%.

Under the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the "**Arrangement**"), if a Hong Kong tax resident derives interest income from the PRC, the WIT rate can be reduced to 7% provided that the Hong Kong tax resident is the beneficial owner of the interest income under the Arrangement, subject to the approval of the PRC tax authorities. However, there are still uncertainties as to how the PRC tax authorities will assess the beneficial ownership issue for investment fund cases, it is uncertain whether the relevant Sub-Fund can obtain approval from the tax authorities for this preferential rate. If the relevant approval is not obtained, the general rate of 10% will be applicable to the relevant Sub-Fund.

(ii) *Dividends*

Dividends derived from holding PRC Securities by a non-tax resident recipient from PRC tax residents are subject to the PRC WIT and the general WIT rate applicable is 10%.

(iii) *Capital gains*

Specific rules governing taxes on capital gains derived by QFIIs or RQFIIs from the trading of PRC Securities (including China A-Shares) have yet to be announced. It is possible that the relevant tax authorities may in the future clarify the tax position on capital gains realized by the relevant Sub-Fund dealing in PRC Securities or by a relevant QFII or RQFII from dealing in PRC Securities. In the absence of such specific rules, the income tax treatment should be governed by the general tax provisions of the PRC CIT law. If the foreign investor is a non-tax resident enterprise without PE in the PRC, a 10% WIT would be imposed on the PRC-sourced capital gains from the disposals of PRC Securities, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

For tax residents in Hong Kong that have no PE in the PRC, capital gains arising from the disposal of Renminbi denominated corporate, government and non-government bonds, pursuant to the Arrangement may be exempted from the PRC WIT, subject to the approval of the PRC tax authorities.

A Sub-Fund that invests in China A-Shares will do so through the Manager's (which is a Hong Kong tax resident) RQFII quota. Pursuant to the Arrangements, capital gains derived by Hong Kong tax residents from the alienation of shares issued by Chinese companies may be taxed in China if that Chinese company is a "property rich" company or if the recipient, at any time preceding, such alienation, had a participation of at least 25% in that Chinese company. Due to the regulatory restriction, the Sub-Fund cannot hold more than 10% of any ordinary shares issued by any single issuer. In that case, the capital gains derived from the alienation of the shares of non-property rich China A-Shares companies may be exempted from the PRC WIT, subject to the approval of the PRC tax authorities.

The above capital gain tax exemption will only apply if approval is obtained from the PRC tax authorities. In this connection, the Manager will further assess and seek to apply with PRC tax authorities to treat the relevant Sub-Fund and/or the Manager as Hong Kong tax resident and be able to enjoy the above capital gain tax exemption under the Arrangement, although this cannot be guaranteed. If the relevant approval is not obtained, the general rate of 10% will be applicable to the capital gains derived by the relevant Sub-Fund on dealing of the PRC Securities issued by PRC resident issuers.

(b) *Business Tax ("BT") and other surtaxes:*

The revised PRC Provisional Regulations of BT ("**BT Law**") which came into effect on 1 January 2009, stipulates that gains derived by taxpayers from the trading of marketable securities would be subject to BT at 5%.

Caishui [2005] 155 states that gains derived by QFIIs from the trading of marketable securities (including China A-Shares and other PRC listed securities) are exempt from BT. The BT Law which came into effect on 1 January 2009, has not changed this exemption treatment at the time of this Prospectus. However, it is not clear whether a similar exemption would be extended to RQFIIs.

For marketable securities other than those trading under QFIIs, the BT Law shall apply to levy BT at 5% on the difference between the selling and buying prices of those marketable securities. However, capital gains derived from trading of offshore PRC marketable securities (e.g. H-Shares) are not subject to BT.

The BT Law does not specifically exempt BT on interest earned by non-financial institution. Hence, interest on both government and corporate bonds in theory should be subject to 5% BT.

Dividend income or profit distributions on equity investment derived from China are not included in the taxable scope of BT.

In addition, urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), educational surcharge (currently at the rate of 3%) and local educational surcharge (currently at the rate of 2%) are imposed based on the BT liabilities.

(c) *Stamp duty:*

Stamp duty under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC's Provisional Rules on Stamp Duty. Stamp duty is levied on the execution or receipt in China of certain documents, including contracts for the sale of China A-Shares and B-Shares traded on the PRC stock exchanges. In the case of contracts for sale of China A-Shares and B-Shares, such stamp duty is currently imposed on the seller but not on the purchaser, at the rate of 0.1%.

Various tax reform policies have been implemented by the PRC government in recent years, and existing tax laws and regulations may be revised or amended in the future. There is a possibility that the current tax laws, regulations and practice in the PRC will be changed with retrospective effect in the future and any such change may have an adverse effect on the asset value of the relevant Sub-Fund. Moreover, there is no assurance that

tax incentives currently offered to foreign companies, if any, will not be abolished and the existing tax laws and regulations will not be revised or amended in the future. Any changes in tax policies may reduce the after-tax profits of the companies in the PRC which the relevant Sub-Fund invests in, thereby reducing the income from, and/or value of the Units.

(d) Tax Provision:

The Manager will at the inception of the relevant Sub-Fund decide whether the investment objectives and policies of the relevant Sub-Fund would necessitate the making of tax provisions in respect of the relevant Sub-Fund for the above tax obligations based on independent tax advice obtained. Even if provisions are made, the amount of such provisions may not be sufficient to meet the actual tax liabilities. Where any provision is made, the level of the provisioning will be set out in Part 2 of this Prospectus and amount of actual provision will be disclosed in the accounts of the relevant Sub-Fund. With the uncertainties under the applicable PRC tax laws and the possibility of such laws being changed and taxes being applied retrospectively, any provision for taxation made by the Manager may be excessive or inadequate to meet actual PRC tax liabilities on gains derived from investments held by the relevant Sub-Fund. Upon any future resolution of the abovementioned uncertainty or further changes to tax law or policies, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary. Investors should note that if provision for taxation is made, such provision may be excessive or inadequate to meet actual PRC tax liabilities on investments made by the relevant Sub-Fund. As a result, investors may be advantaged or disadvantaged depending on the final rules of the relevant PRC tax authorities. If no provision for potential withholding tax is made and in the event that the PRC tax authorities enforce the imposition of such withholding tax in respect of the relevant Sub-Fund's investment, the Net Asset Value of the relevant Sub-Fund may be affected. As a result, redemption proceeds or distributions may be paid to the relevant Unitholders without taking full account of tax that may be suffered by the relevant Sub-Fund, which tax will subsequently be borne by the relevant Sub-Fund and affect the Net Asset Value of the relevant Sub-Fund and the remaining Units in the relevant Sub-Fund. In this case, the then existing and new Unitholders will be disadvantaged from the shortfall.

On the other hand, if the provision is in excess of the final PRC tax liabilities attributable to the relevant Sub-Fund, the excess will be distributed to the Sub-Fund and reflected in the value of Units in the Sub-Fund. Notwithstanding the foregoing, please note that no Unitholders who have realized their Units in the Sub-Fund before the distribution of any excess provision to the relevant Sub-Fund shall be entitled to claim in whatsoever form any part of the withholding amounts distributed to that Sub-Fund, which amount would be reflected in the value of Units in the Sub-Fund. Therefore, Unitholders who have redeemed their Units will be disadvantaged as they would have borne the loss from the overprovision for PRC tax.

Unitholders should seek their own tax advice on their tax position with regard to their investment in a Sub-Fund.

It is possible that the current tax laws, regulations and practice in the PRC will change, including the possibility of taxes being applied retrospectively, and that such changes may result in higher taxation on PRC investments than currently contemplated.

Economic, political and social risks The economy of China has been in a state of transition from a planned economy to a more market oriented economy. In many respects it differs from the economies of developed countries, including the level of government intervention, its state of development, its growth rate, control of foreign exchange, and allocation of resources.

Political changes, social instability and adverse diplomatic developments in the PRC could result in the imposition of additional government restrictions, including expropriation or confiscatory taxation, foreign exchange control or nationalisation of property held by issuers of the underlying securities in which the relevant Sub-Fund invests. These factors could adversely affect the performance of the relevant Sub-Fund.

PRC law and regulations risk The PRC's legal system is based on written statutes and, therefore, prior court decisions do not have binding legal effect, although they are often followed by judges as guidance. The PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in promulgating laws and regulations dealing with economic matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, enforcement of such laws and regulations may be uncertain and sporadic, and implementation and interpretation of such laws and regulations may be inconsistent. The PRC's judiciary is relatively inexperienced in enforcing the existing laws and regulations, leading to a higher than usual degree of uncertainty as to the outcome of any litigation. Even where adequate laws exist in the PRC, it may be difficult to obtain swift and equitable enforcement of such laws, or to obtain enforcement of a judgment by a court of another jurisdiction. The introduction of new Chinese laws and regulations and the interpretation of existing ones may be subject to policy changes reflecting domestic political or social changes. The regulatory and legal framework for capital markets and joint stock companies in the PRC may not be as well developed as those of developed countries. PRC laws and regulations affecting securities markets are relatively new and evolving. As the PRC's legal system develops, there can be no assurance that changes in such legislation or interpretation thereof will not have an adverse effect upon the business and prospects of the relevant Sub-Fund's portfolio investments in China.

## 5.2 Investment risks

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

- Less liquid and less efficient securities markets;
- Greater price volatility especially for Sub-Funds investing in equity securities;
- Exchange rate fluctuations and exchange controls;
- Less publicly available information about issuers;
- The imposition of restrictions on the expatriation of funds or other assets of a Sub-Fund;
- Higher transaction and custody costs and delays and risks of loss attendant in settlement procedures;
- Difficulties in enforcing contractual obligations;
- Lesser levels of regulation of the securities markets;
- Different accounting, disclosure and reporting requirements;
- More substantial government involvement in the economy;
- Higher rates of inflation; and
- Disruption of normal market trading and valuation of securities due to extreme market conditions, natural catastrophes, greater social, economic, and political uncertainty and the risk of nationalization or expropriation of assets and war or terrorism.

Investment risk. The Sub-Funds are not principal guaranteed and the purchase of its Units is not the same as investing directly in the Index Securities comprised in the Underlying Index.

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

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

Risk of Indemnity. Under the Trust Deed, the Trustee and the Manager (and their respective directors, officers and employees) shall be entitled, to be indemnified and held harmless out of the assets of the relevant Sub-Fund in respect of any (in addition to any right of indemnity given by law) action, costs, claims, damages, expenses or liabilities to which it (or they) may be put or which it (or they) may incur by virtue of the proper performance of their respective duties. Any reliance by the Trustee or the Manager on the right of indemnity would reduce the assets of the relevant Sub-Fund and the value of the Units of such Sub-Fund. Notwithstanding the aforesaid, the Trustee and the Manager (and their respective directors, officers and employees) shall neither be exempted from any liability to Unitholders imposed under Hong Kong law or breaches of trust through fraud or negligence nor may they be indemnified against such liability by the Unitholders or at the Unitholders' expense.

Market Risk. Market risk includes such factors as changes in economic environment, consumption pattern, lack of publicly available information of investments and their issuers and investors' expectations, etc. which may have significant impact on the value of the investments. Usually, emerging markets tend to be more volatile than developed markets and may experience substantial price volatility. Market movements may therefore result in substantial fluctuations in the Net Asset Value per Unit of the relevant Sub-Fund. 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 a Sub-Fund is 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.

Risk relating to small- and mid-capped companies. A Sub-Fund may invest in the securities of small and/or mid-capped companies. Investing in these securities may expose a Sub-Fund to risks such as greater market price volatility, less publicly available information, and greater vulnerability to fluctuations in the economic cycle. Consequently, investment in securities of small and/or mid-capped companies may involve greater risks and thus may be considered speculative. As a result, the Net Asset Value of a Sub-Fund may be adversely affected.

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 a Sub-Fund invests may underperform returns from other securities markets or from investment in other assets. Different types of Securities tend to go through cycles of out-performance and underperformance when compared with other general securities markets.



*Tracking Error Risk.* A Sub-Fund's returns may deviate from the Underlying Index due to a number of factors. For example, the fees and expenses of a Sub-Fund, liquidity of the market, imperfect correlation of returns between a Sub-Fund's assets and the Securities constituting its Underlying Index, the rounding of share prices, foreign exchange costs, changes to the Underlying Indices and regulatory policies may affect the Manager's ability to achieve close correlation with the Underlying Index of each Sub-Fund and to rebalance the Sub-Fund's holdings of Index Securities in response to changes in the constituents of the Underlying Index. Further, a Sub-Fund may receive income (such as interests and dividends) from its assets while the Underlying Index does not have such sources of income. There is no guarantee or assurance of exact or identical replication at any time of the performance of the relevant Underlying Index.

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

*Concentration Risk.* If the Underlying Index of a Sub-Fund is concentrated in a particular security or group of securities of a particular industry or group of industries, that Sub-Fund may be adversely affected by or depend heavily on the performance of those securities and be subject to price volatility. In addition, the Manager may invest a significant percentage or all of the assets of a Sub-Fund in a single security, group of securities, industry or group of industries, and the performance of the Sub-Fund could be closely tied to that security, group of securities, industry or group of industries and could be more volatile than the performance of other more diversified funds, and be more susceptible to any single economic, market, political or regulatory occurrence.

*Single country risk.* The investments of a Sub-Fund which invest in a single country, are not as diversified as regional funds or global funds. This means that such Sub-Funds tend to be more volatile than other mutual funds and its portfolio value can be exposed to country specific risks.

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

*Management Risk.* A Sub-Fund may be 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. Although it is the Manager's intention to use full replication strategy to track the relevant Underlying Index for some of the Sub-Funds, there is no guarantee that this can be achieved, as the implementation of a full replication strategy may be subject to constraints which are beyond the control of the Manager. In addition, in the interest of a Sub-Fund, the Manager has absolute discretion to exercise shareholders' rights with respect to Index Securities comprising the relevant Sub-Fund. There can be no guarantee that the exercise of such discretion will result in the investment objective of the relevant Sub-Fund being achieved. Investors should also note that in certain cases, none of the Manager, the relevant Sub-Fund or the Unitholders has any voting rights with respect to Index Securities comprising the relevant Sub-Fund.

*Passive Investments.* The Sub-Funds are not actively managed. Each Sub-Fund invests in the Index Securities included in or reflecting its Underlying Index regardless of their investment merit. The Manager does not attempt to select securities individually or to take defensive positions in declining markets. Accordingly, the lack of discretion to adapt to market changes due to the inherent investment nature of each Sub-Fund means that falls in the related Underlying Index are expected to result in a corresponding fall in the value of the relevant Sub-Fund.

*Restricted markets risk.* A Sub-Fund may invest in securities in jurisdictions (including China) which impose limitations or restrictions on foreign ownership or holdings. In such circumstances, the relevant Sub-Fund may be required to make investments in the relevant markets directly or indirectly. In either case, legal and regulatory restrictions or limitations may have adverse effect on the liquidity and performance of such investments due to factors such as limitations on fund repatriation, dealing restrictions, adverse tax treatments, higher commission costs, regulatory reporting requirements and reliance on services of local custodians and service providers. This may lead to an increased tracking error, and at the worst, the relevant Sub-Fund may not be able to achieve its investment objective.

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

*Counterparty Risk.* The Manager for the account of a Sub-Fund, may enter into transactions in relation to such Sub-Fund's investments with financial institutions, such as brokerage firms, broker-dealers and banks. The Sub-Fund may be exposed to the risk that such financial institutions, being a counterparty may not settle a transaction in accordance with

market practice due to a credit or liquidity problem of the counterparty, or due to the insolvency, fraud or regulatory sanction of the counterparty, thus causing the Sub-Fund to suffer a loss.

In addition, a Sub-Fund may be exposed to the counterparty risk of a custodian, bank or financial institution (“custodian or depository”) with which it deposits its securities or cash. These custodian or depository may be unable to perform their obligations due to credit-related and other events like insolvency of or default of them. In these circumstances the relevant Sub-Fund may be required to unwind certain transactions and may encounter delays of some years and difficulties with respect to court procedures in seeking recovery of the relevant Sub-Fund’s assets.

***Borrowing Risks.*** The Trustee may borrow for the account of a Sub-Fund (up to 25% (or such lower percentage as set out in Part 2 of this Prospectus) of the Net Asset Value of the relevant Sub-Fund) for various reasons, such as facilitating redemptions or to acquire investments for the account of the relevant Sub-Fund. Borrowing involves an increased degree of financial risk and may increase the exposure of the relevant Sub-Fund to factors such as rising interest rates, downturns in the economy or deterioration in the conditions of the assets underlying its investments. There can be no assurance that the relevant 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.

***Accounting standards and disclosure.*** The Manager intends to adopt Hong Kong Financial Reporting Standards (“HKFRS”) in drawing up the annual accounts of the Trust and the Sub-Funds. However, investors should note that the calculation of the Net Asset Value for determining fees and for subscription and redemption purposes will not necessarily be in compliance with generally accepted accounting principles, that is, HKFRS. Under HKFRS, investments should be valued at fair value, and bid and ask pricing is considered to be representative of fair value for long and short listed investments respectively. However, under the valuation basis described in the section “**10.1 Determination of the Net Asset Value**” below, listed investments may be valued by reference to the last traded price instead of bid and ask pricing as required under HKFRS. Accordingly, investors should note that the Net Asset Value as described in this Prospectus may not necessarily be the same as the Net Asset Value to be reported in the annual financial reports as the Manager may make necessary adjustments in the annual financial reports to comply with HKFRS. Any such adjustments will be disclosed in the annual financial reports, including a reconciliation note to reconcile values as shown in the annual accounts prepared in accordance with HKFRS to those derived by applying the relevant Trust’s valuation rules.

***Risk of early termination.*** Under the terms of the Trust Deed and as summarised under the section headed “**14.5 Termination of the Trust or a Sub-Fund**” of this Prospectus, the Manager or the Trustee may terminate the Trust or a Sub-Fund under certain circumstances.

In the event of the early termination of a Sub-Fund, the relevant Sub-Fund would have to distribute to the Unitholders their pro rata interest in the assets of the relevant Sub-Fund in accordance with the Trust Deed. It is possible that at the time of such sale or distribution, certain investments held by that Sub-Fund may be worth less than the initial cost of such investments, resulting in a substantial loss to the Unitholders. Moreover, any organisational expenses with regard to the relevant Sub-Fund that had not yet become fully amortised would be debited against the relevant Sub-Fund’s net assets at that time. Any amount distributed to the Unitholders of the relevant Sub-Fund may be more or less than the capital invested by such Unitholders.

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

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

***Government Intervention and Restriction.*** There may be substantial government intervention in the economy or market in which a Sub-Fund invests, including restrictions on investment in companies or industries deemed sensitive to relevant national interests.

Governments and regulators may also intervene in the financial markets, such as by the imposition of trading restrictions, a ban on “naked” short selling or the suspension of short selling for certain stocks. Further, intervention or restrictions by governments and regulators may affect the trading of the Index Securities or Units of the relevant Sub-Fund. This may

affect the operation and market making activities of a Sub-Fund, and may have an unpredictable impact on a Sub-Fund. This may also lead to an increased tracking error for the relevant Sub-Fund. Furthermore, such market interventions may have a negative impact on the market sentiment which may in turn affect the performance of the Underlying Index and as a result the performance of a Sub-Fund. In worst case scenario, the investment objective of the relevant Sub-Fund cannot be achieved.

*Risk of 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 a 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 relevant Sub-Fund.

*Cross class liability risk.* The Trust Deed allows the Trustee and the Manager to issue Units in separate classes. The Trust Deed provides for the manner in which liabilities are to be attributed across the various classes within a Sub-Fund under the Trust (liabilities are to be attributed to the specific class of a 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 class (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 which may result in Unitholders of one class of Units of a Sub-Fund being compelled to bear the liabilities incurred in respect of another class of the Sub-Fund which Units such Unitholders do not themselves own if there are insufficient assets attributable to that other class to satisfy the amount due to the Trustee. Accordingly, there is a risk that liabilities of one class of a Sub-Fund may not be limited to that particular class and may be required to be paid out of one or more other classes of that Sub-Fund.

*Cross Sub-Fund liability risk.* The assets and liabilities of each Sub-Fund under the Trust will be tracked, for bookkeeping 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.

*Dividends may not be paid.* Whether a Sub-Fund will pay distributions on Units is subject to the Manager's distribution policy and also depends on dividends declared and paid in respect of the Index Securities of the Underlying Index held by the relevant Sub-Fund. Instead of distributing dividends to Unitholders, the Manager may in its discretion use dividends received from the Index Securities held by a Sub-Fund to pay such Sub-Fund's expenses. Dividend payment rates in respect of such Index 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.

*Reliance on the Manager.* Unitholders must rely upon the Manager in formulating the investment strategies and the performance of a 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 quickly and the new appointment may not be on equivalent terms or of similar quality. Therefore, the occurrence of those events could cause a deterioration in the Sub-Fund's performance and investors may lose money in those circumstances.

*No Right to Control a Sub-Fund's Operation.* Investors of a Sub-Fund will have no right to control the daily operations, including investment and redemption decisions, of such Sub-Fund.

### 5.3 ***Market Trading Risks***

*Trading Risk.* While the creation/redemption feature of the Trust is designed to make it more 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 a Sub-Fund trading at a significant premium / discount to its Net Asset Value. Also, there can be no assurance that an active trading market will exist or maintain for Units of a Sub-Fund on any securities exchange on which Units may trade.

The Net Asset Value of Units of a Sub-Fund will also fluctuate with changes in the market value of a Sub-Fund's holdings of Index Securities and changes in the exchange rate between the Base Currency and the subject foreign currency. The market prices of Units will fluctuate in accordance with changes in Net Asset Value and supply and demand on any exchange on which Units are listed. The Manager cannot predict whether Units will trade below, at or above their Net Asset Value. Price differences may be due, in large part, to the fact that supply and demand forces in the secondary trading market for Units will be closely related, but not identical, to the same forces influencing the prices of the Index Securities trading individually or in the aggregate at any point in time. Given, however, that Units must be created and redeemed in Application Unit aggregations (unlike shares of many closed-end funds, which frequently trade at appreciable discounts from, and sometimes at premiums to, their Net Asset Value), the Manager believes that ordinarily large discounts or premiums to the Net Asset Value of Units should not be sustained. In the event that the Manager suspends creations and/or redemptions of Units of a Sub-Fund, the Manager expects larger discounts or premiums between the secondary market price of Units and the Net Asset Value.

There is no certain basis for predicting the sizes in which the Units in the Sub-Fund may trade. There can be no assurance that the Units in the Sub-Fund will experience trading or pricing patterns similar to those of other exchange traded funds which are issued by investment companies in other jurisdictions or are traded on the SEHK.

No Trading Market in the Units. There may be no liquid trading market for the Units of a Sub-Fund notwithstanding the listing of such Units on the SEHK and the appointment of one or more market makers. Further, there can be no assurance that Units will experience trading or pricing patterns similar to those of exchange traded funds which are issued by investment companies in other jurisdictions or those traded on the SEHK which are based upon indices other than the Underlying Index.

Reliance on Market Maker(s). Although it is the Manager's intention that there will always be at least one market maker in respect of the Units, Investors should note that liquidity in the market for the Units may be adversely affected if there is no market maker for a Sub-Fund. It is possible that where there is only one SEHK market maker to each Sub-Fund and therefore it may not be practical for a Sub-Fund to remove the only market maker to the Sub-Fund even if the market maker fails to discharge its duties as the sole market maker.

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

Absence of active market / liquidity risk. The Units of a Sub-Fund may not initially be widely held upon their listing on the SEHK. Accordingly, any investor buying Units in small numbers may not necessarily be able to find other buyers should that investor wish to sell. To address this risk, one or more market makers have been appointed.

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

In addition, the price at which Index Securities may be purchased or sold by a Sub-Fund upon any rebalancing activities or otherwise and the value of the Units may be adversely affected if trading markets for the Sub-Fund's portfolio securities are limited, inefficient or absent or if bid-offer spreads are wide.

Restrictions on creation and redemption of Units. 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 realize 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 the sections “**7.3.5 Rejection of Creation Applications**” and “**7.4.5 Rejection of Redemption Applications**” for details in relation to the circumstances under which creation and redemption applications can be rejected.

Units may trade at prices other than Net Asset Value. The Net Asset Value of a Sub-Fund represents the fair price for buying or selling Units. As with any listed fund, the market price of Units may sometimes trade above or below this Net Asset Value. There is a risk, therefore, that Unitholders may not be able to buy or sell at a price close to this Net Asset Value. The deviation from Net Asset Value is dependent on a number of factors, but will be accentuated when there is a large imbalance between market supply and demand for Index Securities. The “bid/ask” spread (being the difference between the prices being bid by potential purchasers and the prices being asked by potential sellers) is another source of deviation from Net Asset Value. The bid/ask spread can widen during periods of market volatility or market uncertainty, thereby increasing the deviation from Net Asset Value. Please also note that the fact that an investor purchases the Units from the secondary market with premium does not mean that such investor is guaranteed of the return of the premium an investor pays. In the event that an investor is unable to get back the premium he pays, he will suffer loss when selling the Units.

Costs of trading Units risk. Trading of Units on the SEHK may involve various types of costs that apply to all securities transactions. When trading Units through a broker investors will incur a brokerage commission or other charges imposed by the broker. In addition, investors on the secondary market will also incur the cost of the trading spread, being the difference between what investors are willing to pay for the Units (bid price) and the price 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 regularly making small investments.

Difficulties in valuation of investments. 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.

Securities volatility risk. Prices of securities may be volatile. Price movements of securities are difficult to predict and are influenced by, among other things, changing supply and demand relationships, governmental trade, fiscal, monetary and exchange control policies, national and international political and economic events, and the inherent volatility of the market place. A Sub-Fund's value will be affected by such price movements and could be volatile, especially in the short-term.

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

In addition, the Manager may also in certain circumstances suspend the determination of the Net Asset Value of the Sub-Fund for the whole or any part of any period. Please see section "**10.2 Suspension Of Determination Of Net Asset Value**" for further details.

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

#### **5.4 Regulatory risks**

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

Risk of withdrawal of authorization by the Commission. Each Sub-Fund seeks to provide investment results that closely correspond with the performance of the relevant Underlying Index. One or more Sub-Funds have been authorized as a collective investment scheme under the Code by the Commission pursuant to section 104 of the Securities and Futures Ordinance. However, the Commission reserves the right to withdraw the authorization of a Sub-Fund, for example, if the Commission considers the relevant Underlying Index is no longer acceptable to the Commission. The Commission's 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. This does not mean the Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

Risk relating to de-listing. The SEHK imposes certain requirements for the continued listing of Securities, including the Units, on the SEHK. Investors cannot be assured that 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 are delisted from the SEHK, the Manager may, in consultation with the Trustee, seek the Commission's prior approval to operate the Sub-Fund as an unlisted Sub-Fund (subject to any necessary amendments to the rules of the Sub-Fund) or terminate the Sub-Fund and will notify investors accordingly.

Risk of suspension of trading on the SEHK. If trading of the Units of a Sub-Fund on the SEHK is suspended or trading generally on the SEHK is suspended, then there will be no secondary market dealing for those Units. The SEHK may suspend the trading of Units whenever the SEHK determines that it is appropriate in the interests of a fair and orderly market to protect investors. The subscription and redemption of Units may also be suspended if the trading of Units is suspended.

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

## 5.5 ***Risks associated with the Underlying Index***

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

***Licence to use the Underlying Index may be terminated.*** The Manager has been granted a licence by each of the Index Providers to use the relevant Underlying Index in order to create a Sub-Fund based on the relevant Underlying Index and to use certain trade marks and any copyright in the relevant Underlying Index. A Sub-Fund may not be able to fulfil its objective and may be terminated if the licence agreement between the Manager and the relevant Index Provider is terminated. The initial term of the licence agreement of a Sub-Fund and the manner in which such licence agreement may be renewed are set out in Part 2 of this Prospectus. Generally, a licence agreement may be terminated by the Manager and the relevant Index Provider by mutual agreement, and there is no guarantee that the licence agreement will be perpetually renewed. Further details on the grounds on which the licence agreement of a Sub-Fund may be terminated are set out in Part 2 of this Prospectus. A Sub-Fund may also be terminated if the relevant Underlying Index ceases to be compiled or published and there is no replacement Underlying Index using the same or substantially similar formula for the method of calculation as used in calculating the relevant Underlying Index.

***Compilation of Underlying Index.*** 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 relevant Sub-Fund or other persons regarding the advisability of investing in Index Securities or futures generally or in the relevant Sub-Fund 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 Underlying Index. There is no assurance that the Index Provider will compile the relevant Underlying Index accurately, or that the relevant Underlying Index will be determined, composed or calculated accurately, and consequently there can be no guarantees that its actions will not prejudice the interests of the relevant Sub-Fund, the Manager or investors.

***Composition of the Underlying Index may change.*** The composition of the Index Securities constituting the relevant Underlying Index will change as the Index Securities may be delisted, or as new Securities are included in the relevant Underlying Index. When this happens, the weightings or composition of the Index Securities owned by a Sub-Fund would be changed as considered appropriate by the Manager in order to achieve the investment objective. Thus, an investment in Units will generally reflect the relevant Underlying 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 a particular Sub-Fund will, at any given time accurately reflect the composition of the relevant Underlying Index. Please refer to “***Tracking Error Risk***” under section “***5.2 Investment Risks***” above.

***Risk of change in methodology of the Underlying Index.*** The construction methodology of the relevant Underlying Index may change when the Index Provider deems it necessary to adapt to significant changes in the market condition. When this happens, the weightings or composition of the Index Securities owned by a Sub-Fund would be changed as considered appropriate by the Manager in order to continue to achieve the investment objective under the revised Underlying Index. Thus, an investment in Units will generally reflect the relevant Underlying Index as its constituents change and not necessarily the way it is comprised at the time of an investment in Units.

**Investors should refer to Part 2 of this Prospectus for details of any additional risks specific to a Sub-Fund.**

## 6. **INVESTING IN A SUB-FUND**

There are currently two methods to invest in the Sub-Funds:

### 6.1 ***In the Primary Market***

- Primary Market Investors may make a request to a Participating Dealer or a stockbroker (who has opened an account with a Participating Dealer) to effect a Creation Application or a Redemption Application on their behalf.
- 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 may submit a Creation Application or a Redemption Application to create or redeem Units directly in the relevant Sub-Fund.

Please refer to section “***7. Creation and Redemption of Application Units (Primary Market)***” below for the operational procedures in respect of Creation Applications. Creation and redemption of Units by Participating Dealers will be conducted in accordance with the Trust Deed, the Operating Guidelines and the relevant Participation Agreement.

### 6.2 ***In the Secondary Market (SEHK)***

- Secondary Market Investors may purchase and sell Units in the secondary market on the SEHK. This method of investment is more suitable for retail investors due to the smaller size of capital investment.

- The Units of a Sub-Fund may trade on the SEHK at a premium or discount to the Net Asset Value of the Units of such Sub-Fund.

Please refer to section “**8. Trading of Units on the SEHK (Secondary Market)**” below for further information in respect of buying and selling Units on the SEHK.

## **7. CREATION AND REDEMPTION OF APPLICATION UNITS (PRIMARY MARKET)**

### **7.1 General**

This section provides general information regarding the creation and redemption of Units of the Sub-Funds of the Trust. Specific details relating to a Sub-Fund are set out in Part 2 of this Prospectus.

Where a Sub-Fund has a Dual Counter, a Participating Dealer may, subject to arrangement with the Manager, elect to CCASS to have Units which it creates deposited in either RMB counter Units or HKD counter Units. Unless specified to the contrary in part 2 of this Prospectus, all creation and redemption for all Units must be in RMB only.

### **7.2 Applications by Primary Market Investors**

Primary Market Investors are investors who make a request to a Participating Dealer or a stockbroker (who has opened an account with a Participating Dealer) to effect an Application on their behalf.

Each initial Participating Dealer has indicated to the Manager that it will, subject to (i) normal market conditions, (ii) mutual agreement between the relevant Participating Dealer and the Primary Market Investor as to its fees for handling such request(s), and (iii) completion of anti-money laundering and/or client acceptance procedures and requirements, generally accept and submit creation requests or redemption requests received from a Primary Market Investor who is its client, subject to exceptional circumstances set out below. Investors should note that, although the Manager has a duty to monitor the operations of the Trust closely, neither the Trustee nor the Manager is empowered to compel any Participating Dealer to accept a creation request or redemption request from a Primary Market Investor. Primary Market Investors who are retail investors may only submit a creation request or redemption request through a stockbroker who has opened an account with a Participating Dealer.

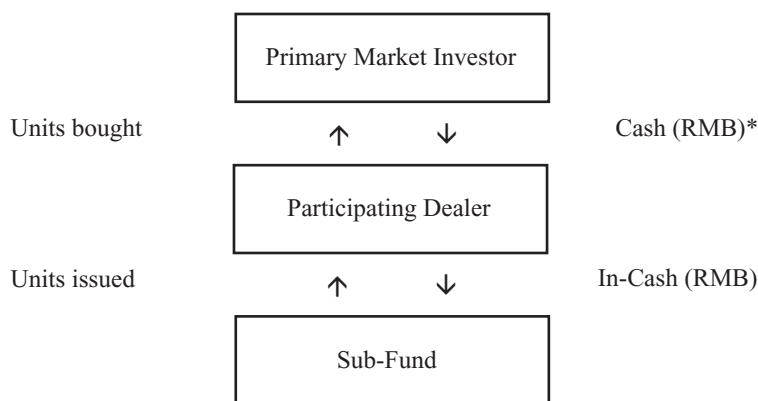
In addition, a Participating Dealer reserves the right to reject, acting in good faith, any creation request or redemption request received from Primary Market Investor who is its client under exceptional circumstances, including without limitation the following circumstances:

- any period during which (i) the creation or issue of Units of a Sub-Fund, (ii) the redemption of Units of a Sub-Fund, and/or (iii) the determination of Net Asset Value of a Sub-Fund is suspended pursuant to the provisions in the Trust Deed;
- 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 Index Securities in the relevant Underlying Index;
- where acceptance of the creation request or 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 which are for the purpose of ensuring compliance with laws or regulations; or
- circumstances outside the control of the Participating Dealer make it for all practicable purposes impossible to process the creation request or redemption request.

Investors should note that the Participating Dealers and the stockbrokers through whom an Application is made for creation or redemption of Units may impose an earlier dealing deadline, require other supporting documents for the Application and adopt other dealing procedures different from those set out for the Sub-Funds in this Prospectus. For example, the dealing deadline set by the Participating Dealers or the stockbrokers may be earlier than that set out for a Sub-Fund in this Prospectus. Investors should therefore check the applicable dealing procedures with the relevant Participating Dealer or stockbroker (as the case may be).

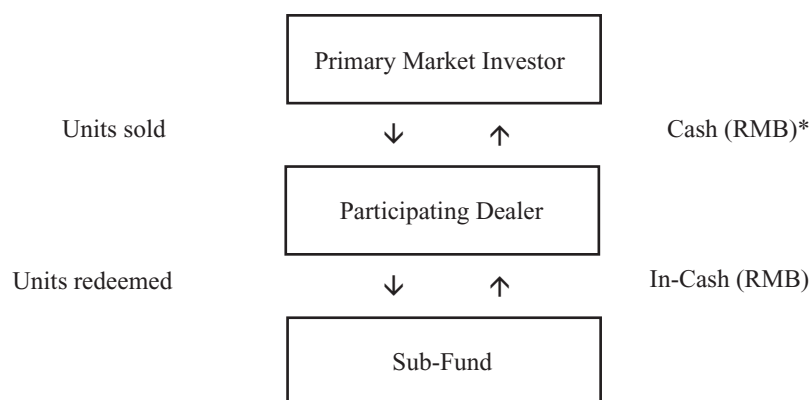
Participating Dealers and stockbrokers may also impose fees and charges in handling any creation or redemption requests of Primary Market Investors which would increase the cost of investment and/or reduce the redemption proceeds. Such fees and charges will normally be payable in the Base Currency of the relevant Sub-Fund or such other currency as may be determined by the Participating Dealers and stockbrokers. Participating Dealers and stockbrokers may also impose additional terms and restrictions on the holdings of Primary Market Investors and/or may accept or reject the creation or redemption requests of Primary Market Investors based on their internal policies which are for the purpose of ensuring compliance with laws or regulations. Please note that although the Manager has a duty to monitor the operations of the Trust closely, neither the Trustee nor the Manager is empowered to compel any Participating Dealer or stockbroker to disclose its fees agreed with specific clients or other proprietary or confidential information to the Manager or the Trustee, or to accept any application requests received from third parties. Primary Market Investors are advised to check with the Participating Dealers or stockbrokers as to the relevant fees, costs and other applicable terms.

The following illustrates the process of the creation and issue of Units in the case of Primary Market Investors.



*\*Primary Market Investor may agree with the Participating Dealers settlement in another currency.*

The following illustrates the process of redemption of Units in the case of Primary Market Investors.



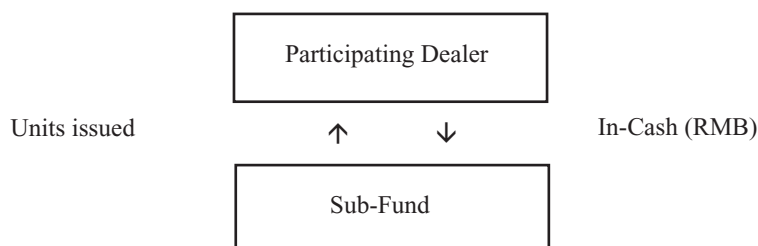
*\*Primary Market Investor may agree with the Participating Dealers settlement in another currency.*

### 7.3 ***Creation Applications by Participating Dealers***

Unless otherwise determined by the Manager, in consultation with the Trustee, a Creation Application shall only be made by a Participating Dealer in respect of a Dealing Day in accordance with the terms of the Trust Deed and the relevant Participation Agreement either during the Initial Offer Period or on a Dealing Day in respect of Units constituting an Application Unit size or whole multiples thereof. The Application Unit size for a Sub-Fund is set out in Part 2 of this Prospectus.

Additional details on the Initial Offer Period, the Dealing Deadline and other relevant information in respect of Creation Applications for Units in a Sub-Fund are set out in Part 2 of this Prospectus. Any Creation Application received after the Dealing Deadline will be considered as received on the next Dealing Day unless otherwise determined by the Manager.

The following illustrates the process of the creation and issue of Units in the case of Participating Dealers.



#### 7.3.1 ***Procedures for Creation of Units***

To be effective, a Creation Application must comply with the requirements in respect of creation of Units set out in the Trust Deed, the Operating Guidelines and the relevant Participation Agreement and be accompanied by such certifications and legal opinions as the Trustee and/or the Manager may in their absolute discretion require. Pursuant to a valid Creation Application being accepted by the Manager, the Manager and/or any person duly appointed by the Manager for such purpose shall have the exclusive right to instruct the Trustee to create for



the account of the Trust, Units in a class of a Sub-Fund in Application Unit size or whole multiples thereof in exchange for the delivery by the relevant Participating Dealer, to or for the account of the Trustee, of:

- (a) a cash payment equivalent to the relevant Application Basket Value (which shall be accounted for as Deposited Property), which the Manager shall use to purchase the Index Securities constituting the Basket(s), and the Manager shall be entitled in its absolute discretion to charge (for the account of the relevant Sub-Fund) to each Participating Dealer an additional sum which represents the appropriate provision for Duties and Charges (which may include, but is not limited to, a provision for stamp duties and other transaction charges or taxes applicable to the purchase (or estimated to be applicable to the future purchase) of the relevant Index Securities,

plus,

- (b) if the Cash Component is a positive value, a cash payment equivalent to the amount of the relevant Cash Component; if the Cash Component is a negative value, the Trustee shall be required to make a cash payment equivalent to the amount of the Cash Component (expressed as a positive figure) to the relevant Participating Dealer. If the relevant Sub-Fund has insufficient cash required to pay any Cash Component payable by the relevant Sub-Fund, the Manager may instruct the Trustee to sell the Deposited Property of the relevant Sub-Fund, or to borrow moneys to provide the cash required.

The Manager currently only accepts cash payments in the Base Currency of the relevant Sub-Fund (even for a Sub-Fund which adopts Dual Counter) in respect of Creation Applications in the manner set out above (an “**In-Cash Application**”). Notwithstanding the Dual Counter, any cash payable by Participating Dealers in an In-Cash Application must be in RMB regardless of whether the Units are deposited into CCASS as RMB traded Units or as HKD traded Units.

In relation to an In-Cash Application, the Manager reserves the right to require the Participating Dealer to pay an additional sum representing the Duties and Charges for the purpose of compensating or reimbursing the Trust for the difference between:

- (a) the prices used when valuing the relevant Index Securities of the Trust in respect of the relevant Sub-Fund for the purpose of such issue of Units; and
- (b) the prices which would be used when acquiring the same Index Securities if they were acquired by the Trust with the amount of cash received by the Trust in respect of the relevant Sub-Fund upon such issue of Units.

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

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

### **7.3.2 Issue Price**

The Issue Price of Units of a Sub-Fund is set out in Part 2 of this Prospectus. For the avoidance of doubt, the Issue Price does not take into account Duties and Charges or fees payable by the Participating Dealers.

Any commission, remuneration or other sums 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 by the Trust.

### **7.3.3 Creation and Issue of Units**

Where a Creation Application is received or deemed to be received and accepted before the Dealing Deadline on a Dealing Day, the creation and issue of Units pursuant to that Creation Application shall be effected on that Dealing Day, but:

- (a) for valuation purposes only, Units shall be deemed to be created and issued after the Valuation Point on the relevant Valuation Day relating to that Dealing Day; and
- (b) the Register shall be updated after the Valuation Point for the Valuation Day relating to the Dealing Day on which the Creation Application is deemed to be accepted provided that 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 issue of Units does not comply with the provisions of the Trust Deed.

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

Once Units are created, the Manager shall instruct the Trustee to issue, for the account of the relevant Sub-Fund, the Units to the relevant Participating Dealer.

### **7.3.4 Fees relating to Creation Applications**

In respect of each Creation Application, the Manager shall be entitled to charge certain fees and charges and the Trustee shall be entitled to charge a Transaction Fee, details of which are set out in Part 2 of this Prospectus, which shall be paid by or on behalf of the relevant Participating Dealer and may be set off and deducted against any Cash Component due to the relevant Participating Dealer in respect of such Creation Application.

### **7.3.5 Rejection of Creation Applications**

The Manager, acting reasonably and in good faith, has the absolute right to reject a Creation Application, including but not limited to when:

- (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) determination of the Net Asset Value of the relevant Sub-Fund has been suspended pursuant to the provisions in the Trust Deed;
- (b) in the reasonable opinion of the Manager, acceptance of the Creation Application will have an adverse effect or adverse tax consequences on the Trust or the relevant Sub-Fund or is unlawful or will have an adverse effect on the interests of the Unitholders;
- (c) 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 Index Securities in the relevant Underlying Index;
- (d) 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 which are for the purpose of ensuring compliance with laws or regulations;
- (e) processing of the Creation Application is not possible due to exceptional circumstances outside the control of the Manager (such as market disruptions or circumstances under which acceptance of the Creation Application will have a material adverse impact on the relevant Sub-Fund);
- (f) the Creation Application is not submitted in the form and manner set out in the provisions of the Trust Deed;
- (g) an Insolvency Event occurs in respect of the relevant Participating Dealer; or
- (h) there are insufficient Index Securities available to the Manager and/or the Trust to constitute the Basket(s) in respect of a Creation Application,

provided that the Manager will take into account the interest of the Unitholders of the Trust and/or the relevant Sub-Fund to ensure that the interests of the Unitholders will not be materially adversely affected. In addition to the foregoing, the Manager may also reject Creation Applications in such other circumstances as set out in Part 2 of this Prospectus.

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.

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.

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

Any cash payment for exchange of Units of a Sub-Fund, the Cash Component (if applicable) and/or any Duties and Charges and other fees and charges payable in respect of a Creation Application must be received in cleared funds by such times and in such manner as prescribed in the relevant Participation Agreements and if the cleared funds have not been received by or on behalf of the Trustee as aforementioned the Trustee may, after consultation with the Manager, cancel the Creation Application, and any Units deemed created and issued in respect of such Creation Application. In addition to the preceding circumstances, the Trustee may also, after consultation with the Manager, cancel any Creation Application and any Units deemed created and issued in respect of such Creation Application if the Manager determines by such time specified in the Operating Guidelines that it is unable to invest the cash proceeds of any Creation Application.

Upon the cancellation of any Creation Application and any Units deemed created pursuant to a Creation Application as provided for above or if a Participating Dealer, with the approval of the Manager, withdraws a Creation Application other than in the circumstances contemplated in the Trust Deed, such Units shall be deemed for all purposes never to have been created and the relevant Participating Dealer shall have no right or claim against the Manager or the Trustee in respect of such cancellation provided that:

- (a) any cash received by or on behalf of the Trustee in respect of such cancelled Units shall be redelivered to the Participating Dealer without interest;
- (b) the Manager shall be entitled to charge the Participating Dealer for the account and benefit of the Trustee an Application Cancellation Fee and any other fees and charges as set out in the Operating Guidelines;

- (c) the Manager may at its absolute discretion require the Participating Dealer to pay to the Trustee for the account of the relevant Sub-Fund in respect of each cancelled Unit Cancellation Compensation, being the amount (if any) by which the Issue Price of each such Unit exceeds the Redemption Price which would have applied in relation to each such Unit if a Participating Dealer had, on the date on which such Units are cancelled, made a Redemption Application;
- (d) the Trustee shall be entitled to charge the Participating Dealer the Transaction Fee payable in respect of the Creation Application for the account and benefit of the Trustee;
- (e) the Manager shall be entitled to require the Participating Dealer to pay to the Trustee for the account of the relevant Sub-Fund the Duties and Charges (if any) incurred by the Trust in consequence of such cancelled Creation Application which shall be retained for the benefit of the relevant Sub-Fund; and
- (f) no previous valuations of the assets in respect of a Sub-Fund shall be re-opened or invalidated as a result of the cancellation of such Units.

#### **7.4 *Redemption Applications by Participating Dealers***

Unless otherwise determined by the Manager, in consultation with the Trustee, a Redemption Application shall only be made by a Participating Dealer in respect of a Dealing Day in accordance with the terms of the Trust Deed and the relevant Participation Agreement on a Dealing Day in respect of Units constituting an Application Unit size or whole multiples thereof.

Additional details on the Dealing Deadline and other relevant information in respect of Redemption Applications for Units in a Sub-Fund are set out in Part 2 of this Prospectus.

Any Redemption Application received after the Dealing Deadline will be considered as received on the next Dealing Day unless otherwise determined by the Manager.

##### **7.4.1 *Procedures for Redemption of Units***

To be effective, a Redemption Application must comply with the requirements in respect of redemption of Units set out in the Trust Deed, the Operating Guidelines and the relevant Participation Agreement and be accompanied by such certifications and legal opinions as the Trustee and/or the Manager may require. Pursuant to a valid Redemption Application accepted by the Manager, the Manager shall instruct the Trustee to redeem and cancel the relevant Units in accordance with the Trust Deed and the relevant Participation Agreements and Operating Guidelines and to transfer to the Participating Dealer:

- (a) the redemption proceeds in cash provided that the Manager shall be entitled in its absolute discretion to charge (for the account of the relevant Sub-Fund) to each Participating Dealer an additional sum which represents the appropriate provision for Duties and Charges (which may include, but is not limited to, a provision for stamp duties and other transaction charges or taxes applicable to the sale (or estimated to be applicable to the future sale) of the relevant Index Securities),

plus,

- (b) where the Cash Component is a positive value, a cash payment equivalent to the amount of the Cash Component. If the relevant Sub-Fund has insufficient cash to pay any Cash Component payable by the relevant Sub-Fund, the Manager may instruct the Trustee to sell the Deposited Property of the relevant Sub-Fund, or to borrow moneys, to provide the cash required. If the Cash Component is a negative value, the Participating Dealer shall be required to make a cash payment equivalent to the amount of the Cash Component (expressed as a positive figure) to or to the order of the Trustee.

The Manager currently only allows redemption proceeds to be paid out in cash in the Base Currency of the relevant Sub-Fund (even for a Sub-Fund which adopts Dual Counter) in respect of Redemption Applications in the manner set out above (an “**In-Cash Redemption**”). Notwithstanding the Dual Counter, any cash proceeds received by Participating Dealers in an In-Cash Redemption shall be paid only in RMB. Both RMB traded Units and HKD traded Units may be redeemed by way of a Redemption Application (through a Participating Dealer). Where a Participating Dealer wishes to redeem HKD traded Units the redemption process is the same as for RMB traded Units.

In relation to an In-Cash Redemption, the Manager reserves the right to require the Participating Dealer to pay an additional sum representing Duties and Charges for the purpose of compensating or reimbursing the Trust for the difference between:

- (a) the prices used when valuing the relevant Index Securities of the Trust in respect of the relevant Sub-Fund for the purpose of such redemption of Units; and
- (b) the prices which would be used when selling the same Index Securities if they were sold by the Trust in respect of the relevant Sub-Fund in order to realize the amount of cash required to be paid out of the Trust in respect of the relevant Sub-Fund upon such redemption of Units.

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

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

#### **7.4.2 Redemption Price**

The Redemption Price of Units of a Sub-Fund is set out in Part 2 of this Prospectus. For the avoidance of doubt, the Redemption Price does not take into account Duties and Charges or fees payable by the Participating Dealers.

#### **7.4.3 Payment of Redemption Proceeds**

The maximum interval between (i) the receipt of a properly documented Redemption Application and (ii) payment of redemption proceeds (in cash in the Base Currency of the relevant Sub-Fund only) to the relevant Participating Dealer may not exceed one (1) calendar month unless the market(s) in which a substantial portion of investments of the relevant Sub-Fund is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of the redemption proceeds within the aforesaid time period not practicable. In such case, and subject to the Commission's prior approval, payments may be delayed but the extended time frame for the payment of redemption proceeds shall reflect the additional time needed in light of the specific circumstances in the relevant market(s). Subject to the above, payment of redemption proceeds will normally be made within 4 Business Days of the relevant Dealing Day.

#### **7.4.4 Fees relating to Redemption of Units**

In respect of each Redemption Application, the Manager shall be entitled to charge certain fees and charges and the Trustee shall be entitled to charge a Transaction Fee, details of which are set out in Part 2 of this Prospectus, which shall be paid by or on behalf of the relevant Participating Dealer and may be set off and deducted against any Cash Component or cash redemption proceeds due to the relevant Participating Dealer in respect of such Redemption Application.

The Manager shall also be entitled to deduct from and set off against any cash redemption proceeds or Cash Component payable to a Participating Dealer on the redemption of Units a sum (if any) which represents the appropriate provision for Duties and Charges, the Transaction Fee (for the account and benefit of the Trustee) and any other fees, charges and payments payable by the Participating Dealer.

#### **7.4.5 Rejection of Redemption Applications**

The Manager, acting reasonably and in good faith, has the absolute right to reject a Redemption Application in exceptional circumstances or to impose different minimum redemption size requirements, including but not limited to when:

- (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 has been suspended pursuant to the provisions of the Trust Deed;
- (b) in the reasonable opinion of the Manager, acceptance of the Redemption Application will have an adverse effect on the Trust or the relevant Sub-Fund;
- (c) 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 Underlying Index;
- (d) 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 which are for the purpose of ensuring compliance with laws or regulations;
- (e) processing of the Redemption Application is not possible due to circumstances outside the control of the Manager (such as market disruptions or circumstances under which acceptance of the Redemption Application will have a material adverse impact on the relevant Sub-Fund); or
- (f) the Redemption Application is not submitted in the form and manner set out in the provisions of the Trust Deed,

provided that the Manager will take into account the interest of the Unitholders of the Trust and/or the relevant Sub-Fund to ensure that the interests of the Unitholders will not be materially adversely affected. In addition to the foregoing, the Manager may also reject Redemption Applications in such other circumstances as set out in Part 2 of this Prospectus.

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 of the Participating Dealer under exceptional circumstances. Notwithstanding a Participating Dealer has accepted redemption requests from its 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.

#### 7.4.6 *Deferral of Redemption Applications*

In addition, the Manager is entitled to limit the number of Units of any Sub-Fund redeemed on any Dealing Day to 10% of the total number of Units of the relevant Sub-Fund in issue. In this event, the limitation will apply pro rata so that all Participating Dealers of the relevant Sub-Fund who have validly requested to redeem Units of the same Sub-Fund on that Dealing Day will redeem the same proportion of such Units of that Sub-Fund. Any Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, and will have priority on the next succeeding Dealing Day and all following Dealing Days (in relation to which the Manager has the same power) until the original request has been satisfied in full.

#### 7.4.7 *Cancellation of Units pursuant to Redemption Application*

Upon redemption of Units pursuant to a valid Redemption Application,

- (a) the funds of the relevant Sub-Fund shall be deemed to be reduced by the cancellation of such Units and, for valuation purposes, such Units shall be deemed to have been redeemed and cancelled after the Valuation Point for the Valuation Day relating to the Dealing Day on which the Redemption Application is or is deemed to be received; and
- (b) the name of the Unitholder of such Units shall be removed from the Register after the Valuation Point for the Valuation Day relating to the Dealing Day on which the Redemption Application is deemed to be accepted.

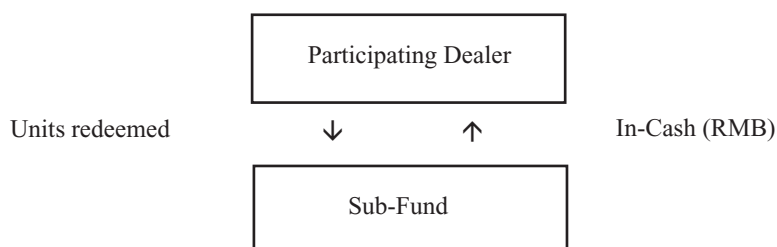
#### 7.4.8 *Cancellation of Redemption Applications*

In respect of a Redemption Application, unless the requisite documents in respect of the relevant Units have been delivered to the Manager by such times and in such manner as prescribed in the relevant Participation Agreements and/or Operating Guidelines, the Redemption Application shall be deemed never to have been made except that the Transaction Fee (for the account and benefit of the Trustee) in respect of such Redemption Application shall remain due and payable, and in such circumstances:

- (a) the Manager shall also be entitled to charge the relevant Participating Dealer an Application Cancellation Fee which is payable to the Trustee for its own account and such fees and charges as set out in the Operating Guidelines;
- (b) the Manager may at its absolute discretion require the relevant Participating Dealer to pay to the Trustee, for the account of the relevant Sub-Fund, Cancellation Compensation in respect of each Unit, being the amount (if any) by which the Redemption Price of each Unit is less than the Issue Price which would have applied in relation to each Unit if a Participating Dealer had, on the final day permitted for delivery of the requisite documents in respect of the Units which are the subject of the Redemption Application, made a Creation Application; and
- (c) no previous valuations of the relevant Sub-Fund shall be re-opened or invalidated as a result of an unsuccessful Redemption Application,

provided that the Manager, in consultation with the Trustee, may at its discretion extend the settlement period on such terms and conditions as the Manager may determine (including as to, but not limited to, the payment of an Extension Fee).

The following illustrates the process of redemption of Units in the case of Participating Dealers.



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

The Manager may, at its discretion, after giving notice to the Trustee declare a suspension of the creation or issue of Units of a Sub-Fund and/or the redemption of Units of a Sub-Fund and/or the Manager may delay the payment of any monies in respect of any Redemption Application for the whole or any part of any period during which:

- (a) trading on the SEHK is restricted or suspended;
- (b) a market on which an Index Security (that is a component of the relevant Underlying Index) has its primary listing, or the official clearing and settlement depository (if any) of such market, is closed;
- (c) dealing on a market on which an Index Security (that is a component of the relevant Underlying Index) has its primary listing is restricted or suspended;

- (d) in the opinion of the Manager, settlement or clearing of Index Securities in the official clearing and settlement depository (if any) of such market is disrupted;
- (e) the determination of the Net Asset Value of the relevant Sub-Fund is suspended or if any circumstance specified in section “**10.2 Suspension of Determination of Net Asset Value**” below arises.

Upon declaration of the suspension by the Manager, the suspension shall take effect. During the suspension,

- (a) no Application shall be made by any of the Participating Dealers and in the event any Application is received in respect of any Dealing Day falling within such period of suspension (that has not been otherwise withdrawn), such Application shall be deemed as having been received immediately following the termination of the suspension;
- (b) no Units shall be created and issued or redeemed for the account of the relevant Sub-Fund.

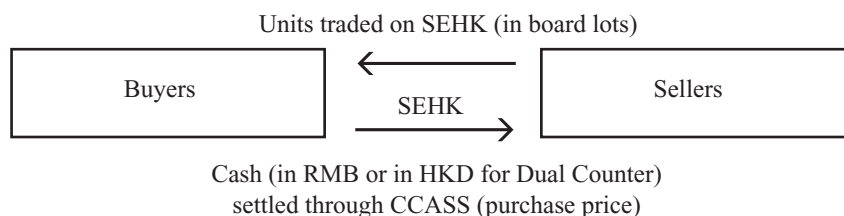
The Manager shall notify the Commission if dealing in Units is suspended and publish a notice of suspension immediately following such suspension and, at least once a month during the period of suspension, on its website at www.99fund.com.hk or in such publications as the Manager decides.

A Participating Dealer may at any time after a suspension has been declared and before termination of such suspension withdraw an Application submitted prior to such suspension by notice in writing to the Manager and the Manager shall promptly notify the Trustee accordingly. If the Manager has not received any such notification of withdrawal of such Application before termination of such suspension, the Trustee shall, subject to and in accordance with the provisions of the Trust Deed, create and issue Units or redeem Units in respect of such Application and such Application shall be deemed to be received immediately following the termination of such suspension.

The suspension shall terminate (i) when the Manager, after giving notice to the Trustee, declares the suspension at an end, or (ii) in any event on the day following the first Business Day on which the condition giving rise to the suspension ceases to exist; and no other condition under which suspension is authorized under the Trust Deed exists.

## 8. **TRADING OF UNITS ON THE SEHK (SECONDARY MARKET)**

A Secondary Market Investor can buy or sell the Units of a Sub-Fund through his stockbroker on the SEHK on or after the Listing Date of that Sub-Fund. The diagram below illustrates the trading of Units on the SEHK:



Secondary Market Investors may place an order with a broker to sell their Units on the SEHK at any time during the trading day. To sell Units – or to buy new ones – such investor will need to use an intermediary such as a stockbroker or any of the share dealing services offered by banks or other financial advisers.

Brokerage, stamp duty and other fees may be payable when selling (and purchasing) Units. Please refer to Part 2 of this Prospectus for details of the applicable brokerage, stamp duty and other fees.

**No money should be paid to any intermediary in Hong Kong which is not licensed for Type 1 regulated activity under Part V of the Securities and Futures Ordinance.**

The trading price of Units of a Sub-Fund on the SEHK may differ from the Net Asset Value per Unit of that Sub-Fund and there can be no assurance that a liquid secondary market will exist for the Units.

There can be no guarantee that once the Units of a Sub-Fund are listed on the SEHK they will remain listed.

## 9. **EVIDENCE OF UNITHOLDING**

No certificates will be issued in respect of the Units of the Trust. All Units of the Trust will be registered in the name of the HKSCC Nominees Limited by the Registrar on the Register of Unitholders of the relevant Sub-Fund, which is the evidence of ownership of Units. Beneficial interest of retail investors in the Units of the Trust will be established through an account with a participant in CCASS.

## 10. **VALUATION AND SUSPENSION**

### 10.1 **Determination of the Net Asset Value**

The Net Asset Value of the relevant Sub-Fund shall be determined in the Base Currency of the relevant Sub-Fund at the Valuation Point on the relevant Valuation Day in respect of each Dealing Day for Units of the relevant class (or at such other time as the Manager, in consultation with the Trustee, may determine) by valuing the assets of the relevant Sub-Fund and deducting the liabilities attributable to the Sub-Fund in accordance with the terms of the Trust Deed.

A summary of the applicable key provisions of the Trust Deed relating to the determination of the value of investments in the Trust is set out as follows:

- (a) the value of any investment quoted, listed or normally dealt in on a securities market (other than an interest in a collective investment scheme) shall be calculated by reference to the price appearing to the Manager to be the last traded price or last bid price or midway between the latest available market dealing offered price and the latest available market dealing bid price or the official closing price on the securities market on which the investment is quoted, listed or normally dealt in for such amount of such investment as the Manager may consider in the circumstances to provide a fair criterion, PROVIDED THAT:
  - (i) if an investment is quoted, listed or normally dealt in on more than one securities market, the Manager shall adopt the official closing price (if unavailable, the last traded price) quoted on the market which in its opinion provides the principal market for such investment;
  - (ii) in the case of any investment which is quoted, listed or normally dealt in on a securities market but in respect of which, for any reason, prices on that securities market may not be available at any relevant time, the value thereof shall be certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager, or, if the Trustee so requires, by the Manager after consultation with the Trustee;
  - (iii) there shall be taken into account interest accrued on interest-bearing investments up to (and including) the date as at which the valuation is made, unless such interest is included in the quoted or listed price;

and for the purpose of the foregoing provisions the Manager and the Trustee shall be entitled to use and to rely upon electronic transmitted information from such source or sources as they may from time to time think fit with regard to the pricing of the investments on any securities market and the prices derived therefrom shall be deemed to be the official closing prices or the last traded prices, as the case may be;

- (b) the value of any investment which is not quoted, listed or normally dealt in on a securities market (other than an interest in a collective investment scheme) shall be the initial value thereof ascertained as hereinafter provided or the value thereof as assessed on the latest revaluation thereof made in accordance with the provisions hereinafter provided. For this purpose:
  - (i) the initial value of an unquoted investment shall be the amount expended out of the relevant Sub-Fund in the acquisition thereof (including in each case the amount of the stamp duties, commissions and other expenses incurred in the acquisition thereof and the vesting thereof in the Trustee for the purposes of the Trust Deed);
  - (ii) the Manager shall at such times or at such intervals as the Trustee may request, cause a revaluation to be made of any unquoted investment by a professional person approved by the Trustee as qualified to value such unquoted investment;

Notwithstanding the above, the Manager may determine to value on a straight line basis investments in debt instruments acquired as a discount to their face value.

- (c) cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager, any adjustment should be made to reflect the value thereof;
- (d) the value of each unit, share or other interest in any collective investment scheme shall be the last available net asset value per unit, share or other interest in such collective investment scheme or, shall be determined from time to time in such manner as the Manager shall determine;
- (e) notwithstanding the foregoing, the Manager may, with the consent of the Trustee, adjust the value of any investment or permit some other method of valuation to be used if, having regard to currency, applicable rate of interest, maturity, marketability and other considerations the Manager deems relevant, the Manager considers that such adjustment or use of such other method is required to reflect the fair value thereof; and
- (f) the value of any investment (whether of a Security or cash) otherwise than in the Base Currency shall be converted into the Base Currency at the rate (whether official or otherwise) which the Manager shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange.

The Trustee and the Manager may:

- (a) rely without verification on price data and/or other information provided through electronic price feeds, mechanised and/or electronic systems of price/valuation dissemination for the purposes of valuing any assets of the Sub-Fund and the prices provided by any such system shall be deemed to be the official closing prices or the last traded prices, as the case may be;
- (b) accept as sufficient and conclusive evidence of the value of any asset of a Sub-Fund or the cost price or sale price thereof, any market quotation or certification by a calculation agent, administrator, broker, any professional person, firm or association qualified in the opinion of the Manager to provide such a quotation provided that

nothing hereunder shall impose an obligation on the Manager to obtain such a quotation or certification. If and to the extent that the Manager is responsible for or otherwise involved in the pricing of any of a Sub-Fund's assets, the Trustee may accept, use and rely on such prices without verification;

- (c) rely upon, and will not be responsible for the accuracy of, financial data furnished to it by third parties including the relevant calculation agent, automatic pricing services, brokers, market makers or intermediaries, (in the case where the Trustee is relying on this provision) the Manager or (in the case where the Manager is relying on this provision) the Trustee, and any administrator or valuations agent of other collective investments into which a Sub-Fund may invest; and
- (d) rely upon the established practice and rulings of any market and any committees and officials thereof on which any dealing in any assets of a Sub-Fund or other property is from time to time effected in determining what shall constitute a good delivery and any similar matters and such practice and rulings shall be conclusive and binding upon all persons;

and the Trustee and the Manager shall not be liable for any loss suffered by a Sub-Fund, any Unitholders or any other person in connection therewith except the Trustee and the Manager shall be respectively liable for losses which are due to breach of trust through fraud or negligence on their part.

#### **10.2 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 a Sub-Fund for the whole or any part of any period during which:

- (a) there is a closure of or restriction or disruption or suspension of trading on any commodities market or securities market on which a substantial part of the investments of the Sub-Fund is normally traded or a breakdown in any of the means normally employed by the Manager or the Trustee (as the case may be) in ascertaining the prices of investments or determining the Net Asset Value of the Sub-Fund or the Net Asset Value per Unit of the relevant class; or
- (b) for any other reason, the prices of a substantial part of the investments held or contracted for by the Manager for the account of the Sub-Fund cannot, in the reasonable opinion of the Manager, reasonably, promptly or fairly be ascertained; or
- (c) circumstances exist as a result of which, in the reasonable opinion of the Manager, it is not reasonably practicable to realize any investments held or contracted for the account of the Sub-Fund or it is not possible to do so without seriously prejudicing the interests of Unitholders of the relevant class; or
- (d) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, any investments of that Sub-Fund or the subscription or redemption of Units of the relevant class is prohibited, restricted, delayed or cannot, in the reasonable opinion of the Manager, be carried out promptly at normal exchange rates; or
- (e) the relevant Underlying Index is not compiled or published; or
- (f) a breakdown occurs in any of the systems and/or means of communication normally employed in ascertaining the Net Asset Value of the relevant Sub-Fund or the Net Asset Value per Unit, Issue Price or Redemption Price of the relevant class, or when for any other reason the Net Asset Value of the relevant class cannot be ascertained in a prompt or accurate manner; or
- (g) the existence of any state of affairs as a result of which delivery of Index Securities comprised in a Basket or disposal of investments for the time being comprised in the Sub-Fund's assets cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Unitholders; or
- (h) the dealing of Units is suspended pursuant to any order or direction issued by the Commission; or
- (i) in the reasonable opinion of the Manager, such suspension is required by law or applicable legal process; or
- (j) the business operations of the Manager, the Trustee, the Registrar and/or their respective delegates in relation to the operation of the Trust are substantially interrupted or closed as a result of arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God.

Upon declaration of the suspension by the Manager, the suspension shall take effect. During the suspension,

- (a) there shall be no determination of the Net Asset Value of the relevant Sub-Fund or the Issue Price or the Redemption Price of Units in the relevant class;
- (b) no Application shall be made by any of the Participating Dealers and in the event any Application is received in respect of any Dealing Day falling within such period of suspension (that has not been otherwise withdrawn), such Application shall be deemed as having been received immediately following the termination of the suspension;
- (c) the Manager shall be under no obligation to rebalance the Deposited Property of the Sub-Fund; and



(d) no Units shall be created and issued or redeemed for the account of the Sub-Fund.

The suspension shall terminate (i) when the Manager, after giving notice to the Trustee, declares the suspension at an end, or (ii) in any event on the day following the first Business Day on which the condition giving rise to the suspension ceases to exist; and no other condition under which suspension is authorized under the Trust Deed exists.

The Manager shall notify the Commission if dealing in Units is suspended and publish a notice of suspension immediately following such suspension and, at least once a month during the period of suspension, on its website at [www.99fund.com.hk](http://www.99fund.com.hk) or in such publications as the Manager decides.

A Participating Dealer may at any time after a suspension has been declared and before termination of such suspension withdraw an Application submitted prior to such suspension by notice in writing to the Manager and the Manager shall promptly notify the Trustee accordingly. If the Manager has not received any such notification of withdrawal of such Application before termination of such suspension, the Trustee shall, subject to and in accordance with the provisions of the Trust Deed, create and issue Units or redeem Units in respect of such Application and such Application shall be deemed to be received immediately following the termination of such suspension.

### **10.3 Suspension of Dealing in Units on the SEHK (Secondary Market)**

Dealing in Units on the SEHK, or trading on the SEHK generally, may at any time be suspended by the SEHK subject to any conditions imposed by the SEHK if the SEHK considers it necessary for the protection of investors or for the maintenance of an orderly market or in such other circumstances as the SEHK may consider appropriate.

## **11. DISTRIBUTION POLICY**

Please refer to Part 2 of this Prospectus for further details of the distribution policy in respect of each Sub-Fund.

On a distribution from a Sub-Fund, the Trustee, in accordance with the instructions of the Manager, will allocate the amounts available for distribution among Unitholders of such Sub-Fund and will pay such amounts to such Unitholders.

## **12. FEES AND CHARGES**

The fees and charges currently applicable to the Trust and each Sub-Fund are set out below and in Part 2 of this Prospectus.

### **12.1 Management Fees and Servicing Fee**

Please refer to Part 2 of this Prospectus for details on the current rates of management fee and servicing fee (if any) payable in respect of each Sub-Fund. The management fee and servicing fee (if any) is accrued daily and calculated as at the Valuation Point on each Valuation Day and payable monthly in arrears.

Under the terms of the Trust Deed, the Manager may, on giving not less than one month's written notice to the relevant Unitholders, increase each of the current rate of the management fee or servicing fee (if any) payable in respect of a Sub-Fund up to or towards its maximum rate of 2% per annum of the Net Asset Value of such Sub-Fund. Any increase in the management fee or servicing fee (if any) in respect of a Sub-Fund above the maximum rate is subject to an extraordinary resolution of the Unitholders of such Sub-Fund.

### **12.2 Trustee's Fee**

Please refer to Part 2 of this Prospectus for details on the current rate of the Trustee's fee payable in respect of each Sub-Fund. The Trustee's fee is accrued daily and calculated as at the Valuation Point on each Valuation Day and payable monthly in arrears.

Under the terms of the Trust Deed, the Trustee may, on giving not less than one month's written notice to the relevant Unitholders, increase the rate of the Trustee's fee payable in respect of a Sub-Fund up to or towards the maximum rate of 1% per annum of the Net Asset Value of the Sub-Fund. Any increase in the Trustee's fee in respect of a Sub-Fund above the maximum rate is subject to an extraordinary resolution of the Unitholders of such Sub-Fund.

The Trustee's fee is inclusive of the custody fee payable to the Custodian and the RQFII Custodian.

In addition, the Trustee will be reimbursed for all of its out-of-pocket expenses incurred in connection with performing its services as Trustee (including out-of-pocket expenses incurred by the Custodian and RQFII Custodian).

### **12.3 Registrar's Fee**

The Registrar is entitled to receive in respect of each Sub-Fund, such fee as set out in Part 2 of this Prospectus.

The Registrar shall also be entitled to be reimbursed out of the assets of the relevant Sub-Fund all out-of-pocket expenses incurred by the Registrar in respect of the relevant Sub-Fund.

### **12.4 Service Agent's Fee**

The Service Agent will charge such fees and expenses as set out in Part 2 of this Prospectus.

## **12.5 Establishment Costs**

The costs and expenses incurred by the Manager and the Trustee in establishing the Trust and the initial sub-fund of the Trust, C-Shares CSI 300 Index ETF and in connection with the initial issue of Units, the costs and expenses of obtaining the listing for the Units on the SEHK and/or in obtaining the authorisation of the Trust and the C-Shares CSI 300 Index ETF and all initial legal and printing costs are approximately HKD 2 million; such costs shall be borne by the C-Shares CSI 300 Index ETF (unless otherwise determined by the Manager) and amortised over the first 5 financial years of the C-Shares CSI 300 Index ETF (unless the Manager, after consultation with the Auditors, decides such other period is appropriate).

Where subsequent Sub-Funds are established in the future, the Manager and the Trustee may in their discretion determine that the unamortised establishment costs of the Trust or a part thereof may be reallocated to such subsequent Sub-Funds.

The costs of establishment of each subsequent Sub-Fund will be borne by the relevant Sub-Fund and amortised over the first 5 financial years of the relevant Sub-Fund or such other period as the Manager after consultation with the Auditors may determine and specify in Part 2 of this Prospectus.

Investors should note that, under HKFRS, the establishment costs should be expensed as incurred. The Manager has considered the impact of such non-compliance and does not expect this issue to affect the results and the Net Asset Value of a Sub-Fund materially.

To the extent that the accounting basis adopted by the Trust deviates from HKFRS, the Manager may make necessary adjustment in the accounts of the relevant Sub-Fund for the accounts to be in compliance with HKFRS and include a reconciliation note in the annual accounts of the relevant Sub-Fund to reconcile values arrived at by applying the relevant Sub-Fund's accounting rules. If the Net Asset Value of the relevant Sub-Fund is not adjusted in preparation of the annual accounts, non-compliance with HKFRS may result in the auditors qualifying their opinion on those annual accounts depending on the nature and level of materiality of the non-compliance.

## **12.6 Other Charges and Expenses**

Each Sub-Fund will bear the costs set out in the Trust Deed, which are directly attributable to it. Where such costs are not directly attributable to a Sub-Fund, the Manager shall determine how such costs are to be allocated. Such costs may include but not limited to stamp and other duties, taxes, governmental charges, brokerages, commissions, exchange costs, transaction fees of the Trustee as may be agreed by the Manager in relation to transactions involving the whole or any part of the trust fund, custodian, co-custodian, sub-custodian and proxy fees and expenses, collection fees and expenses, insurance and security costs, and any other costs, charges or expenses payable in respect of the acquisition, holding and realisation of any investment or other property or any cash, deposit or loan, the fees and expenses of the Auditors, all legal charges incurred by the Manager and/or the Trustee in connection with the Trust, the costs and expenses of maintaining the listing for the Units on the SEHK and/or in maintaining the authorisation of the relevant Sub-Fund or in complying with any undertaking given, or agreement entered into in connection with, or any rules governing such listing approval or authorisation, the expenses of or incidental to the preparation of deeds supplemental to the Trust Deed, any licence fees and expenses payable to the Index Provider or the owner of the Underlying Index for the use of the relevant Underlying Index, all costs incurred in publishing the Net Asset Value, the Issue and Redemption Prices of Units, all costs of preparing, printing and distributing all statements, accounts and reports pursuant to the provisions of the Trust Deed (including the Auditors' fees), the expenses of preparing and printing the Prospectus and the expenses of holding meetings of Unitholders and of giving notices to Unitholders.

For so long as the Trust and such Sub-Funds are authorized by the Commission, no advertising or promotional expenses shall be charged to the Sub-Funds so authorized.

## **12.7 Total Expense Ratio**

The total expense ratio ("**TER**") of each Sub-Fund is set out in Part 2 of this Prospectus. TER is the sum of anticipated charges to the relevant Sub-Fund (including the management fee, the trustee's fee and other charges) expressed as a percentage of the Net Asset Value of that Sub-Fund but it does not represent the estimated tracking error.

## **13. TAXATION**

### **13.1 Hong Kong**

#### **13.1.1 A Sub-Fund**

A Sub-Fund will be exempted from Hong Kong profits tax in respect of its authorized activities in Hong Kong upon its authorisation as a collective investment schemes under section 104 of the Securities and Futures Ordinance.

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

### ***13.1.2 Unitholders***

Profits arising on the disposal / redemption of any Units will only be subject to profits tax for Unitholders carrying on a trade or business in Hong Kong where the profits, arise from such trade or business in Hong Kong and are of revenue nature.

Distributions received by Unitholders from their investments in the Units would generally not be chargeable to tax in Hong Kong (whether by way of withholding or otherwise).

#### **Stamp Duty**

Hong Kong stamp duty payable on the delivery of Hong Kong stocks by an investor to the relevant Sub-Fund as consideration for an allotment of Units, or by the relevant Sub-Fund to an investor upon redemption of such Units will be remitted, subject to application, under Section 52 of the Stamp Duty Ordinance.

Application has been made to the Financial Services and Treasury Bureau in respect of an eligible Sub-Fund (except for the C-Shares CSI 300 Index ETF where approval has already been granted for remission or refund in full of stamp duty payable or paid in respect of any contract notes or instruments of transfer relating to transactions in the Units of this Sub-Fund) and unless otherwise stated in the relevant Appendix, the Manager anticipates approval will be given for remission of stamp duty payable or paid in respect of any contract notes or instruments of transfer relating to transactions in Units before the listing of the Units on the SEHK. No Hong Kong stamp duty is payable on the sales or purchases or transfer of the Units by the Unitholders if the stamp duty remission is obtained.

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

### ***13.2 The PRC***

A Sub-Fund that invests in the PRC may be subject to withholding and other taxes imposed in the PRC. For further details relating to PRC taxes and the associated risks, please refer to the risk factor headed “***PRC tax considerations***” under section “***5.1 Risk Factors relating to China***” in Part 1 of this Prospectus.

### ***13.3 Other jurisdiction(s)***

Please refer to Part 2 of this Prospectus on taxation requirements in other jurisdiction(s) that may be applicable to a Sub-Fund.

### ***13.4 General***

Investors should consult their professional financial advisers on the consequences to them of acquiring, holding, realizing, transferring or selling Units under the relevant laws of the jurisdictions to which they are subject, including the tax consequences, stamping and denoting requirements and any exchange control requirements. These consequences, including the availability of, and the value of, tax relief to investors will vary with the law and practice of the investors' country of citizenship, residence, domicile or incorporation and their personal circumstances.

## **14. OTHER IMPORTANT INFORMATION**

### ***14.1 Reports and Accounts***

The Trust's financial year end is 31 December in each year. The first financial year end of the Trust is 31 December 2013.

Unitholders will be notified of where they can obtain the printed and electronic copies of the latest audited accounts or the semi-annual unaudited reports once they are available (both published in English only). Such notices will be sent to Unitholders as soon as practicable and in any event within four months of the end of each financial year (starting the first financial year) in the case of audited accounts and within two months after 30 June in each year in the case of semi-annual unaudited interim reports. Once issued, such reports will be available in electronic copies from the website [www.99fund.com.hk](http://www.99fund.com.hk).

The first audited accounts and the first semi-annual unaudited reports of the Trust will be for the financial year ended 31 December 2013 and for the half year period ended 30 June 2014 respectively.

Hard copies of such reports will be available upon request of Unitholders free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the office of the Manager.

### ***14.2 Removal and Retirement of the Manager***

The Manager shall be subject to removal by not less than one (1) month's notice in writing given by the Trustee (or such other period of notice as the parties may agree) in any of the following events:

- (a) if the Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or if a receiver is appointed over any of its assets;

- (b) if for good and sufficient reason the Trustee acting in good faith is of the reasonable opinion and so states in writing to the Manager that a change of Manager is desirable in the interests of the Unitholders;
- (c) if the Manager ceases to carry on business;
- (d) if the Unitholders of not less than 50% in value of the Units for the time being outstanding (for which purpose Units held or deemed to be held by the Manager shall not be regarded as being outstanding) deliver to the Trustee in writing a request that the Manager should retire;
- (e) if the Commission withdraws its approval of the Manager as manager of the Trust; or
- (f) following a material breach of the Manager's obligations under the Trust Deed which, if the breach is capable of remedy, the Manager fails to remedy within 60 days of being specifically required in writing so to do by the Trustee, and the Trustee is of the reasonable opinion and so states in writing to the Manager that a change of Manager is desirable and in the best interests of Unitholders as a whole.

Subject to the approval of the Commission, the Manager shall be entitled to retire voluntarily. In the event of the Manager desiring to retire, it shall give all Unitholders in the relevant Sub-Fund written notice of at least 60 days (or such other period as permitted by the Commission).

#### ***14.3 Removal and Retirement of the Trustee***

The Trustee shall be subject to removal by not less than one (1) month's notice in writing given by the Manager (or such other period of notice as the parties may agree). Notwithstanding the foregoing, the Manager may by notice remove the Trustee in any of the following events:

- (a) if the Trustee goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Manager) or if a receiver is appointed over any of its assets;
- (b) if for good and sufficient reason the Manager acting in good faith is of the reasonable opinion and so states in writing to the Trustee that a change of Trustee is desirable in the interests of the Unitholders;
- (c) if the Trustee ceases to carry on business;
- (d) if the Unitholders of not less than 50% in value of the Units for the time being outstanding (for which purpose Units held or deemed to be held by the Trustee shall not be regarded as being outstanding) shall deliver in writing to the Manager a request that the Trustee should retire;
- (e) if the Commission withdraws its approval of the Trustee as trustee of the Trust; or
- (f) following a material breach of the Trustee's obligations under the Trust Deed which, if the breach is capable of remedy, the Trustee fails to remedy within 60 days of being specifically required in writing so to do by the Manager, and the Manager is of the reasonable opinion and so states in writing to the Trustee that a change of Trustee is desirable and in the best interests of Unitholders as a whole.

Notwithstanding such notice, the Trustee shall not be removed or cease to act as such unless and until the Manager shall, subject to the prior approval of the Commission if the Sub-Fund is authorized pursuant to section 104 of the Securities and Futures Ordinance, have appointed a qualified corporation under any applicable law to be the trustee in place of the removed Trustee.

The Trustee shall be entitled to retire voluntarily. In the event of the Trustee desiring to retire the Manager shall find within 60 days from the date the Trustee notifies the Manager of such desire a new trustee who is a qualified corporation under any applicable law to act as trustee and the Manager shall appoint such new trustee to be the Trustee in the place of the retiring Trustee in accordance with the provisions of the Trust Deed and subject to the prior approval of the Commission if the Sub-Fund is authorized pursuant to section 104 of the Securities and Futures Ordinance. The Manager shall as soon as practicable thereafter give notice to the Unitholders specifying the name and the address of the office of the new Trustee. For the avoidance of doubt, the Trustee shall only retire upon the appointment of a new Trustee and subject to the prior approval of the Commission.

#### ***14.4 Potential Conflicts of Interest, Transactions with Connected Persons, Cash Rebates and Soft Commissions***

The Manager, the Trustee, the Custodian, the RQFII Custodian, any investment adviser or their Connected Persons may, from time to time, act as manager, investment adviser, trustee or as custodian or in such other capacity in connection with or be otherwise involved in or with any other collective investment schemes separate and distinct from the Trust and the Sub-Funds, including those that have similar investment objectives to those of the Sub-Funds, or contract with or enter into financial, banking or other transaction with one another or with any investor of the Sub-Funds, or any company or body any of whose shares or securities form part of any Sub-Fund or may be interested in any such contract or transaction.

In addition:

- (a) The Manager and the investment adviser of a Sub-Fund or any of their Connected Persons may purchase and sell investments for the account of such Sub-Fund as agent for such Sub-Fund.

- (b) The Trustee, the Manager, the Custodian, the RQFII Custodian, any investment adviser or any of their Connected Persons may contract or enter into any financial, banking or other transaction with one another or with any Unitholder.
- (c) The Trustee, the Manager, the Custodian, the RQFII Custodian, any investment adviser 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, the Manager, the Custodian, the RQFII Custodian, any investment adviser or the Connected Person.
- (d) The Trustee, the Manager, the Custodian, the RQFII Custodian, any investment adviser or any of their Connected Persons may buy, hold and deal in Index Securities for their own account or for the account of their other customers (including Participating Dealers acting for themselves or for their clients) notwithstanding that Index Securities may be held as part of the Sub-Fund.
- (e) Any arrangements for the borrowing or deposit of any monies for the account of a Sub-Fund may be made with any of the Trustee, the Manager, the Custodian, the RQFII Custodian, the investment adviser of such Sub-Fund or any Connected Person of any of them 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 negotiated at arm's length.

Each of the Manager, the Trustee, the Custodian, the RQFII Custodian, any investment adviser and their respective Connected Persons shall be entitled to retain for its own use and benefit all fees and other monies payable in respect of any of the arrangements described above and shall not be deemed to be affected with notice of or to be under any duty to disclose to the Trust, any Sub-Fund, any Unitholder or any other relevant party any fact or thing which comes to the notice of itself in the course of its rendering 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. Each of the Manager, the Trustee, the Custodian, the RQFII Custodian, any investment adviser and their respective Connected Persons shall not be liable to account to the Trust or any Sub-Fund or any investor of the Trust or the Sub-Fund for any profit or benefit made or derived thereby or in connection therewith (including in situations set out above). It is, therefore, possible that any of the Manager, the Trustee, the Custodian, the RQFII Custodian, any investment adviser or their Connected Persons may, in the course of business, have potential conflicts of interest with the Sub-Funds.

Each of the Manager and the Trustee, the Custodian, the RQFII Custodian, any investment adviser or their Connected Persons will, at all times, have regard in such event to its obligations to the Sub-Funds and the investors and will endeavour to ensure that such conflicts are resolved fairly.

The Manager, the Trustee, the Custodian, the RQFII Custodian, any investment adviser or their Connected Persons shall act in a reasonable and prudent manner when handling any potential conflict of interest situation and take into account the interest of Unitholders and clients.

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

All transactions carried out by or on behalf of the Sub-Funds will be at arm's length in compliance with applicable laws and regulations and executed on the best available terms. Any transactions between a Sub-Fund and the Manager, the investment adviser of such Sub-Fund or any of their Connected Persons as principal may only be made with the prior written consent of the Trustee. All such transactions shall be disclosed in the relevant Sub-Fund's annual report.

The brokerage and other agency transactions for the account of a Sub-Fund may be executed through brokers or dealers connected to the Manager, the investment adviser of such Sub-Fund or their Connected Persons. However, for so long as a Sub-Fund is authorized by the Commission, the Manager shall ensure that it complies with the following requirements when transacting with brokers or dealers connected to the Manager, the relevant investment adviser or their Connected Persons:

- (a) such transactions are on arm's length terms;
- (b) the Manager has used due care in the selection of brokers or dealers and ensure that they are suitably qualified in the circumstances;

- (c) the transaction execution is consistent with the best execution standards;
- (d) the fee or commission paid to any such broker or dealer in respect of a transaction shall not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature;
- (e) the Manager shall 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 will be disclosed in the relevant Sub-Fund's annual report.

Neither the Manager, any investment adviser, nor any of their Connected Persons may retain cash or other rebates from a broker or dealer in consideration of directing transactions to them.

The Manager, any investment adviser or any of their Connected Persons may affect transactions by or through the agency of another person with whom the Manager, any investment adviser or any of their Connected Persons have an arrangement under which that party will from time to time provide to or procure for the Manager, any investment adviser or any of their Connected Persons, goods, services or other benefits, such as research and advisory services, economic and political analysis, portfolio analysis (including valuation and performance measurement), market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publications.

The Manager shall procure that no such contractual arrangements are entered into unless:

- (a) the nature of which is such that their provision are of demonstrable benefit to the Sub-Funds;
- (b) the transaction execution is consistent with best execution standards; and
- (c) brokerage rates are not in excess of customary institutional full-service brokerage rates.

No direct payment may be made to the Manager, any investment adviser or any of their Connected Persons who undertake to place business with that party.

For the avoidance of doubt, such goods and services do not include travel accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments. Details of soft commission arrangements will be disclosed in the relevant Sub-Funds' annual report.

#### **14.5 Termination of the Trust or a Sub-Fund**

A Sub-Fund shall terminate upon the termination of the Trust. The Trust shall continue until it is terminated in one of the following ways set out below provided that the Trust will automatically terminate on the date falling 80 years after the date of the Trust Deed.

A summary of the circumstances under which the Trust may be terminated by the Trustee by notice in writing is set out as follows:

- (a) if the Manager shall go into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee), become bankrupt or if a receiver is appointed over any of their assets and not discharged within ninety (90) days;
- (b) if in the reasonable opinion of the Trustee acting in good faith, the Manager shall be incapable of performing or shall in fact fail to perform its duties satisfactorily or shall do any other thing which in the opinion of the Trustee is calculated to bring the Trust into disrepute or to be harmful to the interests of the Unitholders;
- (c) if the Trust shall cease to be authorized pursuant to the Securities and Futures Ordinance or if any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue the Trust;
- (d) if the Manager shall have ceased to be the Manager for whatever reason and, within a period of thirty (30) days thereafter, no other qualified corporation shall have been appointed by the Trustee as a successor Manager;
- (e) if the Trustee shall have notified the Manager of its desire to retire as Trustee and the Manager shall fail to find a qualified corporation to act as a trustee in place of the Trustee within sixty (60) days therefrom.

The circumstances under which the Trust and/or a Sub-Fund and/or any classes of Units relating to a Sub-Fund (as the case may be) may be terminated by the Manager in its absolute discretion by notice in writing include:

- (a) if on any date, in relation to the Trust, the aggregate Net Asset Value of all Units shall be less than RMB 10 million or an equivalent amount in any other currency or in relation to a Sub-Fund (if applicable), the aggregate Net Asset Value of the Units of the relevant classes shall be less than the amount as may be disclosed in the relevant Appendix for such Sub-Fund under Part 2 of this Prospectus;
- (b) if any law shall be passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable to continue the Trust and/or the relevant Sub-Fund;
- (c) if the Trust and/or the relevant Sub-Fund shall cease to be authorized or otherwise officially approved pursuant to the Securities and Futures Ordinance or listed on the SEHK or other recognized securities markets;

- (d) if the Underlying Index of the relevant Sub-Fund is no longer available for benchmarking, unless the Manager determines (in consultation with the Trustee) that it is possible, feasible, practicable and in the best interests of the Unitholders to substitute another index for the Underlying Index; or
- (e) if the Trust and/or the relevant Sub-Fund ceases to have any Participating Dealer.

In cases of termination of the Trust or a Sub-Fund under the above circumstances, no less than one month's notice will be given to Unitholders.

#### **14.6 Trust Deed**

The Trust was established under Hong Kong law by the Trust Deed (as may be amended, modified or supplemented from time to time). All holders of Units are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Trust Deed.

#### **14.7 Indemnification and Limitation of Liability**

The Trust Deed contains provisions for the indemnification of the Trustee and the Manager and their relief from liability in certain circumstances.

The Trustee and the Manager benefit from various indemnities in the Trust Deed. Except as provided under the Trust Deed, the Trustee and the Manager shall be entitled to be indemnified out of, and have recourse to, the relevant Sub-Fund or the Trust generally, in respect of any liabilities, costs, claims or demands arising directly or indirectly from the proper performance of their duties with respect to the Trust. Nothing in any of the provisions of the Trust Deed shall in any case exempt the Trustee and the Manager from or indemnify them against any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence for which they may be liable in relation to their duties and neither the Trustee nor the Manager may be indemnified against such liability by Unitholders or at Unitholders' expense.

Unitholders and intending applicants are advised to consult the terms of the Trust Deed for further details.

#### **14.8 Modification of Trust Deed**

Subject to the prior approval of the Commission if any Sub-Fund is authorized pursuant to section 104 of the Securities and Futures Ordinance, the Trustee and the Manager may agree to modify the Trust Deed by supplemental deed provided that the Trustee shall certify in writing that such modification (i) is not materially prejudicial to the interests of Unitholders, does not operate to release to any material extent the Trustee, the Manager or any other person from any responsibility to the Unitholders and will not result in any increase in the amount of costs and charges payable out of the assets of the Trust or (ii) is necessary in order to comply with any fiscal, statutory or official requirement (whether or not having the force of law) or (iii) is made to correct a manifest error.

In all other cases modifications require the sanction of an extraordinary resolution of the Unitholders affected and prior approval of the Commission.

#### **14.9 Meetings of Unitholders**

The Trust Deed contains detailed provisions for meetings of Unitholders. Meetings may be convened by the Trustee, the Manager or the holders of at least 10% in value of the Units in issue, on not less than 21 days' notice. Notice of meetings will be posted to Unitholders and/or published on the website of the Manager at [www.99fund.com.hk](http://www.99fund.com.hk) and the website of the HKEx at [www.hkex.com.hk](http://www.hkex.com.hk). Unitholders may appoint proxies, who need not themselves be Unitholders. The quorum for a meeting to pass an ordinary resolution will be Unitholders present in person or by proxy registered as holding not less than 10% of the Units for the time being in issue. The quorum for a meeting to pass an extraordinary resolution will be Unitholders present in person or by proxy registered as holding not less than 25% of the Units for the time being in issue or, for an adjourned meeting, Unitholders present in person or by proxy whatever their number or the number of Units held by them. A meeting to pass an extraordinary resolution may be used to modify the terms of the Trust Deed, including increasing the maximum fees payable to the service providers, removing the Manager or terminating the Sub-Fund at any time. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting should be adjourned for not less than 15 days. In the case of an adjourned meeting of which separate notice will be given, such Unitholders as are present in person or by proxy will form a quorum.

An ordinary resolution is a resolution proposed as such and passed by a simple majority (more than 50%) of the total number of votes cast. An extraordinary resolution is a resolution proposed as such and passed by a majority of 75% or more of the total number of votes cast.

The Trust Deed contains provisions for the holding of separate meetings of holders of Units in different Sub-Funds and different classes where only the interests of holders in a particular Sub-Fund or class are affected.

#### **14.10 Voting Rights**

The Trust Deed provides that at any meeting of Unitholders, every Unitholder who is present as aforesaid or by proxy shall have one vote for every Unit of which he is the holder.

Where a Unitholder is a recognised clearing house (within the meaning of the Securities and Futures Ordinance) (or is its nominee(s)), it may authorize such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any meetings of Unitholders or any meetings of any class of Unitholders provided that, if more than one person is so authorized, the authorisation or proxy form must specify the number and class of Units in respect of which each such person is so authorized. The person so authorized will be deemed to have been duly authorized without the need of producing any documents of title, notarized authorisation and/or further evidence for substantiating the facts that it is duly authorized (save that the Trustee shall be entitled to request for evidence from such person to prove his/her identity) and will be entitled to exercise the same power on behalf of the recognized clearing house as that clearing house or its nominee(s) could exercise if it were an individual Unitholder of the Trust. For the avoidance of doubt, a Unitholder who is a recognised clearing house (or its nominee(s)) shall exercise its voting rights in compliance with the applicable CCASS rules and/or operational procedures.

#### ***14.11 Documents Available for Inspection***

Copies of the following documents are available for inspection at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) free of charge at the offices of the Manager:

- (a) Trust Deed;
- (b) Registrar Agreement;
- (c) Service Agreement or Conversion Agency Agreement;
- (d) Participation Agreements;
- (e) other material contracts, if any (as specified in Part 2 of this Prospectus); and
- (f) the latest annual and semi-annual reports (if any) of the Trust and the Sub-Fund.

Copies of the documents set out in paragraphs (a) to (e) above can be purchased from the Manager on payment of a reasonable fee. Copies of the latest annual and semi-annual reports (if any) are available upon request free of charge.

Please refer to the section headed “*Directory*” above for the address of the Manager.

#### ***14.12 Part XV of the Securities and Futures Ordinance***

Part XV of the Securities and Futures Ordinance 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. Consequently, Unitholders are not obliged to disclose their interest in a Sub-Fund.

#### ***14.13 Anti-Money Laundering Regulations***

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

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

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

Each of the Trustee, the Manager, the relevant Participating Dealer and their respective delegates or agents reserves the right to request such information as is necessary to verify the identity of an applicant and the source of the payment. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Trustee and/or the Manager and/or the relevant Participating Dealer and/or their respective delegates or agents may refuse to accept the application and the application moneys relating thereto. Neither the Manager, the Trustee, the relevant Participating Dealer nor their respective delegates or agents will be liable to any investor or applicant for any loss caused as a result of such delay or refusal to process applications and claims for payment of interest due to such delay or refusal will not be accepted.

Each of the Trustee, the Manager, the relevant Participating Dealer also reserves to refuse to make any redemption payment to a Unitholder or investor if the Trustee or the Manager or the relevant Participating Dealer or any of their respective delegates or agents suspect or are advised that the payment of redemption proceeds to such Unitholder or investor might result in a breach of applicable anti-money laundering or other laws or regulations by any person in any relevant jurisdiction, or if such refusal is considered necessary or appropriate to ensure the compliance by the Trust or the relevant Sub-Fund or the Trustee or the Manager or the relevant Participating Dealer with any such laws or regulations in any applicable jurisdiction.



None of the Trustee, the Manager, the relevant Participating Dealer or their respective delegates or agents shall be liable to the relevant Unitholder or investor for any loss suffered by such party as a result of such rejection or delay of any subscription application or payment of redemption proceeds.

#### **14.14 Publication of Information Relating to the Sub-Funds**

The Manager will publish important news and information in respect of the Sub-Funds (including in respect of the Underlying Index), both in English and in Chinese languages, on its website [www.99fund.com.hk](http://www.99fund.com.hk), including:

- this Prospectus (as amended and supplemented from time to time);
- the latest Product Key Facts Statements of the Sub-Funds;
- the latest annual and semi-annual financial reports of the Sub-Funds in English;
- any public announcements made by a Sub-Fund, including information in relation to the relevant Sub-Fund and its Underlying Index, notices of the suspension of the calculation of Net Asset Value, changes in fees and charges and the suspension and resumption of trading of Units and notices relating to material changes to the relevant Sub-Fund that may have an impact on its investors, including notices for material alterations or additions to this Prospectus or the relevant Sub-Fund's Product Key Facts Statement or constitutive documents;
- the near real-time estimated Net Asset Value per Unit of a Sub-Fund during normal trading hours of the SEHK;
- the last closing Net Asset Value and Net Asset Value per Unit of a Sub-Fund;
- the composition of the relevant Sub-Fund (updated on a daily basis); and
- the latest list of Participating Dealers and market makers.

Please refer to Part 2 of this Prospectus for further details on the publication of the near real-time estimated Net Asset Value per Unit and the last closing Net Asset Value and Net Asset Value per Unit of a Sub-Fund.

Although every effort is made to ensure information provided are accurate at the time of publication the Manager shall not accept any responsibility for any error or delay in calculation or in the publication or non-publication of prices which are beyond its control.

The Manager's website provides a hyperlink to HKEx's website [www.hkex.com.hk](http://www.hkex.com.hk), where information on the bid/ask price, queuing display, the previous day's closing Net Asset Value will be available.

Real-time updates about the relevant Underlying Index can be obtained through other financial data vendors. It is the investors' own responsibility to obtain additional and latest updated information about the Underlying Index (including without limitation, a description of the way in which the Underlying Index is calculated, any change in the composition of the Underlying Index, any change in the method for compiling and calculating the Underlying Index) via the website disclosed in the relevant Appendix for each Sub-Fund under Part 2 of the Prospectus.

Please refer to the section "**14.15 Website Information**" below for the warning and the disclaimer regarding information contained in such website.

#### **14.15 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 investors to access further information relating to the subject matter indicated and such information does not form part of this Prospectus. None of the Manager or the Trustee accepts any responsibility for ensuring that the information contained in such other websites and sources, if available, is accurate, complete and/or up-to-date, and no liability is accepted by the 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 website, [www.99fund.com.hk](http://www.99fund.com.hk). Investors should exercise an appropriate degree of caution when assessing the value of such information.

#### **14.16 Notices**

All notices and communications to the Manager and Trustee should be made in writing and sent to their respective addresses set out in the section headed "Directory" above.

#### **14.17 Complaints and Enquiries**

Investors may contact the Manager by the following means if they have any enquiries, feedback or complaints in relation to any Sub-Fund:

- In writing to 2701, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
- By calling the investor hotline of the Manager at (852) 3983 5600

The Manager will handle or channel to the relevant party any enquiries, feedback or complaints from investors and revert to the investors accordingly.

## SCHEDULE 1 - INVESTMENT AND BORROWING RESTRICTIONS

### *Investment Restrictions*

The Trust Deed sets out restrictions and prohibitions on the acquisition of certain investments by the Manager. Each of the Sub-Fund(s) is subject to the following principal investment restrictions:

- (a) not more than 10% of the Net Asset Value of a Sub-Fund may consist of securities issued by any one company or body, unless it is limited to any securities constituting the Underlying Index (“constituent securities”) that each accounts for more than 10% of the weighting of the Underlying Index and the Sub-Fund’s holding of any such constituent securities may not exceed their respective weightings in the Underlying Index, except where the weightings are exceeded as a result of changes in the composition of the Underlying Index and the excess is only transitional and temporary in nature;
- (b) a Sub-Fund (when aggregated with the holdings of all the other Sub-Funds) may not hold more than 10% of any ordinary shares issued by any single issuer;
- (c) not more than 15% of the Net Asset Value of a Sub-Fund may consist of securities not listed, quoted or dealt in on a stock exchange, over-the-counter market or other organised securities market that is open to the international public and on which such securities are regularly traded;
- (d) not more than 15% of the Net Asset Value of a Sub-Fund (in terms of total amount of the premium paid) may consist of warrants and options, other than warrants and options held for hedging purposes;
- (e) (i) not more than 10% of the Net Asset Value of a Sub-Fund may consist of shares or units in other collective investment schemes (“**Managed Funds**”) which are non-recognised jurisdiction schemes (as permitted under the Code) and not authorized by the Commission; (ii) not more than 30% of the Net Asset Value of a Sub-Fund may consist of shares or units in a managed fund which is either a recognised jurisdiction scheme\* (as permitted under the Code) or an Commission-authorized scheme unless the managed fund is authorized by the Commission and the relevant disclosure requirements in the Code are complied with, provided that no investment may be made in a managed fund, the investment objective of which is to invest primarily in any investments prohibited by the Commission for the purposes of investment by managed funds authorized by the Commission, and where such managed fund’s investment objective is to invest primarily in investments restricted by chapter 7 of the Code, such holdings may not be in contravention of the relevant limitations;

*\* Recognised jurisdiction schemes refers to UCITS III schemes domiciled in Luxembourg, Ireland or the United Kingdom, and such other categories of recognized jurisdiction schemes as determined by the Commission from time to time.*

- (f) where a Sub-Fund invests in any managed funds managed by the Manager or its connected persons, all initial charges on the managed funds must be waived (or refunded, if paid);
- (g) the Manager may not obtain a rebate on any fees or charges levied by a managed fund or the managed fund’s management company;
- (h) 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 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 commodity based investments (excluding, for this purpose, shares in companies engaged in producing, processing or trading in commodities);
- (i) subject to (a) above, the value of a Sub-Fund’s holding in Government and other public securities of the same issue may exceed 30% of the Net Asset Value of the Sub-Fund and the Manager may invest all of the assets of a Sub-Fund in Government and other public securities in any number of different issues; or
- (j) if and for so long as a Sub-Fund is authorized pursuant to section 104 of the Securities and Futures Ordinance any investment made for the account of that Sub-Fund in any collective investment scheme shall comply with the applicable restrictions under the Code.

For the purpose of this section, “Government and other public securities” means any investment issued by, or the payment of principal and interest on, which is guaranteed by the government of any member state of the Organisation for Economic Co-operation and Development (“**OECD**”) or any fixed interest investment issued in any OECD country by a public or local authority or nationalised industry of any OECD country or anywhere in the world by any other body which is, in the opinion of the Trustee, of similar standing. “Government and other public securities” will be regarded as being of a different issue if, even though they are issued by the same person, they are issued on different terms whether as to repayment dates, interest rates, the identity of the guarantor, or otherwise.

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

- (i) invest in a security of any class in any company or body if any director or officer of the Manager individually own more than 0.5% of the total nominal amount of all the issued securities of that class or the directors and officers of the Manager collectively own more than 5% of those securities;
- (ii) invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies or interests in real estate investment trusts (“REITs”));
- (iii) make short sales if as a result such Sub-Fund would be required to deliver securities would exceed 10% of the Net Asset Value of such Sub-Fund or if the Security which is to be sold short is not actively traded on a market where short selling activity is permitted;
- (iv) write uncovered options;
- (v) write a call option if the aggregate of the exercise prices of such call option and of all other call options written for the account of such Sub-Fund would exceed 25% of the Net Asset Value of that Sub-Fund;
- (vi) make a loan out of the assets of that Sub-Fund without the prior written consent of the Trustee except to the extent that the acquisition of an investment or the making of a deposit (within applicable investment restrictions) might constitute a loan;
- (vii) 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;
- (viii) enter into any obligation on behalf of a Sub-Fund or acquire any asset for the account of that Sub-Fund which involves the assumption of any liability which is unlimited; or
- (ix) 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 such Sub-Fund which has not been appropriated and set aside for any other purposes (including (v) above) and shall not be entitled without the consent of the Trustee to apply any part of the relevant Sub-Fund in the acquisition of any other investment which is in the opinion of the Trustee likely to involve the Trustee in any liability (contingent or otherwise).

#### ***Borrowing Restrictions***

Subject to the limits set out in Part 2 of this Prospectus, the Manager may engage in borrowing in order to acquire investments, to redeem Units or to pay expenses relating to a Sub-Fund. The maximum borrowing of a Sub-Fund may not exceed 25% of its latest available Net Asset Value. For this purpose, back-to-back loans do not count as borrowing. The assets of the Sub-Fund may be charged, pledged or otherwise encumbered in any manner as security for any such borrowings.

If the investment and borrowing restrictions set out above are breached, the Manager shall as a priority objective take all steps necessary within a reasonable period of time to remedy the situation, having due regard to the interests of Unitholders. The Manager is not immediately required to sell applicable investments if any of the investment restrictions are exceeded as a result of changes in the value of the relevant Sub-Fund’s investments, reconstructions or amalgamations, payments out of the assets of the relevant Sub-Fund or redemption of Units but for so long as such limits are exceeded, the Manager shall not acquire any further investments which would result in such limit being further breached.

#### ***Securities lending and repurchase transactions***

The Manager does not currently intend to enter into securities lending transactions and repurchase transactions and other similar over-the-counter transactions on behalf of the Trust or any Sub-Fund. Should this intention change in the future, the Commission’s prior approval will be sought and at least one month’s prior notice will be given to Unitholders and this Prospectus will be updated accordingly.

**PART 2**

**INFORMATION SPECIFIC TO SUB-FUNDS**

## **APPENDIX 1**

### **C-Shares CSI 300 Index ETF**

*(a sub-fund of the China Universal International ETF Series, a Hong Kong umbrella unit trust authorized under Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong)*

STOCK CODES: 83008 (RMB counter) and 03008 (HKD counter)

MANAGER

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

LISTING AGENT

**GF Capital (Hong Kong) Limited**

5 May 2014

Application has been made by the Manager for the trademark registration of “C-Shares” in Hong Kong. Please note the reference to “C-Shares” in the name of the CSI 300 ETF do not have any implication on the fee structure of the CSI 300 ETF.

## C-Shares CSI 300 Index ETF

Stock Codes: 83008 (RMB counter) and 03008 (HKD counter)

### 1. KEY INFORMATION

#### 1.1 General

This Appendix sets out information specific to C-Shares CSI 300 Index ETF (“CSI 300 ETF”). For general information about the Trust and its Sub-Funds, please refer to Part 1 of this Prospectus. Investors should read both Parts of the Prospectus before investing in CSI 300 ETF. In particular, investors should consider the general risk factors set out in section “5. *General Risk Factors*” of Part 1 of this Prospectus and any specific risk factors set out in section “11. *Risk Factors relating to the CSI 300 ETF*” of this Appendix, before investing in the CSI 300 ETF.

Dealing in the RMB traded Units and HKD traded Units of the CSI 300 ETF has commenced. RMB traded Units and HKD traded Units in the CSI 300 ETF have been accepted as eligible securities by HKSCC for deposit, clearing and settlement in CCASS.

#### 1.2 Summary of Information

The following table sets out certain key information in respect of the CSI 300 ETF, and should be read in conjunction with the full text of this Prospectus.

Investment Type	Exchange Traded Fund (“ETF”) authorized as a collective investment scheme by the Commission under Chapter 8.6 and Appendix I of the Code
Underlying Index	CSI 300 Index Inception Date: 8 April 2005 Number of constituents: 300 Base Currency of Underlying Index: RMB (CNY)
Type of Underlying Index	The Underlying Index is a price return index which means that it does not include the reinvestment of dividends from the constituents (such dividends being net of withholding tax).
Investment Strategy	Full replication strategy. Please refer to section “3. <i>Investment Objective and Strategy</i> ” of this Appendix for further details.
Initial Issue Date	5 July 2013
Listing Date	8 July 2013
Exchange Listing	SEHK - Main Board
Stock Codes	83008 – RMB counter 03008 – HKD counter
Stock Short Names	C-SHS CSI 300-R – RMB counter C-SHS CSI 300 – HKD counter
Trading Board Lot Size	200 Units – RMB counter 200 Units – HKD counter
Base Currency	Renminbi (RMB)
Trading Currency	Renminbi (RMB) – RMB counter Hong Kong dollars (HKD) – HKD counter
Dividend Policy	The Manager intends to distribute income to Unitholders annually having regard to the CSI 300 ETF’s net income after fees and charges. Distributions (if declared) will normally be made within the first quarter of the calendar year.  <b>Distributions on all Units (RMB counter Units and HKD counter Units) will be in RMB only<sup>#</sup>.</b>

Application Unit size for Creation /Redemption (only by or through Participating Dealers)	Minimum 300,000 Units (or multiples thereof)	
Minimum Subscription (only by or through Participating Dealers)	1 Application Unit (i.e. 300,000 Units)	
Method of Creation / Redemption	Cash (RMB) only	
Parties	Manager / RQFII Holder	China Universal Asset Management (Hong Kong) Company Limited
	Trustee	BOCI-Prudential Trustee Limited
	Custodian	Bank of China (Hong Kong) Limited
	RQFII Custodian	Bank of China Limited
	Registrar	Computershare Hong Kong Investor Services Limited
	Adviser	China Universal Asset Management Company Limited
	Listing Agent	GF Capital (Hong Kong) Limited
	Participating Dealers	Barclays Bank Plc BNP Paribas Securities Services BOCI Securities Limited Morgan Stanley Hong Kong Securities Limited Standard Chartered Bank (Hong Kong) Limited UBS Securities Hong Kong Limited China International Capital Corporation Hong Kong Securities Limited KGI Securities (Hong Kong) Limited Nomura International (Hong Kong) Limited <i>*please refer to the Manager's website set out below for the latest list</i>
	Market Makers	<u>RMB counter:</u> BNP Paribas Securities (Asia) Limited BOCI Securities Limited Bluefin HK Limited China Merchants Securities (HK) Co., Limited China International Capital Corporation Hong Kong Securities Limited CITIC Securities Brokerage (HK) Limited Commerz Securities Hong Kong Ltd Standard Chartered Bank (Hong Kong) Limited UBS Securities Hong Kong Limited  <u>HKD counter:</u> BNP Paribas Securities (Asia) Limited BOCI Securities Limited Bluefin HK Limited China Merchants Securities (HK) Co., Limited China International Capital Corporation Hong Kong Securities Limited Commerz Securities Hong Kong Ltd Standard Chartered Bank (Hong Kong) Limited UBS Securities Hong Kong Limited <i>*please refer to the Manager's website set out below for the latest list</i>
Service Agent	HK Conversion Agency Services Limited	
Financial Year	Ending 31 December each year	
Management Fee	Currently 0.50% per annum of the Net Asset Value of the CSI 300 ETF	
Trustee's Fee	Currently 0.10% per annum (as a % of the Net Asset Value of the CSI 300 ETF) (subject to a minimum of RMB40,000 per month)	
Registrar's Fee	Initial placing fee of HK\$180,000 and an ongoing registry service fee of HK\$96,000 per annum	

Estimated total expense ratio*	Estimated to be 0.79% per annum of the Net Asset Value of the CSI 300 ETF (including the fees of the Manager, the Trustee and the Custodian and other charges)
Website	www.99fund.com.hk <sup>1</sup>

<sup>#</sup> Both HKD traded Units and RMB traded Units will receive distributions in RMB only. In the event that the relevant Unitholder has no RMB account, the Unitholder may have to bear the fees and charges associated with the conversion of such dividend from RMB into HKD or any other currency. Unitholders are advised to check with their brokers / intermediaries on the arrangements concerning distributions and to consider the risk factor entitled “RMB distributions risk” below. Please refer to the section headed “5. Distribution Policy” and section headed “RMB distribution risk” under “11.4 Dual Counter Trading risks” in this Appendix for further details.

\* The estimated total expense ratio does not represent the estimated tracking error of CSI 300 ETF.

### 1.3 **Listing Agent of CSI 300 ETF**

GF Capital (Hong Kong) Limited has been appointed by the Manager as the Listing Agent for the CSI 300 ETF. The Listing Agent is licensed by the Commission to carry on Type 6 (advising on corporate finance) regulated activity in Hong Kong under the Securities and Futures Ordinance.

### 1.4 **Custodian**

The Custodian of the Trust and the Sub-Fund is Bank of China (Hong Kong) Limited (“**Custodian**”). For further details on the Custodian, please refer to section 2.3 of Part 1 of this Prospectus.

The Custodian has been appointed by the Trustee to act as the custodian of the Sub-Fund’s assets, which will be held directly by the Custodian or through its agents, sub-custodians, or delegates pursuant to the custody agreement.

### 1.5 **RQFII Custodian for CSI 300 ETF**

The CSI 300 ETF invests directly in China A-Shares using RQFII quotas granted to the Manager. The Manager as the RQFII Holder is required to appoint a custodian in the PRC for the custody of assets, pursuant to relevant laws and regulations. Bank of China Limited (“**Bank of China**” or “**RQFII Custodian**”) has been appointed by the Manager together with the Custodian as the RQFII Custodian in respect of the investments held by the CSI 300 ETF pursuant to the custody agreement entered into between the Custodian, the RQFII Custodian and the Manager (“**RQFII Custody Agreement**”).

The RQFII Custodian will look to the Trustee for instructions (through the Custodian) and solely act in accordance with the Trustee’s instructions (through the Custodian).

Bank of China was founded in February 1912 following the approval of Dr. Sun Yat-sen. Until the founding of the People’s Republic of China in 1949, Bank of China served as the central bank, international exchange bank and specialized foreign trade bank of the country. In 1994, Bank of China was transformed into a state-owned commercial bank. It was then selected as a pilot bank for the joint stock reforms of state-owned commercial banks in 2003, so it was incorporated in August 2004 and got listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange in June and July 2006 respectively, becoming the first A and H dual listed Chinese commercial bank.

Bank of China engages in full-scaled commercial banking business, including a wide spectrum of corporate and retail services, treasury functions and institutional banking. The latter refers to services offered to banks, brokerage houses, fund companies, and insurance companies worldwide, ranging from clearing and inter-bank lending to agency and custody services etc. The Bank of China has been providing custody services since 1998 as one of the first qualified custodians in the China market. During the past decade, the Bank of China has been playing a leading role in the domestic custodian industry in terms of research capabilities, service standards, internal controls and IT constructions. It also leads the market in a number of product innovations. As the Bank of China has moved into the global custody arena in recent years, it has achieved total assets under custody of nearly RMB3 trillion within the Bank of China Group world-wide as at the end of 2011, making it the largest Chinese global custodian. Its Custody and Investor Services Department has over 130 professional staff. Fund houses, insurance companies, securities firms, trust companies, commercial banks, National Council for Social Security, pensions, private equity companies, and individual clients are all well served by the Bank of China. In addition, the Bank of China maintains close relationships with various regulatory authorities to enable effective communication and top notch services.

### 1.6 **Parent Company - Adviser**

China Universal Asset Management Company Limited (“**CUAM**”), the PRC parent company of the Manager has sufficient experience and expertise in managing and operating physical China A-Shares exchange traded funds listed and traded in the PRC. The CSI 300 ETF is the first China A-Shares exchange traded fund managed by the Manager.

Given the cross-border nature of the CSI 300 ETF, the Manager may substantially tap into the relevant infrastructure and expertise of CUAM to support its operation of the CSI 300 ETF in Hong Kong.

<sup>1</sup> The contents of this website have not been reviewed by the Commission.



Accordingly, the Manager has appointed CUAM to act as adviser to the Manager and provide advice and backup operational support in relation to the operations of the CSI 300 ETF.

CUAM will not exercise investment discretion in respect of the investments of the CSI 300 ETF.

CUAM will advise the Manager on major corporate actions relating to the Index Securities. CUAM will also advise the Manager on cash management and cross-border money transfers. CUAM will provide investment advice to the Manager for the CSI 300 ETF, however, the Manager retains discretionary investment powers in the management of the CSI 300 ETF.

The Manager will review and closely monitor the services performed by CUAM so as to ensure that they are carried out properly.

The Manager may perform any or all of the above functions on its own as and when it has determined that it would be appropriate for it to do so.

### **1.7 *Market Maker***

It is a requirement that the Manager ensures that there is at all times at least one market maker for Units of the CSI 300 ETF traded in the RMB counter and at least one market maker for Units of the CSI 300 ETF traded in the HKD counter although these market makers may be the same entity. 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 counter to facilitate the efficient trading of Units of the CSI 300 ETF. The Manager will ensure that at least one Market Maker per counter is required to give not less than 90 days' prior notice to terminate market making under the relevant market making agreement.

The list of market makers in respect of the CSI 300 ETF is available on [www.99fund.com.hk](http://www.99fund.com.hk) and from time to time will be displayed on [www.hkex.com.hk](http://www.hkex.com.hk).

## **2. INVESTMENT OBJECTIVE AND STRATEGY**

### ***Investment Objective***

The investment objective of the CSI 300 ETF is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the Underlying Index, namely, CSI 300 Index. There is no assurance that the CSI 300 ETF will achieve its investment objective.

### ***Investment Strategy***

In order to achieve the investment objective of the CSI 300 ETF, the Manager will use a full replication strategy by directly investing all, or substantially all, of the assets of CSI 300 ETF in Index Securities constituting the Underlying Index in substantially the same weightings (i.e. proportions) as these Index Securities have in the Underlying Index. Please refer to the section headed "**17. The Underlying Index**" of this Appendix for further details on the Underlying Index.

Under normal circumstances, the CSI 300 ETF will invest at least 95% of its assets in the Index Securities constituting the Underlying Index. The CSI 300 ETF may also invest not more than 5% of its Net Asset Value in money market funds and in cash deposits for cash management purpose.

The Manager reviews the Index Securities held in the CSI 300 ETF's portfolio each Business Day. In order to minimise tracking error, it closely monitors factors such as any changes in the weighting of each Index Security in the Underlying Index, suspension, dividend distributions and the liquidity of the CSI 300 ETF's portfolio. The Manager will also conduct adjustment on the portfolio of the CSI 300 ETF regularly, taking into account tracking error reports, the index methodology and any rebalance notification of the Underlying Index.

Currently it is intended that the CSI 300 ETF will directly obtain exposure to Securities issued within the PRC through the Manager's RQFII quotas granted by SAFE, as the Manager has obtained RQFII status in the PRC. For further details please refer to section "**7. Renminbi Qualified Foreign Institutional Investor (RQFII)**" in this Appendix.

The CSI 300 ETF will not invest in derivatives instruments (including structured products or instruments) for investment or hedging purposes. Prior approval of the Commission will be sought and not less than one month's prior notice will be given to the Unitholders of CSI 300 ETF in the event the Manager wishes to invest in derivatives instruments (including structured products or instruments) for investment or hedging purposes.

Prior approval of the Commission will be sought and not less than one month's prior notice will be given to the Unitholders in the event the Manager wishes to adopt an investment strategy other than the full replication strategy.

## **3. INVESTMENT AND BORROWING RESTRICTIONS**

The investment strategy of the CSI 300 ETF is subject to the investment and borrowing restrictions set out in Schedule 1.

The Manager may borrow up to 25% of the latest available Net Asset Value of CSI 300 ETF to acquire investments, to redeem Units or to pay expenses relating to CSI 300 ETF.

## 4. **DEALING**

### 4.1 **Exchange Listing and Trading**

Dealings in the RMB traded Units and HKD traded Units of the CSI 300 ETF on the SEHK have already commenced.

Currently, Units are listed and dealt only on the SEHK and no application for listing or permission to deal on any other stock exchanges is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Units on other stock exchanges subject to the applicable RQFII Regulations (as defined in section “7. ***Renminbi Qualified Foreign Institutional Investor (RQFII)***” in this Appendix).

If trading of the Units of the CSI 300 ETF on the SEHK is suspended or trading generally on the SEHK is suspended, then there will be no secondary market dealing for those Units.

### 4.2 **Buying and Selling of Units of CSI 300 ETF on SEHK**

A Secondary Market Investor can buy and sell the Units of the CSI 300 ETF on the SEHK through his stockbroker at any time the SEHK is open. Units of the CSI 300 ETF may be bought and sold in the Trading Board Lot Size (or the multiples thereof). The Trading Board Lot Size is currently 200 Units for the RMB counter and 200 Units for the HKD counter.

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 the Net Asset Value per Unit of the CSI 300 ETF 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 of the CSI 300 ETF in the secondary market may be higher or lower than the Net Asset Value per Unit of the CSI 300 ETF.

Please refer to section “8. ***Trading of Units on the SEHK (Secondary Market)***” in Part 1 of this Prospectus for further information on buying and selling of Units on the SEHK.

### 4.3 **Dual Counter Trading**

#### 4.3.1 **Introduction of Dual Counter Trading (Secondary Market)**

The Manager has arranged for the Units of the CSI 300 ETF to be available for trading on the secondary market on the SEHK under a Dual Counter arrangement. Units are denominated in RMB. The CSI 300 ETF will offer two trading counters on the SEHK i.e. RMB counter and HKD counter to investors for secondary trading purposes. The two counters will have different stock codes, different International Securities Identification Number (“ISIN”) numbers and different stock short names as detailed in section headed “4.5.4 ***Trading Arrangement***” in this Appendix.

Units of CSI 300 ETF traded in the RMB counter will be settled in RMB and Units traded in the HKD counter will be settled in HKD. Apart from settlement in different currencies, the trading prices of Units of the CSI 300 ETF in the two counters may be different as the RMB counter and HKD counter are two distinct and separate markets.

Please note that despite the Dual Counter arrangement, creations and redemptions of new Units for the CSI 300 ETF in the primary market will continue to be made in RMB only. Please refer to section “4.6 ***Creation Applications and Redemption Applications by Participating Dealers***” in this Appendix for further details.

Investors can buy and sell Units of the CSI 300 ETF traded in the same counter. Alternatively, they can buy in one counter and sell in the other counter provided their brokers/intermediaries or CCASS participants provide both HKD and RMB trading services at the same time and offer inter-counter transfer services to support Dual Counter trading. However, investors should note that the trading price of Units of the CSI 300 ETF traded in the RMB counter and the HKD counter may be different and may not always maintain a close relationship depending on factors such as market demand and supply and liquidity in each counter.

Inter-counter buy and sell is permissible even if the trades take place within the same trading day. Investors should also note that some brokers / intermediaries may not provide inter-counter day trade services due to various reasons including operations, system limitations, associated settlement risks and other business considerations. Even if a broker / intermediary is able to provide such service, it may impose an earlier cut-off time, other procedures and/or fees.

More information with regard to the Dual Counter is available in the frequently asked questions in respect of the Dual Counter published on the HKEx’s website [www.hkex.com.hk/eng/prod/secprod/etf/dc.htm](http://www.hkex.com.hk/eng/prod/secprod/etf/dc.htm).

Investors should consult their brokers if they have any questions concerning fees, timing, procedures and the operation of the Dual Counter, including inter-counter transfers. Investors’ attention is also drawn to the risk facts under the section headed “11.4 ***Dual Counter Trading risk***” in this Appendix.

#### 4.3.2 *Transferability*

Units of the CSI 300 ETF traded in both counters are inter-transferable. Units traded in the RMB counter can be transferred to the HKD counter by way of an inter-counter transfer and vice versa on a one to one basis.

Inter-counter transfer of Units of the CSI 300 ETF will be effected and processed within CCASS only.

For units of the CSI 300 ETF which are bought using the Renminbi Equity Trading Support Facility (the “TSF”), TSF CCASS Participants should, on behalf of their clients, arrange a TSF stock release before proceeding with the inter-counter transfer. Investors are advised to consult their brokers / intermediaries about their service schedule to effect a TSF Unit release.

#### 4.3.3 *Unitholders’ rights*

Units of both the RMB and HKD counters belong to the same class in CSI 300 ETF and Unitholders of Units traded on both counters are entitled to identical rights and are therefore treated equally.

#### 4.3.4 *Trading Arrangement*

Units of the CSI 300 ETF traded under the two counters can be distinguished by their stock codes, their stock short names and a unique and separate ISIN as follows:

Counter	Stock Code	Stock short name	Trading Currency	ISIN Number (ISIN assigned to each counter)
RMB counter	83008	C-SHS CSI 300-R	RMB	HK0000146297
HKD counter	03008	C-SHS CSI 300	HKD	HK0000148723

#### 4.3.5 *Clearing and Settlement Arrangement*

Units of the CSI 300 ETF traded in the RMB counter will be settled in RMB and Units traded in the HKD counter will be settled in HKD. Apart from settlement in different currencies, the trading prices of Units of the CSI 300 ETF in the two counters may be different as the RMB counter and HKD counter are two distinct and separate markets.

#### 4.3.6 *Transfer Arrangement*

Inter-counter transfer of Units of the CSI 300 ETF will be effected and processed within CCASS only. Inter-counter transfers are not subject to any on-hold / earmark mechanism. Units of the CSI 300 ETF are freely transferable after they are “transferred” from one counter into its opposite counter.

#### 4.3.7 *Fees and Other Transaction Costs*

The fees and costs payable by a Secondary Market Investor for buying and selling Units of the CSI 300 ETF on the SEHK are the same for both the RMB and HKD counters.

HKSCC will charge each CCASS participant a fee of HKD5 per instruction for effecting an inter-counter transfer of the CSI 300 ETF from one counter to another counter.

#### 4.4 *Creation Applications and Redemption Applications by Participating Dealers*

The general terms and procedures relating to Creation Applications and Redemption Applications by the Participating Dealers are set out in section “7. *Creation and Redemption of Application Units (Primary Market)*” of Part 1 of this Prospectus, which should be read in conjunction with the following specific terms and procedures which relate to the CSI 300 ETF only.

The Manager currently only allows In-Cash Applications and In-Cash Redemptions for Units of the CSI 300 ETF. Notwithstanding the Dual Counter, any cash payable by Participating Dealers in an In-Cash Application must be in RMB.

Units which are created must be deposited in CCASS as RMB counter Units initially. Settlement in cash for subscribing Units is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

The Application Unit size for CSI 300 ETF is 300,000 Units. Creation Applications submitted in respect of Units other than in Application Unit size will not be accepted. The minimum subscription for the CSI 300 ETF is one Application Unit.

Both RMB traded Units and HKD traded Units can be redeemed by way of a Redemption Application (through a Participating Dealer). The process of redemption of Units deposited under the RMB counter and the HKD counter is the same. Notwithstanding the Dual Counter, any cash proceeds received by Participating Dealers in an In-Cash Redemption shall be paid only in RMB.

#### **4.4.1 Dealing Period**

The “Dealing Day” for the CSI 300 ETF is each Business Day.

The dealing period on each Dealing Day for a Creation Application or Redemption Application in respect of the CSI 300 ETF commences at 9:00 a.m. (Hong Kong time) and ends at the Dealing Deadline at 11:00 a.m. (Hong Kong time), as may be revised by the Manager from time to time. Any Creation Application or Redemption Application received after the Dealing Deadline will be considered as received on the next Dealing Day unless otherwise determined by the Manager.

The cleared funds in respect of Creation Applications must be received by 12:00 p.m. on the relevant Dealing Day or such other time as may be agreed by the Trustee, the Manager and the relevant Participating Dealer.

#### **4.4.2 Issue Price and Redemption Price**

The Issue Price of a Unit of any class shall be the Net Asset Value per Unit of the relevant class calculated as at the Valuation Point in respect of the relevant Valuation Day rounded to the nearest fourth (4th) decimal place (0.00005 or above being rounded up, and less than 0.00005 being rounded down).

The Redemption Price of Units of any class redeemed shall be the Net Asset Value per Unit of the relevant class calculated as at the Valuation Point of the relevant Valuation Day rounded to the nearest fourth (4th) decimal place (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 CSI 300 ETF.

The “**Valuation Day**” of the CSI 300 ETF, coincides with, and shall mean, the Dealing Day of the CSI 300 ETF or such other days as the Manager may determine.

The latest Net Asset Value of the Units will be available on the Manager’s website at [www.99fund.com.hk](http://www.99fund.com.hk) or published in such other publications as the Manager decides.

#### **4.4.3 Rejection of Creation of Applications relating to CSI 300 ETF**

In addition to the circumstances set out in section “**7.3.5 Rejection of Creation Applications**” in Part 1 of this Prospectus, the Manager, acting reasonably and in good faith, has the absolute discretion to reject a Creation Application in relation to the CSI 300 ETF, in any of the following circumstances:

- (a) where the acceptance of the Creation Application will have a material adverse impact on the China A-Shares market; or
- (b) where the RQFII quotas obtained by the Manager as RQFII relating to the CSI 300 ETF are reduced or cancelled or are not sufficient to meet the Creation Applications for the CSI 300 ETF.

#### **4.4.4 Termination of the CSI 300 ETF**

Termination on the ground that the aggregate Net Asset Value of the Units of the relevant classes of a Sub-Fund is less than a certain amount, as set out under section “**14.5 Termination of the Trust or a Sub-Fund**” in Part 1 of this Prospectus, is not applicable to the CSI 300 ETF as the Manager currently does not intend to rely on such ground for termination of the CSI 300 ETF.

### **5. DISTRIBUTION POLICY**

Net income earned by the CSI 300 ETF will not be re-invested. The Manager intends to distribute income to Unitholders annually having regard to the CSI 300 ETF’s net income after fees and charges. Distributions (if declared) will normally be made within the first quarter of the calendar year.

Distributions (if declared) will be declared in the Base Currency of the CSI 300 ETF (i.e. RMB). The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in RMB only. The details of the distribution declaration dates, distribution amounts and ex-dividend payment dates will be published on the Manager’s website [www.99fund.com.hk](http://www.99fund.com.hk). There can be no assurance that a distribution will be paid. For the avoidance of doubt, distributions will not be paid out of the capital of CSI 300 ETF.

Each Unitholder will receive distributions in RMB (whether holding RMB traded Units or HKD traded Units). In the event that the relevant Unitholder has no RMB account, the Unitholder may have to bear the fees and charges associated with the conversion of such dividend from RMB into HKD or any other currency. Unitholders are advised to check with their brokers/intermediaries on the arrangements concerning distributions.

Distribution payment rates in respect of Units will depend on factors beyond the control of the Manager or Trustee including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions.

## 6. PRC TAX PROVISIONS

The Manager will make provisions for any PRC taxes payable by the CSI 300 ETF on the gross realized capital gains derived from the disposal of China A-Shares and unrealized capital gains, at a rate of 10%. The Manager may review the rate of tax provision from time to time, and may further assess on making an accounting estimate based on the likelihood of the CSI 300 ETF enjoying the benefit from double tax treaty agreements between Hong Kong and the PRC for Hong Kong tax residents. The amount of actual provision will be disclosed in the accounts of the CSI 300 ETF. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary. The tax provision may be excessive or inadequate to meet the actual tax liabilities.

For further details relating to PRC taxes and the associated risks, please refer to the risk factor headed “*PRC tax considerations*” under section “*5.1 Risk Factors relating to China*” in Part 1 of this Prospectus.

## 7. RENMINBI QUALIFIED FOREIGN INSTITUTIONAL INVESTOR (RQFII)

Under current regulations in the PRC, generally foreign investors can invest only in the domestic securities market through certain qualified foreign institutional investors that have obtained status as a QFII or a RQFII from the CSRC and have been granted quota(s) by the SAFE to remit foreign freely convertible currencies (in the case of a QFII) and RMB (in the case of a RQFII) into the PRC for the purpose of investing in the PRC’s domestic securities markets.

The RQFII regime is currently governed by (a) the “Circular on Issues Related to the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors” (國家外匯管理局關於人民幣合格境外機構投資者境內證券投資試點有關問題的通知) issued by SAFE and effective from 21 March 2013; (b) the “Notice of the People’s Bank of China on the Relevant Matters concerning the Implementation of the Pilot Measures for Domestic Securities Investment Made by the RMB Qualified Foreign Institutional Investors”, issued by the PBOC and effective from 2 May 2013 (中國人民銀行關於實施《人民幣合格境外機構投資者境內證券投資試點辦法》有關事項的通知); (c) the “Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors” issued by the CSRC, the PBOC and the SAFE and effective from 1 March 2013 (人民幣合格境外機構投資者境內證券投資試點辦法); (d) the “Implementation Rules for the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors” issued by the CSRC and effective from 1 March 2013 (關於實施《人民幣合格境外機構投資者境內證券投資試點辦法》的規定); and (e) any other applicable regulations promulgated by the relevant authorities (collectively, the “**RQFII Regulations**”).

The CSI 300 ETF will obtain exposure to securities issued within the PRC through the RQFII quotas of the Manager. The Manager has obtained RQFII status in the PRC and as of the date of this Prospectus, has been granted, on behalf of the CSI 300 ETF, an initial RQFII quota of RMB 2 billion. To the extent that the Manager has, on behalf of the CSI 300 ETF, utilised its entire RQFII quota, the Manager may, subject to any applicable requirements, apply for an increase of the RQFII quota. On the other hand, the Manager will actively manage the RQFII quota obtained and may impose limits on Creation Applications as it considers appropriate. The Manager will notify the Participating Dealers through e-mail and telephone as and when it deems appropriate when it has substantially utilised its RQFII quota. Any increase of the RQFII quota will be announced on the website of the Manager.

The RQFII Custodian has been appointed to hold the assets of the CSI 300 ETF in the PRC in accordance with the terms of the RQFII Custody Agreement. Securities including China A-Shares will be maintained by the RQFII Custodian pursuant to PRC regulations through securities account(s) with the China Securities Depository and Clearing Corporation Limited (“**CSDCC**”) in the joint names of the Manager (as the RQFII holder) and the CSI 300 ETF. An RMB cash account(s) shall be established and maintained with the RQFII Custodian in the joint names of the Manager (as the RQFII holder) and the CSI 300 ETF. The RQFII Custodian shall, in turn, have a cash clearing account with CSDCC for trade settlement according to applicable regulations.

Repatriations in RMB conducted by the Manager (as RQFII) on behalf of the CSI 300 ETF are permitted daily and not subject to any repatriation restrictions, lock-up periods or prior approval from the SAFE.

There are specific risks associated with the RQFII regime and investors’ attention is drawn to the risk factors headed “*RQFII risk*” and “*PRC brokerage risk*” under section “*11.3 Risks relating to the RQFII regime*” below.

The Manager will assume dual roles as the Manager of the CSI 300 ETF and the holder of the RQFII quota for the CSI 300 ETF. The Manager will be responsible for ensuring that all transactions and dealings will be dealt with in compliance with the Trust Deed (where applicable) as well as the relevant laws and regulations applicable to the Manager as a RQFII.

The Manager has obtained an opinion from PRC legal counsel to the effect that, as a matter of PRC laws:

- (a) securities account(s) with the CSDCC and maintained by the RQFII Custodian and RMB cash account(s) with the RQFII Custodian (respectively, the “securities account(s)” and the “cash account(s)”) have been opened in the joint names of the Manager (as the RQFII holder) and the CSI 300 ETF and for the sole benefit and use of the CSI 300 ETF in accordance with all applicable laws and regulations of the PRC and with approval from all competent authorities in the PRC;

- (b) the assets held/credited in the securities account(s) (i) belong solely to the CSI 300 ETF, and (ii) are segregated and independent from the proprietary assets of the Manager (as the RQFII holder), the Custodian, the RQFII Custodian and any qualified broker registered in the PRC (“**PRC Broker**”) and from the assets of other clients of the Manager (as the RQFII holder), the Custodian, the RQFII Custodian and any PRC Broker(s);
- (c) the assets held/credited in the cash account(s) (i) become an unsecured debt owing from the RQFII Custodian to the CSI 300 ETF, and (ii) are segregated and independent from the proprietary assets of the Manager (as the RQFII holder) and any PRC Broker(s), and from the assets of other clients of the Manager (as the RQFII holder) and any PRC Broker(s);
- (d) the Trustee, for and on behalf of the CSI 300 ETF is the only entity which has a valid claim of ownership over the assets in the securities account(s) and the debt in the amount deposited in the cash account(s) of the CSI 300 ETF;
- (e) if the Manager or any PRC Broker is liquidated, the assets contained in the securities account(s) and the cash account(s) of the CSI 300 ETF will not form part of the liquidation assets of the Manager or such PRC Broker(s) in liquidation in the PRC; and
- (f) if the RQFII Custodian is liquidated, (i) the assets contained in the securities account(s) of the CSI 300 ETF will not form part of the liquidation assets of the RQFII Custodian in liquidation in the PRC, and (ii) the assets contained in the cash account(s) of the CSI 300 ETF will form part of the liquidation assets of the RQFII Custodian in liquidation in the PRC and the CSI 300 ETF will become an unsecured creditor for the amount deposited in the cash account(s).

Further, the Trustee has put in place proper arrangements to ensure that:

- (a) the Trustee takes into its custody or under its control the assets of the CSI 300 ETF, including onshore PRC assets of the CSI 300 ETF acquired by the CSI 300 ETF through the Manager’s RQFII quota and such PRC assets will be maintained by the RQFII Custodian in electronic form via a securities account(s) with the CSDCC and cash held in cash account(s) with the RQFII Custodian (“**Onshore PRC Assets**”), and holds the same in trust for the Unitholders;
- (b) cash and registrable assets of the CSI 300 ETF, including Onshore PRC Assets are registered or held to the order of the Trustee; and
- (c) the Custodian and the RQFII Custodian, via the Custodian, will look to the Trustee for instructions and solely act in accordance with such instructions as provided under the RQFII participation agreement between the Custodian, the RQFII Custodian, the Manager and the Trustee, as amended from time to time (“**RQFII Participation Agreement**”).

## 8. OVERVIEW OF THE OFFSHORE RMB MARKET

### **What Led to RMB Internationalisation?**

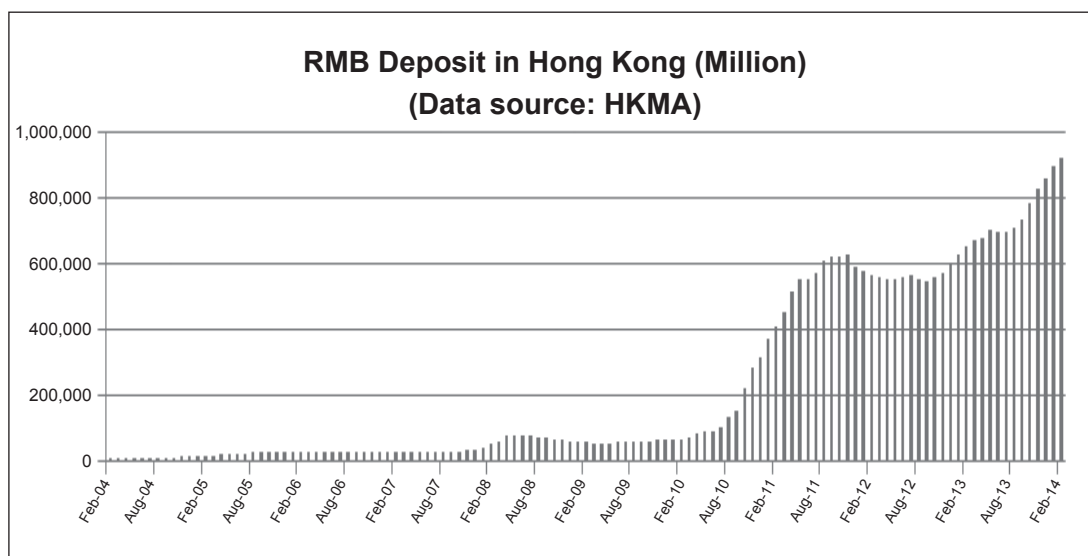
RMB is the lawful currency of the PRC. RMB is not currently a freely convertible currency and it is subject to foreign exchange control policies of and repatriation restrictions imposed by the PRC government. Since July 2005, the PRC government began to implement a controlled floating exchange rate system based on the supply and demand in the market and adjusted with reference to a portfolio of currencies. The exchange rate of RMB is no longer pegged to US dollars, resulting in a more flexible RMB exchange rate system.

Over the past two decades, the PRC’s economy grew rapidly at an average annual rate of 10.5% in real terms. This enables it to overtake Japan to become the second largest economy and trading country in the world. The International Monetary Fund has projected that the PRC will contribute to more than one-third of global growth by 2015. As the PRC’s economy becomes increasingly integrated with the rest of the world, it is a natural trend for its currency – the RMB, to become more widely used in the trade and investment activities.

### **Accelerating the Pace of the RMB Internationalisation**

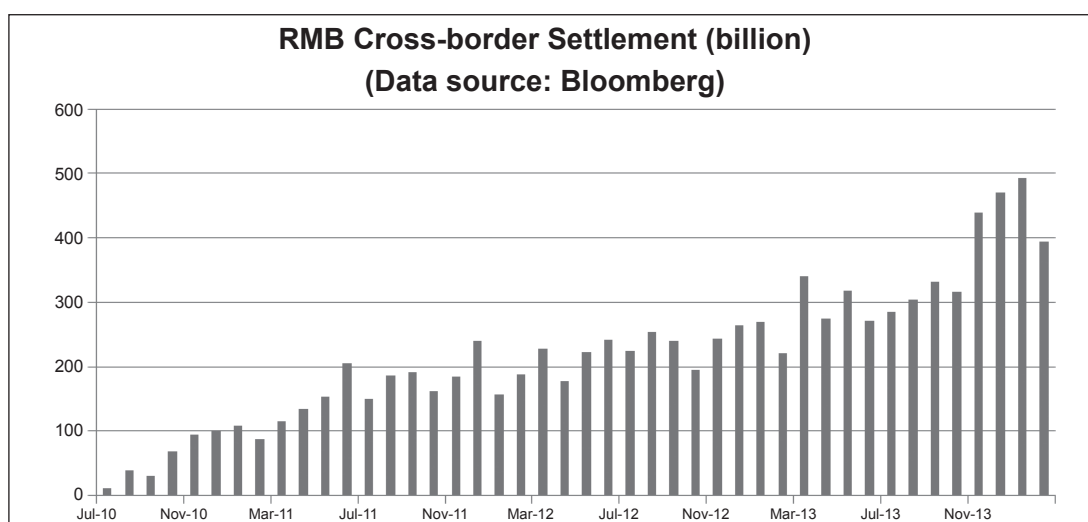
The PRC has been taking gradual steps to increase the use of RMB outside its borders by setting up various pilot programmes in Hong Kong and neighbouring areas in recent years. For instance, banks in Hong Kong were the first permitted to provide RMB deposits, exchange, remittance and credit card services to personal customers in 2004. Further relaxation occurred in 2007 when the authorities allowed PRC financial institutions to issue RMB bonds in Hong Kong, subject to regulatory approval. As of 28 February 2014, there are 146 banks in Hong Kong engaging in RMB business, with RMB deposits amounting to about RMB920 billion, as compared to just about RMB63 billion in the end of 2009.

The chart below shows the trend of RMB deposits in Hong Kong.



The pace of RMB internationalisation has accelerated since 2009 when the PRC authorities permitted cross-border trade between Hong Kong / Macau and Shanghai/four Guangdong cities, and between ASEAN and Yunnan/Guangxi, to be settled in RMB. In June 2010, the arrangement was expanded to 20 provinces / municipalities in the PRC and to all countries / regions overseas.

The chart below shows the trend of RMB cross-border settlement.



In April 2012, the PRC widened the daily trading band of the RMB against the US dollar from 0.5% to 1%.

### Onshore versus Offshore RMB Market

Following a series of policies introduced by the PRC authorities, a RMB market outside the PRC has gradually developed and started to expand rapidly since 2009. RMB traded outside the PRC is often referred as “offshore RMB” with the denotation “CNH”, which distinguishes it from the “onshore RMB” or “CNY”.

Both onshore and offshore RMB are the same currency but are traded in different markets. Since the two RMB markets operate independently where the flow between them is highly restricted, onshore and offshore RMB are traded at different rates and their movement may not be in the same direction. Due to the strong demand for offshore RMB, CNH used to be traded at a premium to onshore RMB, although occasional discount may also be observed. The relatively strength of onshore and offshore RMB may change significantly, and such change may occur within a very short period of time.

Notwithstanding that the offshore RMB market showed a meaningful growth during the past 2 years, it is still at an early stage of the development and is relatively sensitive to negative factors or market uncertainties. For instance, the value of offshore RMB had once dropped by 2% against the US dollars in the last week of September 2011 amidst the heavy selloff of the equities market. In general, the offshore RMB market is more volatile than the onshore one due to its relatively thin liquidity.

There have been talks on the potential convergence of the two RMB markets but that is believed to be driven by political decisions rather than just economics. It is widely expected that the onshore and offshore RMB markets would remain two segregated, but highly related, markets for the next few years.

### **Recent Measures**

More measures to relax the conduct of offshore RMB business were announced in 2010. On 19 July 2010, interbank transfer of RMB funds was permitted for any purposes and corporate customers of banks in Hong Kong (including those not directly involved in trade with mainland China) may exchange foreign currencies for RMB without limit. One month later, the PRC authorities announced the partial opening up of PRC's interbank bond market for foreign central banks, RMB clearing banks in Hong Kong and Macau and other foreign banks participating in the RMB offshore settlement programme.

The National Twelfth Five-Year Plan adopted in March 2011 explicitly supports the development of Hong Kong as an offshore RMB business centre. In August 2011, PRC Vice Premier Li Keqiang has announced more new initiatives during his visit, such as allowing investments on the PRC equity market through the RMB Qualified Foreign Institutional Investor scheme and the launch of an exchange-traded fund with Hong Kong stocks as the underlying constituents in the PRC. Also the PRC Government has given approval for the first non-financial PRC firm to issue RMB-denominated bonds in Hong Kong.

### **RMB Internationalisation is a Long-Term Goal**

Given the PRC's economic size and growing influence, RMB has the potential to become an international currency in the same ranks as US dollars and euro. But the PRC has to first accelerate the development of its financial markets and gradually make RMB fully convertible on the capital account. Although the internationalisation of RMB will bring benefits such as increasing political influence and reduced exchange rate risks, it also entails risks including rising volatility of RMB exchange rate.

The process of RMB internationalisation is a long and gradual one. It took US dollars many decades to replace the British pound to become a dominant reserve currency; it will also take time for RMB to gain importance in coming years, it will not be in a position to challenge the US dollar's main reserve currency status for some time to come.

## **9. CHINA A-SHARES MARKET IN THE PRC**

### **9.1 The Stock Exchanges in Mainland China**

Mainland China has two stock exchanges, located in Shanghai and Shenzhen respectively. Shanghai Stock Exchange ("SSE") was established in November 26, 1990 and started trading in December 19 of the same year. Shenzhen Stock Exchange ("SZSE") was established in December 1, 1990. The two exchanges are under the direct management of the CSRC. Their main functions include: to provide premises and facilities for securities trading; to develop the business rules of the exchanges; to accept listing applications and arrange for the listing of securities; to organize and supervise securities trading; to regulate exchange members and listed companies; to manage and disclose market information.

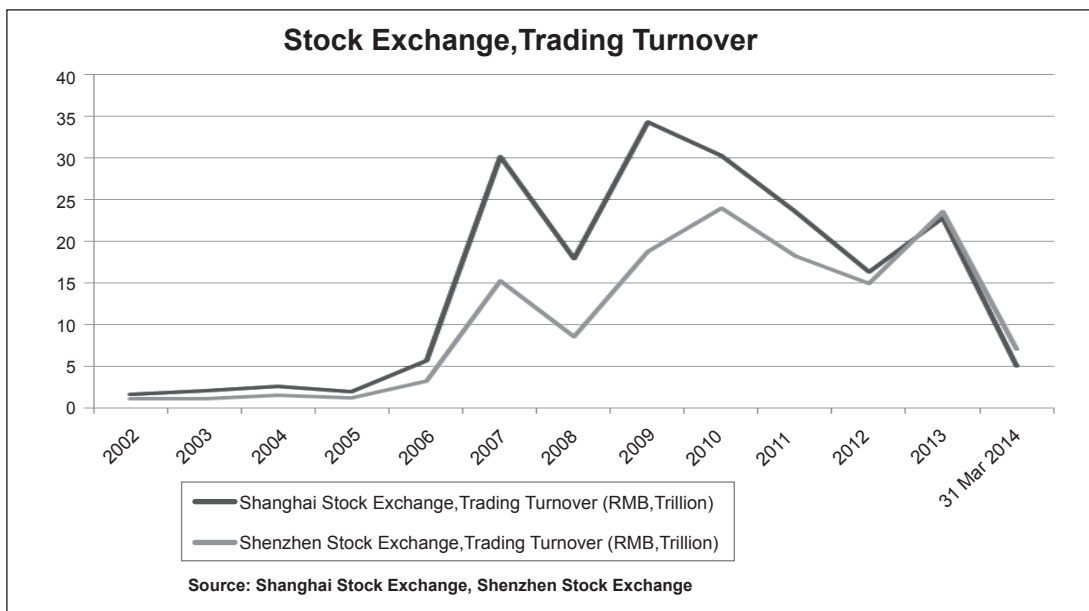
SSE adopts an electronic trading platform. The trading of all exchange-traded securities are required to be submitted to the exchange's matching engine which automatically matches orders based on price priority and time priority. The SSE's new trading system has a peak order processing capacity of 80,000 transactions per second. It has a bilateral transactions capacity of over 120 million which is equivalent to the size of daily turnover of RMB1.2 trillion by a single market. The system also has parallel scalability.

The SZSE, assuming the mission to build China's multi-level capital market system, has fully supported small and middle size enterprise development, and promoted the implementation of the national strategy of independent innovation. In May 2004, it officially launched the Small and Medium Enterprise ("SME") board; in January 2006, it started a pilot program for shares trading of non-listed companies of the Zhongguancun Science Park; it officially launched Growth Enterprises Market ("GEM") board in October 2009. After years of development, the SZSE has basically established a multi-level capital market system architecture consisting the above market boards and systems.

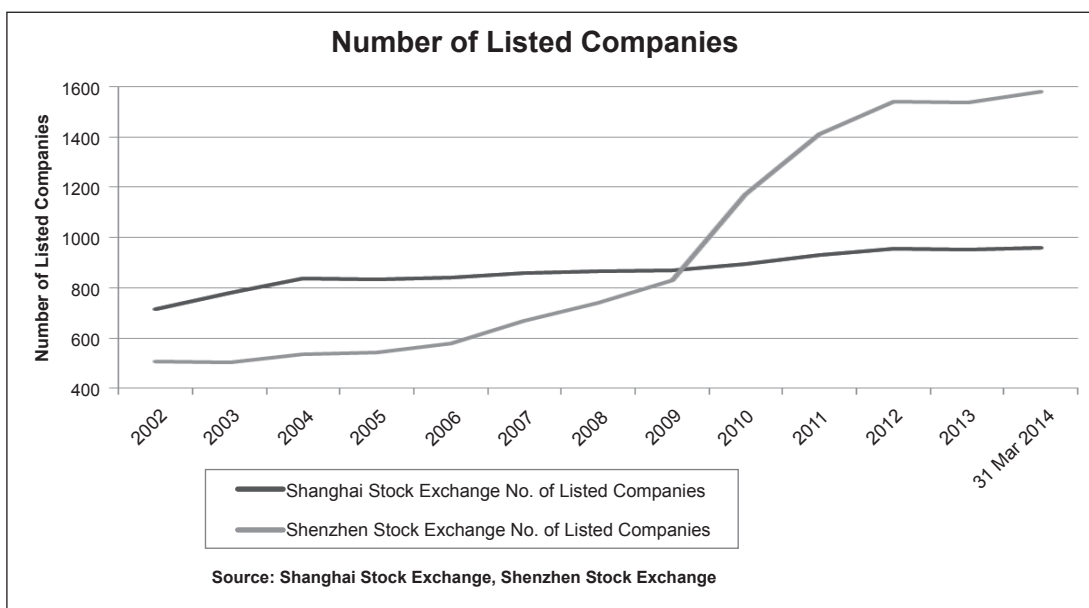
After years of sustained development, the two exchanges have made great achievements in terms of products and quantity listed. Now the listed products include: China A-Shares, B-Shares, open-ended funds, close-ended funds, exchange traded funds and bonds. As of 31 March 2014, the number of listed companies amounted to 2,537, including 959 in Shanghai, 1,578 in Shenzhen. The combined market capitalization of the two exchanges amounted to RMB 23.7 trillion of which RMB 19.7 trillion is free float. Currently, there are derivatives such as warrants and index futures and fixed income products listed on the SSE and SZSE (Source: Wind as at 31 March 2014).



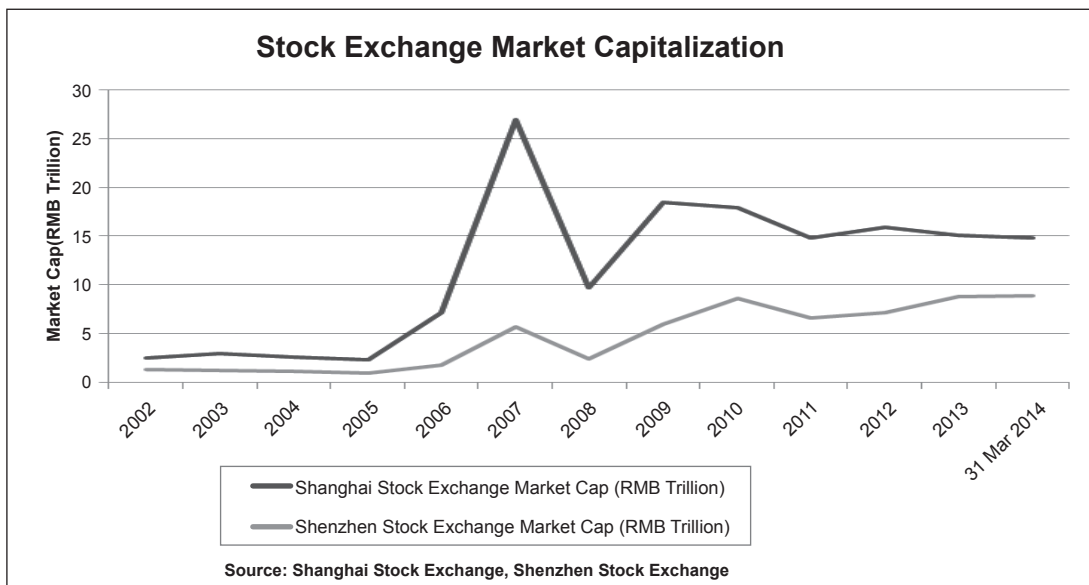
The chart below shows the annual trading turnover in the SSE and SZSE.



The chart below shows the number of listed company in the SSE and SZSE.



The chart below shows the market capitalisation of the SSE and SZSE.



The chart below shows the Shanghai and Shenzhen Composite Index Price and the Index Price of the Underlying Index in the past 10 years.



The regulatory agency of each stock exchange is its Stock Exchange Council. The Council consists of member directors and non-member directors. The highest decision-making body of an exchange is the General Assembly; however, the Council decides the business agenda of the exchange. The Council reports to the General Assembly, and assumes the following powers:

- To convene the General Assembly, report to the General Assembly, the implementation of the resolutions of the General Assembly;
- To enact, amend the relevant business rules of the Stock Exchange;
- To approve the general work plan submitted by its Chief Executive Officer, budget plan and the draft final accounts;
- To approve the membership admission and approve the sanction of members;
- To decide the stock exchange's internal structure;
- Other powers conferred by the General Assembly.

## 9.2 *Development of the Chinese A-Shares market*

In the 80s of last century, with huge demand of public capital from the national economic development, the State started a pilot reform program adopting the joint-stock system, commencing first in Shanghai, Shenzhen and several other cities. After the Reform and Opening up China's first stock - "Shanghai Feile Audio-Visual" was born in November 1984.

Then in 1990, the SSE and SZSE officially opened, marking the official start of the rapid development of the Chinese stock market. The China A-Shares markets in SSE and SZSE commenced on 19 December 1990 and 1 December 1990 respectively. Initially, trading in China A-Shares are restricted to domestic investors only while B-Shares are available to both domestic (since 2001) and foreign investors. However, after reforms were implemented in December 2002, foreign investors are now allowed (with limitations) to trade in China A-Shares under the QFII program which was launched in 2003 and the RQFII program which was launched in 2011.

After 20 years of development, the China A-Shares market has since grown to become influential on the global market. The participants in the China A-Shares market include retail investors, institutional investors and listed companies. The total market capitalization of the two exchanges combined as at 31 March 2014 has reached RMB 23.7 trillion, and the floating market capitalization has reached RMB 19.7 trillion, accounting for 6.29% of global market capitalization and ranking fourth. As of 31 March 2014, there were 2,537 China A-Shares companies listed on the SSE and SZSE.

### 9.3 *The major differences between the China A-Shares market and the Hong Kong market*

The table below summarises the differences between the China A-Shares market and the Hong Kong market:

		SEHK	SSE	SZSE
(a)	Key Market Index	Hang Seng Index (“HSI”)	SSE Composite Index	SZSE Composite Index
(b)	Trading Hours			
	<ul style="list-style-type: none"> <li>• Morning session</li> <li>• Afternoon session</li> </ul>	<ul style="list-style-type: none"> <li>• 9:30 a.m. – 12:00 p.m.</li> <li>• 13:00 – 16:00</li> </ul>	<ul style="list-style-type: none"> <li>• 9:30 a.m. – 11:30 a.m.</li> <li>• 13:00 – 15:00</li> </ul>	<ul style="list-style-type: none"> <li>• 9:30 a.m. – 11:30 a.m.</li> <li>• 13:00 – 15:00</li> </ul>
China A-Shares market and Hong Kong market have different schedule of holidays.				
(c)	Pre-opening session / pre-order input /order matching times			
	<ul style="list-style-type: none"> <li>• Pre-opening session</li> <li>• Order matching times</li> </ul>	<ul style="list-style-type: none"> <li>• 9:00 a.m. to 9:15 a.m.</li> <li>• 9:15 a.m. to 9:20 a.m. (pre-order matching period)</li> <li>• 9:20 a.m. to 9:28 a.m. (order matching period)</li> <li>• 9:28 a.m. to 9:30 a.m. (blocking period)</li> </ul>	<ul style="list-style-type: none"> <li>• 9:15 a.m. to 9:25 a.m.</li> <li>• 9:30 a.m. to 11:30 a.m. and 13:00 to 15:00</li> </ul>	<ul style="list-style-type: none"> <li>• 9:15 a.m. to 9:25 a.m.</li> <li>• 9:30 a.m. to 11:30 a.m. and 13:00 to 14:57</li> </ul>
	• Close matching times	• N/A	• N/A	• 14:57 to 15:00
(d)	Trading Band Limits	No trading band limit	Daily trading band limits of 10%. Where a listed company is under circumstances deemed abnormal by the SSE and SZSE, the short name of the listed company will be prefixed by “ST” and the daily up and down limit will be reduced to 5%.	
(e)	Trading Rule	The T+1 trading rule does not apply except that some stocks cannot be sold short in Hong Kong market.	The T+1 trading rule applies which means a stock bought on T day (i.e. trading day) can only be sold on T+1 (i.e. one business day after the relevant trading day), and no short-selling is allowed with a few exceptions (mostly ETFs) permitted by a pilot program.	
(f)	Round Lot	Stocks are generally traded at round lots and odd lots trading have to be facilitated by a broker through a special board.	Stocks can only be bought at the multiples of 100 shares but cannot be bought in odd lots. However, one can sell the shares of any number i.e. even in odd lots.	
(g)	Settlement cycle	The settlement period is 2 business days (i.e. T+2)	The settlement period is one business day (i.e. T+1)	
(h)	Earnings report disclosure requirement	A listed company has to disclose fiscal information twice a year. The annual reports have to be published within four months from the financial year end and the interim reports have to be published within three months of the end of the period it covers.	A listed company on the SSE and SZSE is required to prepare and disclose the annual report within four months as of the end date of each fiscal year, the half-year report within two months as of the end date of the first half of each fiscal year, and the quarterly report within one month as of the end of the first three months and the end of the first nine months of each fiscal year respectively. The time for disclosing the first-quarter report shall not be earlier than the time for disclosing the annual report of the previous year.  H-Share listed companies also disclose fiscal information quarterly for consistency with the corresponding A -Share schedules.	
(i)	Suspension	There is no requirement to suspend stocks for general assembly or important information disclosure.	Stocks in the China A-Shares market will be suspended for general assembly or important information disclosure.	

Investors should inform themselves of the risks associated with the differences between the China A-Shares market and the Hong Kong market, as set out in the risk factor headed “*Risks relating to the differences between the Hong Kong and China stock markets*” in section “*11.1 China market / China A-Shares market risks*” in this Appendix.

#### **9.4 Measures Adopted by the Manager to Address the Differences between the China A-Shares Market and the Hong Kong Market**

The Manager has adopted the following measures to address the difference between the China A-Shares market and the Hong Kong market:

- (a) Trading hours: As regards the difference in trading hours, the shorter trading hours in the China A-Shares market is not considered to present a major risk, as it is expected that there is a high level of liquidity for the Index Securities.
- (b) Trading days: There is a difference in trading days between the China A-Shares market and the Hong Kong market. It should be noted that Applications are accepted only on a Business Day (normally a day on which both markets are open).

If the Hong Kong market is open while the China A-Shares market is closed, Units of the CSI 300 ETF will be traded in the Hong Kong market and the Manager will continue to publish information including prices in the manner set out in section “**14.14 Publication of Information Relating to the Sub-Funds**” in Part 1 of the Prospectus. If the China A-Shares market is open while Hong Kong market is closed, the Manager will trade the Index Security when it is necessary, in order to limit the risk to investors. These trades will be properly settled even when the Hong Kong market is closed for holiday by the Trustee’s arrangements in place.

- (c) Trading band limits: The Manager will be prevented from trading certain Index Securities when they hit the “trading band limit”. In such circumstance, the CSI 300 ETF, where it is required to buy such Index Securities, will hold cash until such Index Securities resume trading and thereafter, will make up the trade. The Manager believes that the average impact to the CSI 300 ETF in such situations is immaterial.

#### **10. RMB PAYMENT AND ACCOUNT PROCEDURES**

Investors may unless otherwise agreed by relevant Participating Dealer, apply for Units through Participating Dealers only if they have sufficient RMB to pay the application monies and the related fees. Investors should note that RMB is the only official currency of the PRC. While both onshore RMB (“CNY”) and offshore RMB (“CNH”) are the same currency, they are traded in different and separated markets. Since the two RMB markets operate independently where the flow between them is highly restricted, CNY and CNH are traded at different rates and their movement may not be in the same direction. Although there is a significant amount of RMB held offshore (i.e. outside the PRC), CNH cannot be freely remitted into the PRC and is subject to certain restrictions, and vice versa. As such whilst CNH and CNY are both the same currency, certain special restrictions do apply to RMB outside the PRC. The liquidity and trading price of the CSI 300 ETF may be adversely affected by the limited availability of, and restrictions applicable to, RMB outside the PRC.

Application monies from Participating Dealers to the CSI 300 ETF will be paid in RMB only. Accordingly a Participating Dealer may require an investor (as its client) to pay CNH to it. (Payment details will be set out in the relevant Participating Dealer’s documentation such as the application form for its clients.) As such, an investor may need to have opened a bank account (for settlement) and a securities dealing account if a Participating Dealer is to subscribe for Units on his behalf as such investor will need to have accumulated sufficient CNH to pay at least the aggregate Issue Price and related costs, to the Participating Dealer or if an application to the Participating Dealer is not successful or is successful only in part, the whole or appropriate portion of the monies paid will need to be returned to such investor by the Participating Dealer by crediting such amount into such investor’s CNH bank account. Similarly, if investors wish to buy and sell Units in the secondary market on the SEHK, they may need to open a securities dealing account with their broker. Investors will need to check with the relevant Participating Dealer and/or their broker for payment details and account procedures.

If any investors wish to buy or sell RMB traded Units on the secondary market, they should contact their brokers and they are reminded to confirm with their brokers in respect of Units traded in RMB their brokers’ readiness for dealing and/or clearing transactions in RMB securities and to check other relevant information published by the SEHK regarding readiness of its participants for dealing in RMB securities from time to time. CCASS Investor Participants who wish to settle the payment in relation to their trades in the RMB traded Units using their CCASS Investor Participant account or to receive distributions in RMB should make sure that they have set up an RMB designated bank account with CCASS.

Investors intending to purchase RMB traded Units from the secondary market should consult their stockbrokers as to the RMB funding requirement and settlement method for such purchase. Investors may need to open and maintain securities dealing accounts with the stockbroker first before any dealing in Units traded in either HKD or RMB can be effected.

Investors should ensure they have sufficient CNH to settle the trades of Units traded in RMB. When investors open the RMB bank accounts for settling RMB payment or receiving RMB distributions, they should note that under the current regulations, the daily maximum exchange limit for RMB applicable to Hong Kong residents is RMB20,000 per individual. Investors should consult the banks for the account opening procedures as well as terms and conditions of the RMB bank account. Some banks may impose restrictions on their RMB cheque account and fund transfer to third party accounts. For non-bank financial institutions (e.g. brokers), however, such restriction will not be applicable and investors should consult their brokers as to the currency exchange service arrangement if required.

The transaction costs of dealings in the Units on the SEHK include the trading fee payable to HKEx and Commission's transaction levy. All these secondary trading related fees and charges will be collected in Hong Kong dollars and in respect of Units traded in RMB calculated based on an exchange rate as determined by the Hong Kong Monetary Authority on the date of the trade which will be published on the HKEx's website by 11:00 a.m. on each trading day.

Investors should consult their own brokers or custodians as to how and in what currency the trading related fees and charges and brokerage commission should be paid by the investors.

Where payment in RMB is to be made by cheque, investors are advised to consult the bank at which their respective RMB bank accounts are opened in advance whether there are any specific requirements in relation to the issue of RMB cheques. In particular, investors should note that some banks have imposed an internal limit (usually RMB80,000) on the balance of RMB cheque account of their clients or the amount of cheques that their clients can issue in a day and such limit may affect an investor's arrangement of funding for an application (through a Participating Dealer) for creation of Units.

When an individual investor who is a Hong Kong resident opens an RMB bank account or settle RMB payments, he or she will be subject to a number of restrictions, including:

- (a) the existing permitted conversions in relation to personal customers are up to RMB20,000 conducted through RMB bank accounts per person per day or up to RMB20,000 per transaction per person in bank notes for walk-in personal customers; and
- (b) the daily maximum remittance amount to the PRC is RMB80,000 and a remittance service is only available to an RMB deposit account-holder who remits from his or her RMB deposit account to the PRC and provided that the account name of the account in the PRC is identical with that of the RMB bank account with the bank in Hong Kong.

On the other hand, an individual investor who is a non-Hong Kong resident may open an RMB bank account in Hong Kong and may exchange other currencies for RMB without any limit. However, non-Hong Kong residents may not remit RMB to the PRC unless approval is obtained pursuant to PRC rules and regulations.

Please refer to section "**11.2 Renminbi related risks**" of this Appendix on risks associated with Renminbi.

#### **10A. RENMINBI EQUITY TRADING SUPPORT FACILITY ("TSF")**

The TSF was launched on 24 October 2011 by the HKEx to provide a facility to enable investors who wish to buy RMB-traded shares (RMB shares) in the secondary market with Hong Kong dollars if they do not have sufficient RMB or have difficulty in obtaining RMB from other channels. The coverage of TSF has been extended to equity-related exchange traded funds and real estate investment trusts traded in RMB with effect from 6 August 2012. As such, the TSF is currently available to investors who wish to invest in the CSI 300 ETF and trading in RMB on the SEHK. For further details on the TSF, please refer to the website of HKEx at [http://www.hkex.com.hk/eng/market/sec\\_tradinfra/tsf/tsf.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/tsf/tsf.htm). Investors should consult their advisers if they have any query on the TSF.

#### **11. RISK FACTORS RELATING TO THE CSI 300 ETF**

In addition to the general risk factors common to all Sub-Funds set out in section "**5. General Risk Factors**" in Part 1 of this Prospectus, investors should also consider the specific risks associated with investing in the CSI 300 ETF including those set out below. The risk factors below do not offer advice on the suitability of investing in the CSI 300 ETF. Investors should carefully consider the risk factors described below together with the other relevant information included in this Prospectus before deciding whether to invest in Units of the CSI 300 ETF. The Commission's authorisation is not a recommendation or endorsement of a product nor does it guarantee the commercial merits of a product or its performance. It does not mean the product is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

##### **11.1 China market / China A-Shares market risks**

*China market / Single country investment.* Insofar as the CSI 300 ETF invests substantially in securities issued in mainland China, it will be subject to risks inherent in the China market and additional concentration risks. Please refer to the risk factors under section "**5.1 Risk Factors relating to China**" and section "**5.2 Investment risks**" under headings "**Restricted markets risk**", "**Emerging Market Risk**" and "**Single country risk**" in Part 1 of this Prospectus.

*Risks relating to dependence upon trading on China A-Shares market.* The existence of a liquid trading market for China A-Shares may depend on whether there is supply of, and demand for, such China A-Shares. The price at which the Index Securities may be purchased or sold by the CSI 300 ETF and the Net Asset Value of the CSI 300 ETF may be adversely affected if trading markets for China A-Shares are limited or absent. Investors should note that the SZSE and the SSE on which China A-Shares are traded are undergoing development and the market capitalisation of, and trading volumes on, those stock exchanges are lower than those in more developed markets. The China A-Shares market may be more volatile and unstable (for examples due to the risk of suspension of a particular stock or government intervention) than those in more developed markets. A Participating Dealer may not be able to create and redeem Units if any Index Securities are not available. Market volatility and settlement difficulties in the China A-Shares markets may also result in significant fluctuations in the prices of the Index Securities traded on such markets and thereby may affect the value of the CSI 300 ETF.

Risks relating to suspension of the China A-Shares market. Securities exchanges in China typically have the right to suspend or limit trading in any security traded on the relevant exchange; a suspension will render it impossible for the Manager to liquidate positions and can thereby expose the CSI 300 ETF to losses. Under such circumstances, while creation/redemption of the CSI 300 ETF's Units may be suspended, subject to the Manager's discretion, the trading of the CSI 300 ETF on the SEHK may or may not be suspended. If some of the China A-Shares comprising the Underlying Index are suspended, it may be difficult for the Manager to determine the Net Asset Value of the CSI 300 ETF. Where a significant number of the China A-Shares comprising the Underlying Index are suspended, the Manager may determine to suspend the creation and redemption of Units of the CSI 300 ETF, and/or delay the payment of any monies in respect of any Redemption Application. If the trading of the CSI 300 ETF on the SEHK continues when the China A-Shares market is suspended, the trading price of the CSI 300 ETF may deviate away from the Net Asset Value.

As a result of the trading band limits imposed by the stock exchanges in China on China A-Shares, it may not be possible for Participating Dealers to create and/or redeem Units on a Business Day, because Index Securities may not be available if the trading band limit has been exceeded for such Index Securities or it is impossible to liquidate positions. This may lead to higher tracking error and may expose the CSI 300 ETF to losses. Further, the price of the Units of the CSI 300 ETF may be traded at a premium or discount to its Net Asset Value. The Manager has put in place measures to tackle the trading band limit as disclosed under section “**9.4 Measures Adopted by the Manager to Address the Differences between the China A-Shares Market and the Hong Kong Market**” in this Appendix.

Risks relating to the differences between the Hong Kong and China stock markets. As the SZSE and the SSE may be open when Units in the CSI 300 ETF are not priced, the value of the Index Securities in the CSI 300 ETF's portfolio may change on days when investors will not be able to purchase or sell the CSI 300 ETF's Units. Furthermore, the market prices of Index Securities listed on the above stock exchanges may not be available during part of or all of the SEHK trading sessions due to trading hour differences which may result in Units of the CSI 300 ETF being traded at a premium or discount to its Net Asset Value.

In addition, differences in trading hours between the SSE and SZSE and the SEHK may increase the level of premium/discount of the price of Units of the CSI 300 ETF to its Net Asset Value because if the SSE and/or SZSE is closed while the SEHK is open, the Underlying Index level may not be available. The prices quoted by the market maker would therefore be adjusted to take into account any accrued market risk that arises from such unavailability of the Underlying Index level and as a result, the level of premium or discount of the Unit price of the CSI 300 ETF to its Net Asset Value may be higher.

There are no trading band limits in Hong Kong. However, trading band limits are imposed by the stock exchanges in China on China A-Shares, where trading in any China A-Shares on the relevant stock exchange may be suspended if the trading price of the China A-Share has increased or decreased to the extent beyond the trading band limit during the day. Any dealing suspension of a China A-Share will render it impossible for the CSI 300 ETF to acquire the Index Security or liquidate positions to reflect creation/redemption of the Units. This may result in higher tracking error and may expose the CSI 300 ETF to losses. Units of the CSI 300 ETF may also be traded at a significant premium or discount to its Net Asset Value.

## **11.2 Renminbi related risks**

Renminbi currency risk. RMB is currently not a freely convertible currency as it is subject to foreign exchange control and fiscal policies of and repatriation restrictions imposed by the Chinese government. If such policies change in future, the CSI 300 ETF's or the investors' position may be adversely affected. Please refer to the risk factor headed “**Renminbi Exchange Risk**” under section “**5.1 Risk Factors relating to China**” in Part 1 of the Prospectus.

Primary Market Investors must subscribe for Units of the CSI 300 ETF and will receive redemption proceeds in RMB. Since the CSI 300 ETF is denominated in RMB, non-RMB based investors are exposed to fluctuations in the RMB exchange rate against their base currencies and may incur substantial capital loss due to foreign exchange risk. There is no assurance that RMB will not be subject to devaluation, in which case the value of their investments will be adversely affected. If investors wish or intend to convert the redemption proceeds or dividends (in RMB on both HKD traded Units and RMB traded Units) paid by the Sub-Fund or sale proceeds (in RMB on RMB traded Units) into a different currency, they are subject to the relevant foreign exchange risk and may suffer losses from such conversion as well as associated fees and charges.

Offshore RMB Market risk. The onshore RMB (“CNY”) is the only official currency of the PRC and is used in all financial transactions between individuals, state and corporations in the PRC (“**Onshore RMB Market**”). Hong Kong is the first jurisdiction to allow accumulation of RMB deposits outside the PRC (“**Offshore RMB Market**”). Since June 2010, the offshore RMB (“CNH”) is traded officially, regulated jointly by the Hong Kong Monetary Authority and the PBOC. As a result of the controls on cross-border transfers of Renminbi between Hong Kong and China, the Onshore RMB Market and the Offshore RMB Market are, to an extent, segregated, and each market may be subject to different regulatory requirements that are applicable to the Renminbi. The CNY may therefore trade at a different foreign exchange rate compared to the CNH. Due to the strong demand for offshore RMB, CNH used to be traded at a premium to onshore RMB, although occasional discount may also be observed. The CSI 300 ETF's investments may potentially be exposed to both the CNY and the CNH, and the CSI 300 ETF may consequently be exposed to greater foreign exchange risks and/or higher costs of investment (for example, when converting other currencies to the Renminbi at the CNH rate of exchange).

However, the current size of RMB-denominated financial assets outside the PRC is limited. At the end of April 2013, the total amount of RMB (CNH) deposits held by institutions authorized to engage in RMB banking business in Hong Kong amounted to approximately RMB 677 billion. In addition, participating authorized institutions are required by the Hong Kong Monetary Authority to maintain a total amount of RMB assets (in the form of, inter alia, cash and the institution's settlement account balance with the Renminbi clearing bank, holding of RMB sovereign bonds issued in Hong Kong by the PRC Ministry of Finance and bond investment through the PRC interbank bond market) of no less than 25% of their RMB deposits, which further limits the availability of RMB that participating authorized institutions can utilise for conversion services for their customers. RMB business participating banks do not have direct RMB liquidity support from PBOC. The Renminbi clearing bank only has access to onshore liquidity support from PBOC (subject to annual and quarterly quotas imposed by PBOC) to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and for individual customers that are Hong Kong residents of up to RMB20,000 per person per day. The Renminbi clearing bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source RMB from the offshore market to square such open positions.

Although it is expected that the Offshore RMB Market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC laws and regulations will not be promulgated, terminated or amended in the future which will have the effect of restricting availability of RMB offshore. The limited availability of RMB outside the PRC may affect the liquidity of the CSI 300 ETF. To the extent the Manager is required to source RMB in the offshore market, there is no assurance that it will be able to source such RMB on satisfactory terms, if at all.

*Offshore RMB (“CNH”) Remittance Risk.* RMB is not freely convertible at present. The PRC government continues to regulate conversion between RMB and foreign currencies despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Participating banks in Hong Kong have been permitted to engage in the settlement of RMB trade transactions under a pilot scheme introduced in July 2009. This represents a current account activity. The pilot scheme was extended in June 2010 to cover 20 provinces and municipalities in the PRC and to make RMB trade and other current account item settlement available in all countries worldwide. On 25 February 2011, the Ministry of Commerce (“**MOFCOM**”) promulgated the Circular on Issues concerning Foreign Investment Management (商務部關於外商投資管理工作有關問題的通知) (the “**MOFCOM Circular**”). The MOFCOM Circular states that if a foreign investor intends to make investments in the PRC (whether by way of establishing a new enterprise, increasing the registered capital of an existing enterprise, acquiring an onshore enterprise or providing loan facilities) with RMB that it has generated from cross-border trade settlement or that is lawfully obtained by it outside the PRC, MOFCOM's prior written consent is required. While the MOFCOM Circular expressly sets out the requirement of obtaining MOFCOM's prior written consent for remittance of RMB back in the PRC by a foreign investor, the foreign investor may also be required to obtain approvals from other PRC regulatory authorities, such as the PBOC and SAFE, for transactions under capital account items. As the PBOC and SAFE have not promulgated any specific PRC regulation on the remittance of RMB into the PRC for settlement of capital account items, foreign investors may only remit offshore RMB into the PRC for capital account purposes such as shareholders' loan or capital contribution upon obtaining specific approvals from the relevant authorities on a case-by-case basis. There is no assurance that the PRC government will continue to gradually liberalise the control over cross-border RMB remittances in the future, that the pilot scheme introduced in July 2009 (as extended in June 2010) will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of RMB into or outside the PRC. Such an event could have a severe adverse effect on the operations of the CSI 300 ETF, including limiting the ability of the CSI 300 ETF to redeem and pay the redemption proceeds in RMB and the ability of Participating Dealers to create or redeem in cash and so to settle in RMB to their underlying clients. In addition, such restrictions could cause Units to trade on the SEHK at a significant discount to the Net Asset Value per Unit.

Currently the Bank of China (Hong Kong) Limited is the only clearing bank for offshore RMB in Hong Kong. A clearing bank is an offshore bank that can obtain RMB funding from the PBOC to square the net RMB positions of other participating banks. In February 2004, Bank of China (Hong Kong) Limited launched its RMB clearing services following its appointment by the PBOC. Remittance of RMB funds into China may be dependent on the operational systems developed by the Bank of China (Hong Kong) Limited for such purposes, and there is no assurance that there will not be delays in remittance.

### **11.3 Risks relating to the RQFII regime**

*RQFII risk.* The CSI 300 ETF is not a RQFII but may obtain access to China A-Shares, or other permissible investments directly using RQFII quotas of a RQFII. The CSI 300 ETF may invest directly in RQFII eligible securities investment via the RQFII status of the Manager. As of the date of this Prospectus, the RQFII quotas obtained by the Manager as RQFII relating to the CSI 300 ETF amount to RMB 2 billion, and all of which is expected to be allocated to the CSI 300 ETF.

Investors should note that RQFII status could be suspended or revoked, which may have an adverse effect on the CSI 300 ETF's performance as the CSI 300 ETF may be required to dispose of its securities holdings. In addition, certain restrictions imposed by the Chinese government on RQFIIs may have an adverse effect on the CSI 300 ETF's liquidity and performance.

SAFE regulates and monitors the repatriation of funds out of the PRC by the RQFII pursuant to its "Circular on Issues Related to the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors (國家外匯管理局關於人民幣合格境外機構投資者境內證券投資試點有關問題的通知) (the "RQFII Measures"). Repatriations by RQFIIs in respect of an open-ended RQFII fund (such as the CSI 300 ETF) conducted in RMB are currently permitted daily and are not subject to repatriation restrictions or prior approval from the SAFE, although authenticity and compliance reviews will be conducted by the RQFII Custodian, and monthly reports on remittances and repatriations will be submitted to SAFE by the RQFII Custodian. There is no assurance, however, that PRC rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Further, such changes to the PRC rules and regulations may take effect retrospectively. Any restrictions on repatriation of the invested capital and net profits may impact on the CSI 300 ETF's ability to meet redemption requests from the Unitholders. Furthermore, as the Custodian's or the RQFII Custodian's review on authenticity and compliance is conducted on each repatriation, the repatriation may be delayed or even rejected by the Custodian or the RQFII Custodian in case of non-compliance with the RQFII Regulations. In such case, it is expected that redemption proceeds will be paid to the redeeming Unitholder as soon as practicable, and within 4 Business Days, and after the completion of the repatriation of funds concerned. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the Manager's control.

RQFII quotas are generally granted to a RQFII though an amount of RMB 2 billion has been specifically granted to the CSI 300 ETF. The rules and restrictions under RQFII Regulations generally apply to the RQFII as a whole and not simply to the investments made by the CSI 300 ETF. It is provided in the RQFII Measures that the size of the quota may be reduced or cancelled by the SAFE if the RQFII is unable to use its RQFII quota effectively within one year since the quota is granted. If SAFE reduces the RQFII's quota, it may affect the Manager's ability to effectively pursue the investment strategy of the CSI 300 ETF. On the other hand, the SAFE is vested with the power to impose regulatory sanctions if the RQFII or the RQFII Custodian violates any provision of the RQFII Measures. Any violations could result in the revocation of the RQFII's quota or other regulatory sanctions and may adversely impact on the portion of the RQFII's quota made available for investment by the CSI 300 ETF.

Investors should note that there can be no assurance that a RQFII will continue to maintain its RQFII status or be able to acquire additional RQFII quota. The CSI 300 ETF may not have sufficient portion of RQFII quotas to meet all applications for subscription to the CSI 300 ETF. There is also no assurance that redemption requests can be processed in a timely manner due to repatriation restrictions or adverse changes in relevant laws or regulations. Such restrictions may respectively result in a rejection of applications and a suspension of dealings of the CSI 300 ETF. In extreme circumstances, the CSI 300 ETF may incur significant losses due to insufficiency of RQFII quota, limited investment capabilities, or may not be able to fully implement or pursue its investment objective or strategy, due to RQFII investment restrictions, illiquidity of the Chinese domestic securities market, and/or delay or disruption in execution of trades or in settlement of trades.

The current RQFII laws, rules and regulations are subject to change, which may take retrospective effect. In addition, there can be no assurance that the RQFII laws, rules and regulations will not be abolished. The CSI 300 ETF, which invests in the PRC markets through a RQFII, may be adversely affected as a result of such changes.

Application of RQFII rules. The RQFII Regulations are in the early stages of their operations and are described under section "7. Renminbi Qualified Foreign Institutional Investor (RQFII)" in this Appendix. The rules and their application may depend on the interpretation given by the relevant Chinese authorities. The Chinese authorities and regulators have been given wide discretion in such investment regulations and there is no certainty as to how such discretion may be exercised now or in the future.

Any changes to the relevant rules may have an adverse impact on investors' investment in the CSI 300 ETF. In the worst scenario, the Manager may determine that the CSI 300 ETF shall be terminated if it is not legal or viable to operate the CSI 300 ETF because of changes to the application of the relevant rules.

RQFII systems risk. The current RQFII Regulations include rules on investment restrictions applicable to the CSI 300 ETF.

In the event of any default of the RQFII Custodian in the execution or settlement of any transaction or in the transfer of any funds or securities in the PRC, the CSI 300 ETF may encounter delays in recovering its assets which may in turn impact the Net Asset Value of the CSI 300 ETF.

Risks relating to liquidity of Index Securities. Due to the potential liquidity constraint of the underlying Index Securities, the Manager may not be able to efficiently process the transactions for the Creation and Redemption Applications without adverse impact on the fund value of the CSI 300 ETF, therefore the existing investors' interest. Accordingly, the Manager may impose a limit on the total number of Units to be created or redeemed each day.



*RQFII Custodian risk.* The Trustee shall take into its custody or under its control property of the CSI 300 ETF and hold it on trust for Unitholders. The assets held/credited in the securities account(s) are segregated and independent from the proprietary assets of the RQFII Custodian. However, investors should note that, under PRC law, cash deposited in the cash account(s) of the CSI 300 ETF with the RQFII Custodian (which is/are maintained in the joint names of the Manager (as the RQFII holder) and the CSI 300 ETF) will not be segregated but will be a debt owing from the RQFII Custodian to the CSI 300 ETF as a depositor. Such cash will be co-mingled with cash that belongs to other clients or creditors of the RQFII Custodian. In the event of bankruptcy or liquidation of the RQFII Custodian, the CSI 300 ETF will not have any proprietary rights to the cash deposited in such cash account(s), and the CSI 300 ETF will become an unsecured creditor, ranking pari passu with all other unsecured creditors, of the RQFII Custodian. Please refer to the disclosure on the opinion from PRC legal counsel in section “7. *Renminbi Qualified Foreign Institutional Investor (RQFII)*” in this Appendix. Whilst the opinion from PRC legal counsel indicates the legal position based on understanding of current PRC laws, such opinion may not be conclusive; and ultimately the interpretation and operation of the relevant PRC laws and regulations depend on the judicial and/or regulatory authorities of the PRC.

The CSI 300 ETF may face difficulty and/or encounter delays in recovering such debt, or may not be able to recover it in full or at all, in which case the CSI 300 ETF will suffer.

*PRC brokerage risk.* The execution of transactions may be conducted by PRC Broker(s) appointed by the RQFII. As a matter of practice, only one PRC Broker can be appointed in respect of each stock exchange in the PRC. Thus, the CSI 300 ETF will rely on only one PRC Broker for each stock exchange in the PRC, which may be the same PRC Broker. If the Manager is unable to use its designated PRC Broker in the PRC, the operation of the CSI 300 ETF will be adversely affected and may cause Units of the CSI 300 ETF to trade at a premium or discount to its Net Asset Value or the CSI 300 ETF may not be able to track the Underlying Index. Further, the operation of the CSI 300 ETF may be adversely affected in case of any acts or omissions of the PRC Broker, which may result in a higher tracking error or the CSI 300 ETF being traded at a significant premium or discount to its Net Asset Value.

If a single PRC Broker is appointed, the CSI 300 ETF may not necessarily pay the lowest commission available in the market. The RQFII Holder however, in the selection of PRC Broker(s) will have regard to factors such as the competitiveness of commission rates, size of the relevant orders and execution standards.

There is a risk that the CSI 300 ETF may suffer losses from the default, bankruptcy or disqualification of the PRC Broker(s). In such event, the CSI 300 ETF may be adversely affected in the execution of any transaction. As a result, the Net Asset Value of the CSI 300 ETF may also be adversely affected.

Subject to the applicable laws and regulations, the Manager will make arrangements to satisfy itself that the PRC Broker(s) have appropriate procedures to properly segregate the CSI 300 ETF’s securities from those of the relevant PRC Brokers.

*Risks relating to premium arising from insufficient RQFII quota.* There can be no assurance that additional RQFII quota can be obtained to fully satisfy Creation Application requests, which will lead to such requests of Participating Dealers being rejected by the Manager. This may result in a need for the Manager to close the CSI 300 ETF to further subscriptions which may lead to a significant premium in the trading price of the CSI 300 ETF against its Net Asset Value.

#### **11.4 Dual Counter Trading risks**

*Dual Counter risk.* Dual Counter is relatively new on the SEHK for exchange traded funds. The CSI 300 ETF has a Dual Counter arrangement where Units are traded and settled in RMB under the RMB counter and traded and settled in HKD under the HKD counter. The Dual Counter arrangement adopted by the CSI 300 ETF may bring additional risks for investment in the CSI 300 ETF and may make such investment riskier than investment in single counter exchange traded funds. For example where for some reason there is a settlement failure on an inter-counter transfer if the Units of one counter are delivered to CCASS at the last settlement on a trading day, there may not be enough time to transfer the Units to the other counter for settlement on the same day.

Moreover, where there is a suspension of the inter-counter transfer of Units between the HKD counter and the RMB counter for any reasons, for example, operational or systems interruption, Unitholders will only be able to trade their Units in the currency of the relevant Dual Counter. Accordingly it should be noted that inter-counter transfers may not always be available. Investors are recommended to check the readiness of their brokers / intermediaries in respect of the Dual Counter trading and inter-counter transfer.

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

*Inter-counter trading risk.* Although an investor may buy from one counter and sell the same on the other counter in the same day, it is possible that some brokers/intermediaries and CCASS Participants may not be familiar with and may not be able to (i) buy Units in one counter and to sell Units in the other, (ii) carry out inter-counter transfers of Units, or (iii) trade units in both RMB counter and HKD counter at the same time. In such case (i) to (iii), another broker, intermediary or CCASS Participant may need to be used. This may inhibit or delay dealing in both RMB traded Units and HKD

traded Units and may mean investors may only be able to trade their Units in one currency. Investors are recommended to check the readiness of their brokers / intermediaries in respect of the Dual Counter trading and inter-counter transfer.

Investors should therefore consult their brokers/intermediaries on whether Dual Counter trading of Units of the CSI 300 ETF will be allowed and on the services that the brokers/intermediaries may provide in this regard along with the associated risks and fees. In particular, some brokers/intermediaries may not have in place systems and controls to facilitate inter-counter trading and/or inter-counter day trades.

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

*Currency exchange risk.* Investors who bought Units on the HKD counter may be subject to currency exchange risk as the assets of the CSI 300 ETF are denominated in RMB and the Net Asset Value of the CSI 300 ETF will be calculated in RMB. Although the trading prices of a HKD-traded Unit will normally be equivalent or close to its Net Asset Value per Unit, taking into consideration the prevailing exchange rate, the HKD-traded Units may be traded at higher or lower prices than the Net Asset Value per Unit (denominated in RMB) as a result of fluctuations in exchange rates between RMB and HKD.

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

#### **11.5 Risks relating to RMB dealing, trading and settlement**

##### Primary market:

*Non-RMB or Late Settlement Redemption Risk.* Currently, RMB cannot be freely remitted into the PRC and such remittance is subject to certain restrictions. In the event that the remittance of RMB from Hong Kong to the PRC is disrupted, this may impact on the ability of the CSI 300 ETF to acquire the Index Securities. This in turn may result in tracking error and the CSI 300 ETF may not be able to fully replicate the Underlying Index in such circumstance.

On the other hand, where, in extraordinary circumstances, the remittance or payment of RMB funds on the redemption of Units cannot, in the opinion of the Manager in consultation with the Trustee, be carried out normally due to legal or regulatory circumstances beyond the control of the Trustee and the Manager, redemption proceeds may be delayed or, if necessary in exceptional circumstances, be paid in US dollars or Hong Kong dollars instead of in RMB (at an exchange rate determined by the Manager after consultation with the Trustee). As such, there is a risk that investors receive settlement in RMB on a delayed basis or may not be able to receive redemption proceeds in RMB (i.e. such proceeds may be paid in US dollars or Hong Kong dollars).

##### Secondary market:

*RMB Trading and Settlement of Units Risk.* RMB denominated securities are listed and traded on the SEHK relatively recently. Therefore, there is no assurance that there will not be any problem with the systems or that other logistical problems will not arise in relation to the trading and settlement of RMB traded Units in Hong Kong. In addition, the Units of the CSI 300 ETF are traded on the SEHK with a Dual Counter (i.e. HKD traded Units and RMB traded Units) and settled in CCASS. The listing, trading and settlement of the RMB traded Units, may not be capable of being implemented as envisaged. Not all stockbrokers or custodians may be ready and able to carry out trading and settlement of the RMB traded Units.

Although end-to-end simulation trading and clearing of listed RMB products testing sessions and payment pilot runs for participants of the SEHK were held by the SEHK in 2011, some stockbrokers may not have participated in such testing sessions and pilot runs and for those who have, not all of them may be able to successfully complete such testing sessions and pilot runs, there is no assurance of their readiness for dealing in RMB denominated securities. Investors should note that not all stockbrokers may be ready and able to carry out trading and settlement of RMB traded Units of the CSI 300 ETF and thus they may not be able to deal in the Units through some stockbrokers. Investors should check with their brokers / intermediaries in advance if they intend to engage Dual Counter trading or in inter-counter transfers and should fully understand the services which the relevant broker / intermediary is able to provide (as well as any associated fees). Some exchange participants may not provide inter-counter transfer or Dual Counter trading services.

In addition, the liquidity and trading price of the RMB traded Units of the CSI 300 ETF may be adversely affected by the limited availability of RMB outside the PRC and the restrictions on the conversion between foreign currency and the RMB. This may result in the CSI 300 ETF trading at a significant premium / discount to its Net Asset Value.

## 11.6 ***Risks relating to the nature of product***

***Risks in light of cross-border nature of the CSI 300 ETF.*** CSI 300 ETF is an exchange traded fund denominated in RMB and invests in the China A-Shares market (which is inherently a market with restricted access) under the RQFII regime. In light of the cross-border nature of the CSI 300 ETF, it is more risky than traditional exchange traded funds which invest directly in markets other than the China A-Shares market and therefore, is subject to operational and settlement risks. Operational risks may arise from technical failures of communication and trading systems, and any breaches of the relevant operational policies or guidelines by the relevant staff of the Manager. Whilst the Manager has in place internal control systems, operational guidelines and contingency procedures to reduce the chances of such operational risks, there is no guarantee that events beyond the control of the Manager (e.g. trading errors or system errors) will not occur. The occurrence of such events may adversely affect the value of the CSI 300 ETF.

To the extent that the CSI 300 ETF transacts in the China A-Shares market, the CSI 300 ETF may also be exposed to risks associated with settlement procedures. Any significant delays in the settlement of transactions or the registration of a transfer may affect the ability to ascertain the value of the CSI 300 ETF's portfolio and adversely affect the Net Asset Value and pricing of the CSI 300 ETF.

***Limited operating history and experience of the Manager and reliance on parent company.*** The RQFII exchange traded funds with its cross-border nature are relatively new in the market. Whilst the Manager has experience in managing and operating RQFII exchange traded fund, such experience is limited. As such, the CSI 300 ETF is subject to the risks relating to the limited operating history and experience of the Manager in managing and operating RQFII physical China A-Shares exchange traded fund. The Manager may substantially tap into its PRC parent company's relevant infrastructure and expertise to support its operation of the CSI 300 ETF in Hong Kong. While the PRC parent company of the Manager has sufficient experience and expertise in managing and operating physical China A-Shares exchange traded funds listed and traded in China, there is no assurance that the CSI 300 ETF will be operated as envisaged. Any disruption in the assistance from the Manager's parent company may adversely affect the operations of the CSI 300 ETF.

## 11.7 ***Risks relating to the Underlying Index of CSI 300 ETF***

***Risks relating to the Underlying Index.*** The CSI 300 ETF may be subject to the following risks in relation to the Underlying Index:

- (i) If the Underlying Index is discontinued or the Manager's license from the Index Provider under the relevant licence agreement is terminated, the Manager may, in consultation with the Trustee, seek the Commission's prior approval to replace the Underlying Index with an index that is tradable and has similar objectives to the Underlying Index. Please refer to section "**16. Replacement of Underlying Index**" below on the circumstances in which the Underlying Index may be replaced by the Manager. Such change shall be made in accordance with the provisions of the Trust Deed and with the prior approval of the Commission. For the avoidance of doubt, index-tracking will remain the CSI 300 ETF's investment objective.

The Manager has been granted a licence by China Securities Index Co. Ltd. ("CSI") to use the Underlying Index as a basis for determining the composition of the CSI 300 ETF and to use certain trade marks in the Underlying Index. The licence granted is for an initial term of 3 years commencing from the date of the agreement (i.e. 8 April 2013), and thereafter automatically renewed for successive 2-year periods unless terminated pursuant to the agreement. There is no guarantee that the licence agreement will be perpetually renewed.

The CSI 300 ETF may be terminated if the Underlying Index is discontinued and/or the Index licence agreement is terminated and the Manager is unable to identify or agree with any Index Provider terms for the use of a suitable replacement index, using, in the opinion of the Manager, the same or substantially similar formula for the method of calculation as used in calculating the Underlying Index and which meets the acceptability criteria under Chapter 8.6(e) of the Code. Any such replacement index will be subject to the prior approval of the Commission under the Code and Unitholders will be duly notified of the same. Accordingly, investors should note that the ability of the CSI 300 ETF to track the Underlying Index depends on the continuation in force of the Index licence agreement in respect of the Index or a suitable replacement. The CSI 300 ETF may also be terminated if the Underlying Index ceases to be compiled or published and there is no replacement index, using, in the opinion of the Manager, the same or substantially similar formula for the method of calculation as used in calculating the Underlying Index.

The Manager and the Index Provider may by mutual agreement terminate or postpone the parties' obligations under the Index licence agreement upon the occurrence of a force majeure event such that the terms of the Index licence agreement can no longer be performed. There is no guarantee or assurance of exact or identical replication at any time of the performance of the relevant Underlying Index.

For further information on the grounds for terminating the license agreement in respect of the Underlying Index, please refer to section "**14. Index Licence Agreement**" in this Appendix.

- (ii) There may be changes in the constituent securities of the Underlying Index from time to time. For example, a constituent security may be delisted or a new eligible security may be added to the Underlying Index. In such circumstances, in order to achieve the investment objective of the CSI 300 ETF, the Manager may rebalance the composition of a Basket. The price of the Units may rise or fall as a result of these changes. Thus, an investment in Units will generally reflect the Underlying Index as its constituents change from time to time, and not necessarily the way it is comprised at the time of an investment in the Units. Please refer to the section “**17. The Underlying Index**” of this Appendix below for more information on how the Underlying Index is compiled.
- (iii) The process and the basis of computing and compiling the Underlying Index and any of its related formulae, constituent companies and factors may also be changed or altered by the Index Provider at any time without notice. There is also no warranty, representation or guarantee given to the investors as to the accuracy or completeness of the Underlying Index, its computation or any information related thereto.

## **11.8 Other risks**

***Operating risk.*** There is no assurance that the performance of the CSI 300 ETF will be identical to the performance of the Underlying Index. The level of fees, taxes and expenses payable by the CSI 300 ETF will fluctuate in relation to the Net Asset Value. Although the amounts of certain ordinary expenses of the CSI 300 ETF can be estimated, the growth rate of the CSI 300 ETF, and hence its Net Asset Value, cannot be anticipated. Accordingly, no assurance can be given as to the performance of the CSI 300 ETF or the actual level of its expenses. Under the terms of the Trust Deed and as summarised under the section headed “**14.5 Termination of the Trust or a Sub-Fund**” in Part 1 of this Prospectus, the Manager may terminate the CSI 300 ETF. On the termination of the CSI 300 ETF, the CSI 300 ETF will be liquidated and investors will receive distributions of cash although the Manager has the power to decide to make distributions in specie.

***Reliance on RMB Market Makers.*** Investors should note that Units of the CSI 300 ETF on the RMB counter are traded and settled in RMB. There may be less interest by potential market makers making a market in Units denominated and traded in RMB. Furthermore, any disruption to the availability of RMB may adversely affect the capability of market makers in providing liquidity for the Units.

***No Market in the Units Risk.*** Although the Units are to be listed on the SEHK and it is a requirement that the Manager ensures that there is at all times at least one market maker for Units traded in the RMB counter and at least one market maker for Units traded in the HKD counter, investors should be aware that 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 other exchange traded fund which are traded on the SEHK and which are based upon indices.

***Termination of Market Maker Risk.*** A market maker may cease to act as a market maker for the CSI 300 ETF in accordance with the terms of its agreement including upon giving prior written notice. The termination notice period for at least one market maker for the CSI 300 ETF for each counter will be ninety (90) days. The liquidity for the RMB traded Units and HKD traded Units of the CSI 300 ETF may be affected if there is no market maker for the RMB traded Units and the HKD traded Units respectively. The Manager intends to ensure that there is at least one market maker for the CSI 300 ETF for each counter (although these market makers may be the same entity) to facilitate efficient trading of Units of the relevant trading currency (i.e. RMB and HKD). It is possible that there is only one SEHK market maker to a Sub-Fund or to a counter of a Sub-Fund or the Manager may not be able to engage a substitute market maker within the termination notice period of a market maker, and there is also no guarantee that any market making activity will be effective.

***Liquidity Risk.*** Units of the CSI 300 ETF will be a new security and following listing on the SEHK, it is unlikely that the Units will initially be widely held. Accordingly, any investor buying Units in small numbers may not necessarily be able to find other buyers should that investor wish to sell. To address this risk, at least one market maker has been appointed. There are also a number of limitations on the conversion of RMB. These factors may affect the amount of RMB available for investors to invest in Units on the SEHK and accordingly adversely affect the market demand for the Units. In turn this may affect the liquidity and trading price of the Units in the secondary market. Therefore, Unitholders may not be able to sell their Units in the secondary market in as timely a manner as some other equity products denominated in Hong Kong dollars listed in Hong Kong, and the trading price may not fully reflect the intrinsic value of the Units.

## **12. FEES AND CHARGES**

### **12.1 Fees and Expenses payable by CSI 300 ETF**

#### **12.1.1 Management Fees**

The Manager is entitled to receive a management fee, currently at the rate of 0.50% per annum of the Net Asset Value of the CSI 300 ETF and subject to a maximum fee of 2%.

The management fee is accrued daily and calculated as at the Valuation Point on each Valuation Day and payable monthly in arrears.

### **12.1.2 Trustee's Fee**

The Trustee is entitled to receive a fee up to 1% per annum of the Net Asset Value of the CSI 300 ETF. The current rate of the Trustee's fee is 0.10% per annum of the Net Asset Value of the CSI 300 ETF, accrued daily and calculated as at each Dealing Day and payable monthly in arrears, subject to a monthly minimum fee of RMB40,000.

The Trustee's fee is inclusive of the custody fee payable to the Custodian and the RQFII Custodian.

The Trustee shall also be entitled to be reimbursed out of the assets of the CSI 300 ETF all out-of-pocket expenses incurred (including out-of-pocket expenses incurred by the Custodian and RQFII Custodian).

### **12.1.3 Registrar's Fee**

The Registrar is entitled to receive an initial placing fee of HK\$180,000 and an ongoing registry service fee of HK\$96,000 per annum in respect of the CSI 300 ETF. These fees are payable out of the assets of the CSI 300 ETF.

The Registrar shall also be entitled to be reimbursed out of the assets of the CSI 300 ETF all out-of-pocket expenses incurred.

### **12.1.4 Service Agent's Fee**

The Service Agent is entitled to receive a monthly reconciliation fee of HK\$5,000 from the Manager. For any period less than a month, the reconciliation fee is payable by the Manager on a pro-rata basis and accrues on a daily basis.

### **12.1.5 Establishment costs of CSI 300 ETF**

Please refer to section "12.5 Establishment Costs" in Part 1 of this Prospectus on the establishment costs of the CSI 300 ETF.

### **12.1.6 Other Charges and Expenses of CSI 300 ETF**

Please refer to section "12.6 Other Charges and Expenses" in Part 1 of this Prospectus on other charges and expenses payable by the CSI 300 ETF.

## **12.2 Fees Payable by Participating Dealers, Primary Market Investors and Secondary Market Investors**

The fees payable by Participating Dealers, Primary Market Investors and Secondary Market Investors are summarized in the respective tables below:

### **12.2.1 Participating Dealers**

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

Application Cancellation Fee	RMB8,000 per cancellation (See Note 1)
Extension Fee	Not Applicable (See Note 1)
Transaction Fee	RMB20,000 per Application (See Note 2)
Service Agent Fee	HK\$1,000 per book-entry deposit transaction (See Note 3)
Stamp duty	Nil

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

Application Cancellation Fee	RMB8,000 per cancellation (See Note 1)
Extension Fee	RMB8,000 per extension (See Note 1)
Transaction Fee	RMB20,000 per Application (See Note 2)
Service Agent Fee	HK\$1,000 per book-entry withdrawal transaction (See Note 3)
Stamp duty	Nil

Participating Dealers shall also bear all transaction costs, Duties and Charges and other expenses and charges, and the market risks in constituting and liquidating the Basket(s) in relation to an Application.

### **12.2.2 Primary Market Investors creating or redeeming Units through a Participating Dealer or a stockbroker**

Primary Market Investors submitting creation or redemption requests through the Participating Dealer or a stockbroker should note that the Participating Dealer or the stockbroker (as the case may be) may impose fees and charges in handling such requests. Such investors should check the relevant fees and charges with the Participating Dealer or the stockbroker (as the case may be).

### **12.2.3 Secondary Market Investors Dealing in Units on the SEHK**

Brokerage	Market rates (in currency determined by the intermediaries used by the investors)
Transaction levy	0.003% (see Note 4 and Note 8)
Trading fee	0.005% (see Note 5 and Note 8)
Stamp duty	Nil (see Note 6)
Investor compensation levy	0.002% (currently suspended) (see Note 7)
Inter-counter transfers	HKD 5 (see Note 9)

*Note:*

1. The Application Cancellation Fee of RMB8,000 and the Extension Fee of RMB8,000 in respect of Redemption Applications are payable by the Participating Dealer, and are payable to the Trustee for its own account, on each occasion the Manager grants the request of such Participating Dealer for cancellation or extended settlement in respect of such Application as provided in this Prospectus. In respect of Creation Applications, the Extension Fee is not applicable as the Manger currently does not allow extension of settlement period.
2. A Transaction Fee of RMB20,000 per Application is payable by each Participating Dealer for the account and benefit of the Trustee.
3. A Service Agent Fee of HK\$1,000 is payable by each Participating Dealer to the Service Agent for each book-entry deposit transaction or book-entry withdrawal transaction.
4. A transaction levy of 0.003% of the trading price of the Units, payable by each of the buyer and the seller.
5. A trading fee of 0.005% of the trading price of the Units, payable by each of the buyer and the seller.
6. A stamp duty of 0.2% of the trading price of the Units, one half is payable by the buyer and the other half payable by seller. Approval has been given by the Financial Services and Treasury Bureau for remission of stamp duty payable or paid in respect of any contract notes or instruments of transfer relating to transactions in Units for both the RMB counter and the HKD counter. Therefore, the seller and the purchaser shall not be liable for Hong Kong stamp duty upon such transfer.
7. The investor compensation levy of the trading price of the Units, payable by the buyer and the seller, has been suspended pursuant to the exemption notice published by the Commission on 11 November 2005.
8. The transaction levy and trading fee will be paid by intermediaries to HKEx in Hong Kong dollars and calculated based on an exchange rate as determined by the Hong Kong Monetary Authority on the date of the trade which will be published on the HKEx's website by 11:00 a.m. on each trading day.  
  
Investors should consult their own intermediaries as to how and in what currency the trading related fees and charges should be paid by the investors.
9. HKSCC will charge each CCASS participant a fee of HKD 5 per instruction for effecting an inter-counter transfer of Units of the CSI 300 ETF from one counter to another counter. Investors should check with their brokers regarding any additional fees.

### **12.3 Total Expense Ratio**

The TER of the CSI 300 ETF is estimated to be 0.79% per annum. TER is the sum of anticipated charges to the CSI 300 ETF (including the fees of the Manager, the Trustee and the Custodian and other charges) expressed as a percentage of the Net Asset Value of the CSI 300 ETF but it does not represent the estimated tracking error.

### **13. ADDITIONAL DOCUMENTS AVAILABLE FOR INSPECTION**

The material contracts in respect of the CSI 300 ETF are set out below:

- (a) RQFII Custody Agreement; and
- (b) RQFII Participation Agreement.

The above material contracts are available for inspection free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the offices of the Manager. Copies of the above documents can be purchased from the Manager on payment of a reasonable fee. Please refer to section “*Directory*” in Part 1 of this Prospectus for the address of the Manager.

Please refer to section “*14.11 Documents Available for Inspection*” in Part 1 of this Prospectus for the list of the other documents that are available for inspection.

#### **13A. PUBLICATION OF INFORMATION RELATING TO CSI 300 ETF**

The following information relating to CSI 300 ETF will be published on the Manager’s website [www.99fund.com.hk](http://www.99fund.com.hk):

- the near real-time estimated Net Asset Value per Unit of the CSI 300 ETF in RMB and HKD during normal trading hours of the SEHK on each Dealing Day; and
- the last closing Net Asset Value of CSI 300 ETF on each Dealing Day in RMB only and the last closing Net Asset Value per Unit of the CSI 300 ETF on each Dealing Day in RMB and HKD.

The near real-time estimated Net Asset Value per Unit in HKD of CSI 300 ETF and the last closing Net Asset Value per Unit in HKD are indicative and for reference only. The near real-time estimated Net Asset Value per Unit in HKD is updated during SEHK trading hours. The near real-time estimated Net Asset Value per Unit in HKD does not use a real-time HKD:RMB foreign exchange rate for calculation, it is calculated using the estimated Net Asset Value per Unit in RMB multiplied by an assumed foreign exchange rate using the Tokyo Composite 3:00 pm Tokyo time (2:00 pm Hong Kong time) mid rate quoted for offshore RMB by Bloomberg on the previous Dealing Day on which SEHK is opened for trading. Since the estimated Net Asset Value per Unit in RMB will not be updated when the underlying A shares market is closed, any change in the estimated Net Asset Value per Unit in HKD during such period is solely due to the change in the assumed foreign exchange rate.

The last closing Net Asset Value per Unit in HKD is calculated using the last closing Net Asset Value per Unit in RMB multiplied by the assumed foreign exchange rate using the Tokyo Composite 3:00 pm Tokyo time (2:00 pm Hong Kong time) mid rate for offshore RMB quoted by Bloomberg as of the same Dealing Day. The official last closing Net Asset Value per Unit in RMB and the indicative last closing Net Asset Value per Unit in HKD will not be updated when the underlying A shares market is closed.

Please refer to the section headed “*14.14 Publication of Information Relating to the Sub-Funds*” in Part 1 of this Prospectus for other information that will be published on the Manager’s website [www.99fund.com.hk](http://www.99fund.com.hk).

#### **14. INDEX LICENCE AGREEMENT**

The Manager has been granted a non-exclusive, non transferable licence pursuant to index licence agreement dated 8 April 2013 (the “**Licence Agreement**”) entered into between the Manager and CSI, to use the Underlying Index (i.e. CSI 300 Index) in connection with the issue, operation, marketing, promotion and distribution of the CSI 300 ETF.

The Licence Agreement has an initial term of 3 years, and thereafter automatically renewed for successive 2-year periods unless terminated pursuant to the agreement. A summary of the circumstances which the Licence Agreement may be terminated include but are not limited to the below:

- (a) CSI may terminate the Licence Agreement if:
1. the Manager does not list the CSI 300 ETF within 12 months from the effective date of the Licence Agreement on 8 April 2013;
  2. the Manager has stopped the development or management of the CSI 300 ETF;
  3. the Manager’s appointment to manage the CSI 300 ETF is terminated;
  4. the CSRC, Shanghai Stock Exchange or the Shenzhen Stock Exchange requests CSI to terminate the Licence Agreement;
  5. the Commission or The Hong Kong Stock Exchange requests the Manager to stop the development of the CSI 300 ETF or its management;
  6. the Manager is found to be in material breach of any applicable laws, regulations or rules;
  7. the CSI 300 ETF is the subject of a regulatory investigation as a result of major litigation or breach of laws, regulations or rules; or
  8. other circumstances stipulated by laws and regulations.
- (b) Either party may terminate the Licence Agreement if:
1. the Licence Agreement cannot be performed as a result of force majeure;

2. CSI loses the rights and interests of the CSI 300 Index, or either party has terminated its operations, or has been revoked, dissolved or declared bankrupt;
3. the Manager is unable to list the CSI 300 ETF within 12 months from the effective date of the Licence Agreement on 8 April 2013; or
4. the other party commits any material breach of its obligations and fails to remedy the breach within 30 days of receipt of written notice requiring the same.

#### **15. MATERIAL CHANGES TO THE INDEX**

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

#### **16. REPLACEMENT OF UNDERLYING INDEX**

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

- (a) the Underlying Index ceasing to exist;
- (b) the licence to use the Underlying Index being terminated;
- (c) a new index becoming available that supersedes the existing Underlying 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 Underlying Index;
- (e) investing in the Index Securities comprised within the Underlying 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 Underlying Index having in the opinion of the Manager, deteriorated;
- (h) a significant modification of the formula or calculation method of the Underlying 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 CSI 300 ETF if the Underlying Index changes or for any other reasons including if licence to use the Underlying Index is terminated. Any change to (i) the use by CSI 300 ETF of the Underlying Index and/or (ii) the name of CSI 300 ETF will be notified to investors.

#### **17. THE UNDERLYING INDEX**

This section is a brief overview of the Underlying Index. It contains a summary of the principal features of the Underlying Index and is not a complete description of the Underlying Index. As of the date of this Prospectus, the summary of the Underlying Index in this section is accurate and consistent with the complete description of the Underlying Index. Complete information on the Underlying 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.

##### **17.1 General**

The Underlying Index is a free float adjusted, category-weighted index which measures the performance of A-Shares traded on the Shanghai Stock Exchange or the Shenzhen Stock Exchange. The Underlying Index consists of the 300 stocks with the largest market capitalisation and good liquidity from the entire universe of listed A-Shares companies in the PRC. The Underlying Index is calculated and disseminated in RMB on a real-time basis and is maintained by China Securities Index Co., Ltd. (“CSI” or the “**Index Provider**”). The Index is quoted in RMB.

The Underlying Index is a price return index which means that it does not include the reinvestment of dividends from the Index Securities (such dividends being net of withholding tax).

The Underlying Index was launched on 8 April 2005 and had a base level of 1,000 on 31 December 2004.

As of 31 March 2014, the Underlying Index had a total float market capitalisation of RMB 12,018.64 billion and 300 constituents.



## 17.2 *Index Methodology*

### *Index Universe*

The selection universe of the Underlying Index (the “**Index Universe**”) includes all the A-Shares (each a “**Stock**”) listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange satisfying the following conditions:

- (a) The Stock has been listed for more than three months at the time it is considered for inclusion in the Underlying Index. If it has been listed for less than 3 months, it will be considered for inclusion in the Index Universe if its daily average total market value since its initial listing has ranked within the top 30 companies in all the A-Shares; and
- (b) The Stock is not designated for special treatment or potential delisting by any of the CSRC, the Shanghai Stock Exchange or the Shenzhen Stock Exchange as a result of continuous financial losses.

### *Selection criteria*

Index constituents are selected as follows and the candidate constituents should have good performance without serious financial problems or laws and regulations breaking events and with no large price volatility that shows strong evidence of manipulated. CSI:

- (a) Calculates the A-Share daily average trading value and A-Share daily average total market value during the most recent year for stocks in the Index Universe, or in case of a new issue, during the fourth trading day that it was a public company;
- (b) Ranks the Stocks in the universe by A-Share daily average trading value of the most recent year in descending order and delete the bottom ranked 50% stocks;
- (c) Ranks the remaining stocks by A-Share daily average market value of the most recent year in descending order, those who rank top 300 are selected as Index constituents.

### *Index calculation*

The Underlying Index is calculated and disseminated in RMB on a real-time basis and is maintained by the Index Provider, a joint-venture established on 25 August 2005 between the Shanghai Stock Exchange and the Shenzhen Stock Exchange, which specialises in the management of securities indices and the provision of related services. The Index Provider has confirmed that it has all necessary rights to use and to grant the licence on the use of the Underlying Index.

The Manager (and each of its Connected Persons) is independent of CSI.

### *Index calculation method*

The Underlying Index is weighted by adjusted capital stock and calculated using the Paasche Weighted Composite Price Index Formula. The adjusted capital stock is obtained using the classification and rounding off method, as shown in the following table:

Free-float proportion (%)	≤ 10	(10, 20]	(20, 30]	(30, 40]	(40, 50]	(50, 60]	(60, 70]	(70, 80]	> 80
Weighted proportion (%)	Free-float proportion	20	30	40	50	60	70	80	100

Examples: If the free-float proportion of a certain stock is 7%, which is less than 10%, the free-float proportion of the capital stock will be used as the weight. If the free-float proportion of a certain stock is 35%, which falls in the (30, 40] range, the weight will be 40% of the total capital stock.

Note: The term “free-float proportion” means the proportion of capital stock remaining after excluding the following non-negotiable shares from the total capital stock: (1) shares held on a long-term basis by the company’s founders, family members and senior management; (2) state-owned shares; (3) shares held by strategic investors; (4) frozen shares; (5) restricted employee shares; (6) cross-holdings, etc.

### *Calculation formula*

$$\text{Index for a given reporting period} = \frac{\text{adjusted market cap of constituents during reporting period}}{\text{base period}} \times 1000$$

Where: adjusted market cap =  $\sum$  (market price x adjusted number of shares of the constituent’s capital stock)

### 17.3 Index Maintenance

The Underlying Index is maintained using the “divisor adjustment methodology”. In the event of a change in the list of constituents or in a constituent’s equity structure, or a change in the adjusted market capitalisation of a constituent stock due to non-trading factors, the old divisor is adjusted by means of the divisor adjustment methodology, in order to maintain the continuity of the Index. The adjustment formula is as follows:

$$\frac{\text{adjusted market cap before divisor adjustment}}{\text{old divisor}} = \frac{\text{adjusted market cap after divisor adjustment}}{\text{new divisor}}$$

Where: “adjusted market cap after divisor adjustment” = adjusted market cap before divisor adjustment + increase (decrease) in adjusted market capitalisation. The new divisor (i.e. the adjusted divisor, also known as the new base period) is obtained from this formula and is used to calculate the Underlying Index.

Circumstances under which maintenance of the Underlying Index is required include the following:

- ex-right: whenever bonus shares or rights are issued for a constituent stock, the Underlying Index is adjusted the day before the issuance; adjusted market cap after divisor adjustment = ex right quote x number of shares of capital stock after the stock started to trade ex-right + adjusted market cap before divisor adjustment (excluding ex-right shares);
- suspension of trading: if a constituent stock is suspended from trading, its last trading price is used to calculate the Index, until trading is resumed;
- delisted: the Underlying Index is adjusted the day before the constituent is delisted;
- other corporate events such as second offering or exercise of warrants:
  - (i) if the cumulative change of constituent shares is more than 5%, the Underlying Index is adjusted immediately;
  - (ii) if the cumulative change of constituent shares is less than 5%, the Underlying Index is adjusted in the next regular review; and
- when there is a periodic adjustment or an ad hoc adjustment of the list of constituent stocks of the Underlying Index, the Underlying Index is adjusted prior to the date of the change.

### 17.4 Index Advisory Committee

CSI has established an index advisory committee (the “**Index Advisory Committee**”), which is responsible for the evaluation, consulting and examination of CSI index methodologies.

### 17.5 Index Adjustments

#### *Periodical Review*

The constituents of the Underlying Index (each an “Index Constituent”) are reviewed every 6 months by the Index Advisory Committee, which usually meets at the end of May and November every year. The Index Constituents are adjusted according to the periodical review and any changes to the composition of the Index are implemented after the market close of the second Friday of June and December each year.

The number of constituents adjusted at each periodical review will not exceed 10% and CSI has adopted buffer zone rules in order to minimize the Index turnover. The top 240 Stocks (by decreasing order of free float market capitalisation) within the Selection Universe will be given priority to be selected as Index Constituents. Index Constituents ranking within the top 360 Stocks (by decreasing order of free float market capitalisation) will be given priority to remain in the Index.

#### *Temporary Adjustments*

Necessary adjustments are made by CSI when some corporate events happen so as to maintain the representativeness and investability of the Underlying Index. Such events include without limitation the bankruptcy, restructuring, merger, acquisition and spin-off, of an index constituent issuer and the delisting, temporary suspension from trading and re-issuance, of an index constituent.

In general, CSI will publish index constituent adjustments lists as soon as practicable after the adjustments are decided and before their implementation.

### 17.6 Top 10 Constituents

As at 31 March 2014, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 22.74% of the market capitalisation of the Underlying Index based on total shares in issue.

Rank	Constituent Name	Weighting (%)
1.	Ping An Insurance (Group) Company of China Ltd	3.75%
2.	China Minsheng Banking Corp Ltd	3.61%
3.	China Merchants Bank Co Ltd	3.38%
4.	Industrial Bank	2.27%
5.	Shanghai Pudong Development Bank Co Ltd	2.27%
6.	China Vanke Co Ltd	1.63%
7.	Haitong Securities Company Limited	1.56%
8.	CITIC Securities Co Ltd	1.51%
9.	Gree Electric Appliances Inc of Zhuhai	1.41%
10.	Kweichow Moutai Co Ltd	1.34%

The list of constituent stocks of the Underlying Index may be updated from time to time and the complete list of constituent stocks of the Underlying Index and additional information of the Underlying Index (including Underlying Index fact sheets, methodology, end of day levels of the Underlying Index and Underlying Index performance) is available on the following website of CSI: [http://www.csindex.com.cn/sseportal\\_en/csiportal/zs/jbxx/report.do?code=000300&&subdir=1](http://www.csindex.com.cn/sseportal_en/csiportal/zs/jbxx/report.do?code=000300&&subdir=1). This website has not been reviewed or authorized by the Commission.

The Underlying Index is available in real-time through Bloomberg and Reuters.

### 17.7 Index Codes

Shanghai Stock Exchange Quote System Code: 000300  
Shenzhen Stock Exchange Quote System Code: 399300  
Bloomberg Code: SHSZ300  
Reuters Code: .CSI300

### 17.8 Index Provider Disclaimer

The Underlying Index is compiled and calculated by CSI. CSI will apply all necessary means to ensure the accuracy of the Underlying Index. However, neither CSI nor the Shanghai Stock Exchange nor the Shenzhen Stock Exchange shall be liable (whether in negligence or otherwise) to any person for any error in the Underlying Index and neither CSI nor the Shanghai Stock Exchange nor the Shenzhen Stock Exchange shall be under any obligation to advise any person of any error therein. All copyright in the Underlying Index values and constituent list vests in CSI. However, neither CSI nor Shanghai Stock Exchange nor the Shenzhen Stock Exchange will guarantee to instantaneity, completeness and accuracy of the content of the Underlying Index, and shall not be liable for any fault or loss suffered by the CSI 300 ETF as a result of any delay, omission, error or other faults in the content of the Underlying Index.

## **APPENDIX 2**

### **C-Shares CSI Healthcare Index ETF**

*(a sub-fund of the China Universal International ETF Series, a Hong Kong umbrella unit trust authorized under Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong)*

STOCK CODES: 83132 (RMB counter) and 03132 (HKD counter)

MANAGER

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

LISTING AGENT

**GF Capital (Hong Kong) Limited**

**5 May 2014**

Application has been made by the Manager for the trademark registration of “C-Shares” in Hong Kong. Please note the reference to “C-Shares” in the name of the C-Shares CSI Healthcare Index ETF does not have any implication on the fee structure of the C-Shares CSI Healthcare Index ETF.

## C-Shares CSI Healthcare Index ETF

**Stock Codes: 83132 (RMB counter) and 03132 (HKD counter)**

### 1. KEY INFORMATION

#### 1.1 General

This Appendix sets out information specific to C-Shares CSI Healthcare Index ETF (“**CSI Healthcare ETF**”). For general information about the Trust and its Sub-Funds, please refer to Part 1 of this Prospectus. Investors should read both Parts of the Prospectus before investing in CSI Healthcare ETF. In particular, investors should consider the general risk factors set out in section “**5. General Risk Factors**” of Part 1 of this Prospectus and any specific risk factors set out in section “**11. Risk Factors relating to the CSI Healthcare ETF**” of this Appendix 2 of Part 2 of this Prospectus, before investing in the CSI Healthcare ETF.

Application has been made to the SEHK for the listing of, and permission to deal in, the Units of the CSI Healthcare ETF. Subject to the approval granting of listing of, and permission to deal in the Units on the SEHK and compliance with the relevant admission requirements of the HKSCC, Units in the CSI Healthcare ETF will be accepted as eligible securities by HKSCC for deposit, clearing and settlement in the CCASS with effect from the date of commencement of dealings in Units on the SEHK or such other date as may be determined by HKSCC. 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.

#### 1.2 Summary of Information

The following table sets out certain key information in respect of the CSI Healthcare ETF, and should be read in conjunction with the full text of this Prospectus.

Investment Type	Exchange Traded Fund (“ <b>ETF</b> ”) authorized as a collective investment scheme by the Commission under Chapter 8.6 and Appendix I of the Code
Underlying Index	CSI Healthcare Index Inception Date: 31 December 2004 Number of current constituents: 60 Base Currency of Underlying Index: RMB (CNY)
Type of Underlying Index:	The Underlying Index is a price return index which means that it does not include the reinvestment of dividends from the constituents (such dividends being net of withholding tax).
Index Provider	China Securities Index Co. Ltd
Investment Strategy	Full replication strategy. Please refer to section “ <b>3. Investment Objective and Strategy</b> ” of this Appendix for further details.
Initial Issue Date	9 May 2014
Listing Date	12 May 2014
Exchange Listing	SEHK - Main Board
Stock Codes	83132 – RMB counter 03132 – HKD counter
Stock Short Names	C-SHS CSI HLC-R – RMB counter C-SHS CSI HLC – HKD counter
Trading Board Lot Size	200 Units – RMB counter 200 Units – HKD counter
Base Currency	Renminbi (RMB)
Trading Currency	Renminbi (RMB) – RMB counter Hong Kong dollars (HKD) – HKD counter

Dividend Policy	<p>The Manager intends to distribute income to Unitholders annually having regard to the CSI Healthcare ETF's net income after fees and charges. Distributions will not be paid (whether directly or effectively) out of capital of the CSI Healthcare ETF.</p> <p>Distributions (if declared) will normally be made within the first quarter of the calendar year.</p> <p><b>Distributions on all Units (RMB counter Units and HKD counter Units) will be in RMB only<sup>#</sup>.</b></p>	
Application Unit size for Creation/ Redemption (only by or through Participating Dealers)	Minimum 300,000 Units (or multiples thereof)	
Minimum Subscription (only by or through Participating Dealers)	1 Application Unit (i.e. 300,000 Units)	
Method of Creation / Redemption	Cash (RMB) only	
Parties	Manager / RQFII Holder	China Universal Asset Management (Hong Kong) Company Limited
	Trustee	BOCI-Prudential Trustee Limited
	Custodian	Bank of China (Hong Kong) Limited
	RQFII Custodian	Bank of China Limited
	Registrar	Computershare Hong Kong Investor Services Limited
	Adviser	China Universal Asset Management Company Limited
	Listing Agent	GF Capital (Hong Kong) Limited
	Initial Participating Dealers	<p>China Merchants Securities (HK) Co., Ltd.  Barclays Bank PLC  China International Capital Corporation Hong Kong Securities Limited  Nomura International (Hong Kong) Limited  Haitong International Securities Company Limited  CITIC Securities Brokerage (HK) Limited  KGI Securities (Hong Kong) Limited  Orient Securities (Hong Kong) Limited  <i>*please refer to the Manager's website set out below for the latest list</i></p>
	Initial Market Makers	<p><u>RMB counter:</u>  CITIC Securities Brokerage (HK) Limited  Haitong International Securities Company Limited  China International Capital Corporation Hong Kong Securities Limited</p> <p><u>HKD counter:</u>  CITIC Securities Brokerage (HK) Limited  Haitong International Securities Company Limited  China International Capital Corporation Hong Kong Securities Limited  <i>*please refer to the Manager's website set out below for the latest list</i></p>
	Service Agent	HK Conversion Agency Services Limited
Financial Year	Ending 31 December each year	
Management Fee	Currently 0.50% per annum of the Net Asset Value of the CSI Healthcare ETF	
Trustee's Fee	Currently 0.10% per annum (as a % of the Net Asset Value of the CSI Healthcare ETF) (subject to a minimum of RMB40,000 per month)	
Registrar's Fee	Initial placing fee of HK\$180,000 and an ongoing registry service fee of HK\$96,000 per annum	

Estimated total expense ratio*	Estimated to be 0.8% per annum of the Net Asset Value of the CSI Healthcare ETF (including the fees of the Manager, the Trustee and the Custodian and other charges)
Website	www.99fund.com.hk <sup>1</sup>

<sup>#</sup> Both HKD traded Units and RMB traded Units will receive distributions in RMB only. In the event that the relevant Unitholder has no RMB account, the Unitholder may have to bear the fees and charges associated with the conversion of such dividend from RMB into HKD or any other currency. Unitholders are advised to check with their brokers / intermediaries on the arrangements concerning distributions and to consider the risk factor entitled “RMB distributions risk” below. Please refer to the section headed “5. Distribution Policy” and section headed “RMB distribution risk” under “11.4 Dual Counter Trading risks” in this Appendix for further details.

\* The estimated total expense ratio does not represent the estimated tracking error of CSI Healthcare ETF.

### **1.3 Listing Agent of CSI Healthcare ETF**

GF Capital (Hong Kong) Limited has been appointed by the Manager as the Listing Agent for the CSI Healthcare ETF. The Listing Agent is licensed by the Commission to carry on Type 6 (advising on corporate finance) regulated activity in Hong Kong under the Securities and Futures Ordinance.

### **1.4 Custodian**

The Custodian of the Trust and the Sub-Fund is Bank of China (Hong Kong) Limited (“Custodian”). For further details on the Custodian, please refer to section 2.3 of Part 1 of this Prospectus.

The Custodian has been appointed by the Trustee to act as the custodian of the Sub-Fund’s assets, which will be held directly by the Custodian or through its agents, sub-custodians, or delegates pursuant to the custody agreement.

### **1.5 RQFII Custodian for CSI Healthcare ETF**

The CSI Healthcare ETF invests directly in China A-Shares using RQFII quotas granted to the Manager. The Manager as the RQFII Holder is required to appoint a custodian in the PRC for the custody of assets, pursuant to relevant laws and regulations. Bank of China Limited (“Bank of China” or “RQFII Custodian”) has been appointed by the Manager together with the Custodian as the RQFII Custodian in respect of the investments held by the CSI Healthcare ETF pursuant to the custody agreement entered into between the Custodian, the RQFII Custodian and the Manager (“RQFII Custody Agreement”).

The RQFII Custodian will look to the Trustee for instructions (through the Custodian) and solely act in accordance with the Trustee’s instructions (through the Custodian).

Bank of China was founded in February 1912 following the approval of Dr. Sun Yat-sen. Until the founding of the People’s Republic of China in 1949, Bank of China served as the central bank, international exchange bank and specialized foreign trade bank of the country. In 1994, Bank of China was transformed into a state-owned commercial bank. It was then selected as a pilot bank for the joint stock reforms of state-owned commercial banks in 2003, so it was incorporated in August 2004 and got listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange in June and July 2006 respectively, becoming the first A and H dual listed Chinese commercial bank.

Bank of China engages in full-scaled commercial banking business, including a wide spectrum of corporate and retail services, treasury functions and institutional banking. The latter refers to services offered to banks, brokerage houses, fund companies, and insurance companies worldwide, ranging from clearing and inter-bank lending to agency and custody services etc. The Bank of China has been providing custody services since 1998 as one of the first qualified custodians in the China market. During the past decade, the Bank of China has been playing a leading role in the domestic custodian industry in terms of research capabilities, service standards, internal controls and IT constructions. It also leads the market in a number of product innovations. As the Bank of China has moved into the global custody arena in recent years, it has achieved total assets under custody of nearly RMB3 trillion within the Bank of China Group world-wide as at the end of 2011, making it the largest Chinese global custodian. Its Custody and Investor Services Department has over 130 professional staff. Fund houses, insurance companies, securities firms, trust companies, commercial banks, National Council for Social Security, pensions, private equity companies, and individual clients are all well served by the Bank of China. In addition, the Bank of China maintains close relationships with various regulatory authorities to enable effective communication and top notch services.

### **1.6 Parent Company - Adviser**

China Universal Asset Management Company Limited (“CUAM”), the PRC parent company of the Manager has sufficient experience and expertise in managing and operating physical China A-Shares exchange traded funds listed and traded in the PRC. The CSI Healthcare ETF is the second China A-Shares exchange traded fund managed by the Manager.

Given the cross-border nature of the CSI Healthcare ETF, the Manager may substantially tap into the relevant infrastructure and expertise of CUAM to support its operation of the CSI Healthcare ETF in Hong Kong.

<sup>1</sup> The contents of this website have not been reviewed by the Commission.

Accordingly, the Manager has appointed CUAM to act as adviser to the Manager and provide advice and backup operational support in relation to the operations of the CSI Healthcare ETF.

CUAM will not exercise investment discretion in respect of the investments of the CSI Healthcare ETF.

CUAM will advise the Manager on major corporate actions relating to the Index Securities. CUAM will also advise the Manager on cash management and cross-border money transfers. CUAM will provide investment advice to the Manager for the CSI Healthcare ETF, however, the Manager retains discretionary investment powers in the management of the CSI Healthcare ETF.

The Manager will review and closely monitor the services performed by CUAM so as to ensure that they are carried out properly.

The Manager may perform any or all of the above functions on its own as and when it has determined that it would be appropriate for it to do so.

### **1.7 *Market Maker***

It is a requirement that the Manager ensures that there is at all times at least one market maker for Units of the CSI Healthcare ETF traded in the RMB counter and at least one market maker for Units of the CSI Healthcare ETF traded in the HKD counter although these market makers may be the same entity. 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 counter to facilitate the efficient trading of Units of the CSI Healthcare ETF. The Manager will ensure that at least one Market Maker per counter is required to give not less than 90 days' prior notice to terminate market making under the relevant market making agreement.

The list of market makers in respect of the CSI Healthcare ETF is available on [www.99fund.com.hk](http://www.99fund.com.hk) and from time to time will be displayed on [www.hkex.com.hk](http://www.hkex.com.hk).

## **2. INVESTMENT OBJECTIVE AND STRATEGY**

### ***Investment Objective***

The investment objective of the CSI Healthcare ETF is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the Underlying Index, namely, CSI Healthcare Index. There is no assurance that the CSI Healthcare ETF will achieve its investment objective.

### ***Investment Strategy***

In order to achieve the investment objective of the CSI Healthcare ETF, the Manager will use a full replication strategy by directly investing all, or substantially all, of the assets of CSI Healthcare ETF in Index Securities constituting the Underlying Index in substantially the same weightings (i.e. proportions) as these Index Securities have in the Underlying Index. Please refer to the section headed "**17. The Underlying Index**" of this Appendix for further details on the Underlying Index.

Under normal circumstances, the CSI Healthcare ETF will invest at least 95% of its assets in the Index Securities constituting the Underlying Index. The CSI Healthcare ETF may also invest not more than 5% of its Net Asset Value in money market funds and in cash deposits for cash management purpose.

The Manager reviews the Index Securities held in the CSI Healthcare ETF's portfolio each Business Day. In order to minimise tracking error, it closely monitors factors such as any changes in the weighting of each Index Security in the Underlying Index, suspension, dividend distributions and the liquidity of the CSI Healthcare ETF's portfolio. The Manager will also conduct adjustment on the portfolio of the CSI Healthcare ETF regularly, taking into account tracking error reports, the index methodology and any rebalance notification of the Underlying Index.

Currently it is intended that the CSI Healthcare ETF will directly obtain exposure to Securities issued within the PRC through the Manager's RQFII quotas granted by SAFE, as the Manager has obtained RQFII status in the PRC. For further details please refer to section "**7. Renminbi Qualified Foreign Institutional Investor (RQFII)**" in this Appendix.

The CSI Healthcare ETF will not invest in derivatives instruments (including structured products or instruments) for investment or hedging purposes. Prior approval of the Commission will be sought and not less than one month's prior notice will be given to the Unitholders of CSI Healthcare ETF in the event the Manager wishes to invest in derivatives instruments (including structured products or instruments) for investment or hedging purposes.

Prior approval of the Commission will be sought and not less than one month's prior notice will be given to the Unitholders in the event the Manager wishes to adopt an investment strategy other than the full replication strategy.

## **3. INVESTMENT AND BORROWING RESTRICTIONS**

The investment strategy of the CSI Healthcare ETF is subject to the investment and borrowing restrictions set out in Schedule 1.

The Manager may borrow up to 25% of the latest available Net Asset Value of CSI Healthcare ETF to acquire investments, to redeem Units or to pay expenses relating to CSI Healthcare ETF.



#### **4. INITIAL OFFER AND DEALING**

##### **4.1 *The Initial Offer Period***

Units in the CSI Healthcare ETF will initially be offered only to the Participating Dealer(s) from 9:00 a.m. (Hong Kong time) on 5 May 2014 to 11:00 a.m. (Hong Kong time) on 7 May 2014, unless otherwise extended by the Manager (the “**Initial Offer Period**”). The purpose of the Initial Offer Period is to enable the Participating Dealer(s) to apply for Units on their own account or on behalf of third party Primary Market Investors in accordance with the terms of the Trust Deed and the Operating Guidelines.

##### **4.2 *Extension of the Initial Offer Period***

If the Initial Offer Period is extended beyond 7 May 2014, dealings in the Units on the SEHK will commence 3 Business Days following the close of the Initial Offer Period.

##### **4.3 *Exchange Listing and Trading***

Application has been made to the SEHK for listing of and permission to deal in Units in the CSI Healthcare ETF.

Currently, Units are expected to be listed and dealt only on the SEHK and no application for listing or permission to deal on any other stock exchanges is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Units on other stock exchanges subject to the applicable RQFII Regulations (as defined in section “**7. Renminbi Qualified Foreign Institutional Investor (RQFII)**” in this Appendix).

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

##### **4.4 *Buying and Selling of Units of CSI Healthcare ETF on SEHK***

Dealings on the SEHK in Units of the CSI Healthcare ETF are expected to begin on the trading day after the Initial Issue Date.

A Secondary Market Investor can buy and sell the Units of the CSI Healthcare ETF on the SEHK through his stockbroker at any time the SEHK is open. Units of the CSI Healthcare ETF may be bought and sold in the Trading Board Lot Size (or the multiples thereof). The Trading Board Lot Size is currently 200 Units for the RMB counter and 200 Units for the HKD counter.

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 the Net Asset Value per Unit of the CSI Healthcare ETF 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 of the CSI Healthcare ETF in the secondary market may be higher or lower than the Net Asset Value per Unit of the CSI Healthcare ETF.

Please refer to section “**8. Trading of Units on the SEHK (Secondary Market)**” in Part 1 of this Prospectus for further information on buying and selling of Units on the SEHK.

##### **4.5 *Dual Counter Trading***

###### **4.5.1 *Introduction of Dual Counter Trading (Secondary Market)***

The Manager has arranged for the Units of the CSI Healthcare ETF to be available for trading on the secondary market on the SEHK under a Dual Counter arrangement. Units are denominated in RMB. The CSI Healthcare ETF will offer two trading counters on the SEHK i.e. RMB counter and HKD counter to investors for secondary trading purposes. The two counters will have different stock codes, different International Securities Identification Number (“**ISIN**”) numbers and different stock short names as detailed in section headed “**4.5.4 Trading Arrangement**” in this Appendix.

Units of CSI Healthcare ETF traded in the RMB counter will be settled in RMB and Units traded in the HKD counter will be settled in HKD. Apart from settlement in different currencies, the trading prices of Units of the CSI Healthcare ETF in the two counters may be different as the RMB counter and HKD counter are two distinct and separate markets.

Please note that despite the Dual Counter arrangement, creations and redemptions of new Units for the CSI Healthcare ETF in the primary market will continue to be made in RMB only. Please refer to section “**4.6 Creation Applications and Redemption Applications by Participating Dealers**” in this Appendix for further details.

Investors can buy and sell Units of the CSI Healthcare ETF traded in the same counter. Alternatively, they can buy in one counter and sell in the other counter provided their brokers/intermediaries or CCASS participants provide both HKD and RMB trading services at the same time and offer inter-counter transfer services to support Dual Counter trading. However, investors should note that the trading price of Units of the CSI Healthcare ETF traded in the RMB counter and the HKD counter may be different and may not always maintain a close relationship depending on factors such as market demand and supply and liquidity in each counter.

Inter-counter buy and sell is permissible even if the trades take place within the same trading day. Investors should also note that some brokers / intermediaries may not provide inter-counter day trade services due to various reasons including operations, system limitations, associated settlement risks and other business considerations. Even if a broker / intermediary is able to provide such service, it may impose an earlier cut-off time, other procedures and/or fees.

More information with regard to the Dual Counter is available in the frequently asked questions in respect of the Dual Counter published on the HKEx's website [www.hkex.com.hk/eng/prod/secprod/etf/dc.htm](http://www.hkex.com.hk/eng/prod/secprod/etf/dc.htm).

Investors should consult their brokers if they have any questions concerning fees, timing, procedures and the operation of the Dual Counter, including inter-counter transfers. Investors' attention is also drawn to the risk facts under the section headed "**11.4 Dual Counter Trading risk**" in this Appendix.

#### **4.5.2 Transferability**

Units of the CSI Healthcare ETF traded in both counters are inter-transferable. Units traded in the RMB counter can be transferred to the HKD counter by way of an inter-counter transfer and vice versa on a one to one basis.

Inter-counter transfer of Units of the CSI Healthcare ETF will be effected and processed within CCASS only.

For units of the CSI Healthcare ETF which are bought using the Renminbi Equity Trading Support Facility (the "TSF"), TSF CCASS Participants should, on behalf of their clients, arrange a TSF stock release before proceeding with the inter-counter transfer. Investors are advised to consult their brokers / intermediaries about their service schedule to effect a TSF Unit release.

#### **4.5.3 Unitholders' rights**

Units of both the RMB and HKD counters belong to the same class in CSI Healthcare ETF and Unitholders of Units traded on both counters are entitled to identical rights and are therefore treated equally.

#### **4.5.4 Trading Arrangement**

Units of the CSI Healthcare ETF traded under the two counters can be distinguished by their stock codes, their stock short names and a unique and separate ISIN as follows:

<b>Counter</b>	<b>Stock Code</b>	<b>Stock short name</b>	<b>Trading Currency</b>	<b>ISIN Number (ISIN assigned to each counter)</b>
RMB counter	83132	C-SHS CSI HLC-R	RMB	HK0000187440
HKD counter	03132	C-SHS CSI HLC	HKD	HK0000187457

#### **4.5.5 Clearing and Settlement Arrangement**

Units of the CSI Healthcare ETF traded in the RMB counter will be settled in RMB and Units traded in the HKD counter will be settled in HKD. Apart from settlement in different currencies, the trading prices of Units of the CSI Healthcare ETF in the two counters may be different as the RMB counter and HKD counter are two distinct and separate markets.

#### **4.5.6 Transfer Arrangement**

Inter-counter transfer of Units of the CSI Healthcare ETF will be effected and processed within CCASS only. Inter-counter transfers are not subject to any on-hold / earmark mechanism. Units of the CSI Healthcare ETF are freely transferable after they are "transferred" from one counter into its opposite counter.

#### **4.5.7 Fees and Other Transaction Costs**

The fees and costs payable by a Secondary Market Investor for buying and selling Units of the CSI Healthcare ETF on the SEHK are the same for both the RMB and HKD counters.

HKSCC will charge each CCASS participant a fee of HKD5 per instruction for effecting an inter-counter transfer of the CSI Healthcare ETF from one counter to another counter.

### **4.6 Creation Applications and Redemption Applications by Participating Dealers**

The general terms and procedures relating to Creation Applications and Redemption Applications by the Participating Dealers are set out in section "**7. Creation and Redemption of Application Units (Primary Market)**" of Part 1 of this Prospectus, which should be read in conjunction with the following specific terms and procedures which relate to the CSI Healthcare ETF only.

The Manager currently only allows In-Cash Applications and In-Cash Redemptions for Units of the CSI Healthcare ETF. Notwithstanding the Dual Counter, any cash payable by Participating Dealers in an In-Cash Application must be in RMB. The process of creation of Units deposited under the RMB counter and the HKD counter is the same.

Units which are created can be deposited in CCASS as RMB counter Units or HKD counter Units initially. Settlement in cash for subscribing Units is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

The Application Unit size for CSI Healthcare ETF is 300,000 Units. Creation Applications submitted in respect of Units other than in Application Unit size will not be accepted. The minimum subscription for the CSI Healthcare ETF is one Application Unit.

Both RMB traded Units and HKD traded Units can be redeemed by way of a Redemption Application (through a Participating Dealer). The process of redemption of Units deposited under the RMB counter and the HKD counter is the same. Notwithstanding the Dual Counter, any cash proceeds received by Participating Dealers in an In-Cash Redemption shall be paid only in RMB.

#### **4.6.1 Dealing Period**

The “**Dealing Day**” for the CSI Healthcare ETF is each Business Day.

The dealing period on each Dealing Day for a Creation Application or Redemption Application in respect of the CSI Healthcare ETF commences at 9:00 a.m. (Hong Kong time) and ends at the Dealing Deadline at 11:00 a.m. (Hong Kong time), as may be revised by the Manager from time to time. Any Creation Application or Redemption Application received after the Dealing Deadline will be considered as received on the next Dealing Day unless otherwise determined by the Manager.

The cleared funds in respect of Creation Applications must be received by 12:00 p.m. on the relevant Dealing Day or such other time as may be agreed by the Trustee, the Manager and the relevant Participating Dealer.

#### **4.6.2 Issue Price and Redemption Price**

In respect of each Creation Application during the Initial Offer Period, the Issue Price of a Unit of any class which is the subject of a Creation Application in relation to the CSI Healthcare ETF shall be equal to two-hundredth (1/200th) of the closing level of the Underlying Index on the trading day immediately preceding the Initial Offer Period or such other price as may be determined by the Manager in consultation with the Trustee.

After the Initial Issue Date, the Issue Price of a Unit of any class in the CSI Healthcare ETF shall be the Net Asset Value per Unit of the relevant class calculated as at the Valuation Point in respect of the relevant Valuation Day rounded to the nearest fourth (4th) decimal place (0.00005 or above being rounded up, and less than 0.00005 being rounded down).

The Redemption Price of Units of any class redeemed shall be the Net Asset Value per Unit of the relevant class calculated as at the Valuation Point of the relevant Valuation Day rounded to the nearest fourth (4th) decimal place (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 CSI Healthcare ETF.

The “**Valuation Day**” of the CSI Healthcare ETF, coincides with, and shall mean, the Dealing Day of the CSI Healthcare ETF or such other days as the Manager may determine.

The latest Net Asset Value of the Units will be available on the Manager’s website at [www.99fund.com.hk](http://www.99fund.com.hk) or published in such other publications as the Manager decides.

#### **4.6.3 Rejection of Creation of Applications relating to CSI Healthcare ETF**

In addition to the circumstances set out in section “**7.3.5 Rejection of Creation Applications**” in Part 1 of this Prospectus, the Manager, acting reasonably and in good faith, has the absolute discretion to reject a Creation Application in relation to the CSI Healthcare ETF, in any of the following circumstances:

- (a) where the acceptance of the Creation Application will have a material adverse impact on the China A-Shares market; or
- (b) where the RQFII quotas obtained by the Manager as RQFII relating to the CSI Healthcare ETF are reduced or cancelled or are not sufficient to meet the Creation Applications for the CSI Healthcare ETF.

#### **4.6.4 Termination of the CSI Healthcare ETF**

Termination on the ground that the aggregate Net Asset Value of the Units of the relevant classes of a Sub-Fund is less than a certain amount, as set out under section “**14.5 Termination of the Trust or a Sub-Fund**” in Part 1 of this Prospectus, is not applicable to the CSI Healthcare ETF as the Manager currently does not intend to rely on such ground for termination of the CSI Healthcare ETF.

## **5. DISTRIBUTION POLICY**

Net income earned by the CSI Healthcare ETF will not be re-invested. The Manager intends to distribute income to Unitholders annually having regard to the CSI Healthcare ETF’s net income after fees and charges. Distributions will not be paid (whether directly or effectively) out of the capital of the CSI Healthcare ETF. The distribution policy may

be amended subject to the Commission's prior approval and upon giving not less than one month's prior notice to Unitholders. Distributions (if declared) will normally be made within the first quarter of the calendar year.

Distributions (if declared) will be declared in the Base Currency of the CSI Healthcare ETF (i.e. RMB). The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in RMB only. The details of the distribution declaration dates, distribution amounts and ex-dividend payment dates will be published on the Manager's website [www.99fund.com.hk](http://www.99fund.com.hk) and on HKEx's website [http://www.hkexnews.hk/listedco/listconews/advancedsearch/search\\_active\\_main.aspx](http://www.hkexnews.hk/listedco/listconews/advancedsearch/search_active_main.aspx). There can be no assurance that a distribution will be paid. For the avoidance of doubt, distributions will not be paid out of the capital of CSI Healthcare ETF.

Each Unitholder will receive distributions in RMB (whether holding RMB traded Units or HKD traded Units). In the event that the relevant Unitholder has no RMB account, the Unitholder may have to bear the fees and charges associated with the conversion of such dividend from RMB into HKD or any other currency. Unitholders are advised to check with their brokers/intermediaries on the arrangements concerning distributions.

Distribution payment rates in respect of Units will depend on factors beyond the control of the Manager or Trustee including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions.

## **6. PRC TAX PROVISIONS**

The Manager will make provisions for any PRC taxes payable by the CSI Healthcare ETF on the gross realized capital gains derived from the disposal of China A-Shares and unrealized capital gains, at a rate of 10%. The Manager may review the rate of tax provision from time to time, and may further assess on making an accounting estimate based on the likelihood of the CSI Healthcare ETF enjoying the benefit from double tax treaty agreements between Hong Kong and the PRC for Hong Kong tax residents. The amount of actual provision will be disclosed in the accounts of the CSI Healthcare ETF. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary. The tax provision may be excessive or inadequate to meet the actual tax liabilities.

For further details relating to PRC taxes and the associated risks, please refer to the risk factor headed "*PRC tax considerations*" under section "*5.1 Risk Factors relating to China*" in Part 1 of this Prospectus.

## **7. RENMINBI QUALIFIED FOREIGN INSTITUTIONAL INVESTOR (RQFII)**

Under current regulations in the PRC, generally foreign investors can invest only in the domestic securities market through certain qualified foreign institutional investors that have obtained status as a QFII or a RQFII from the CSRC and have been granted quota(s) by the SAFE to remit foreign freely convertible currencies (in the case of a QFII) and RMB (in the case of a RQFII) into the PRC for the purpose of investing in the PRC's domestic securities markets.

The RQFII regime is currently governed by (a) the "Circular on Issues Related to the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors" (國家外匯管理局關於人民幣合格境外機構投資者境內證券投資試點有關問題的通知) issued by SAFE and effective from 21 March 2013; (b) the "Notice of the People's Bank of China on the Relevant Matters concerning the Implementation of the Pilot Measures for Domestic Securities Investment Made by the RMB Qualified Foreign Institutional Investors", issued by the PBOC and effective from 2 May 2013 (中國人民銀行關於實施《人民幣合格境外機構投資者境內證券投資試點辦法》有關事項的通知); (c) the "Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors" issued by the CSRC, the PBOC and the SAFE and effective from 1 March 2013 (人民幣合格境外機構投資者境內證券投資試點辦法); (d) the "Implementation Rules for the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors" issued by the CSRC and effective from 1 March 2013 (關於實施《人民幣合格境外機構投資者境內證券投資試點辦法》的規定); and (e) any other applicable regulations promulgated by the relevant authorities (collectively, the "**RQFII Regulations**").

The CSI Healthcare ETF will obtain exposure to securities issued within the PRC through the RQFII quotas of the Manager. The Manager has obtained RQFII status in the PRC and as of the date of this Prospectus, has been granted, on behalf of the CSI Healthcare ETF, an initial RQFII quota of RMB 300 million. To the extent that the Manager has, on behalf of the CSI Healthcare ETF, utilised its entire RQFII quota, the Manager may, subject to any applicable requirements, apply for an increase of the RQFII quota. On the other hand, the Manager will actively manage the RQFII quota obtained and may impose limits on Creation Applications as it considers appropriate. The Manager will notify the Participating Dealers through e-mail and telephone as and when it deems appropriate when it has substantially utilised its RQFII quota. Any increase of the RQFII quota will be announced on the website of the Manager.

The RQFII Custodian has been appointed to hold the assets of the CSI Healthcare ETF in the PRC in accordance with the terms of the RQFII Custody Agreement. Securities including China A-Shares will be maintained by the RQFII Custodian pursuant to PRC regulations through securities account(s) with the China Securities Depository and Clearing Corporation Limited ("**CSDCC**") in the joint names of the Manager (as the RQFII holder) and the CSI Healthcare ETF. An RMB cash account(s) shall be established and maintained with the RQFII Custodian in the joint names of the Manager (as the RQFII holder) and the CSI Healthcare ETF. The RQFII Custodian shall, in turn, have a cash clearing account with CSDCC for trade settlement according to applicable regulations.

Repatriations in RMB conducted by the Manager (as RQFII) on behalf of the CSI Healthcare ETF are permitted daily and not subject to any repatriation restrictions, lock-up periods or prior approval from the SAFE.

There are specific risks associated with the RQFII regime and investors' attention is drawn to the risk factors headed "**RQFII risk**" and "**PRC brokerage risk**" under section "**11.3 Risks relating to the RQFII regime**" below.

The Manager will assume dual roles as the Manager of the CSI Healthcare ETF and the holder of the RQFII quota for the CSI Healthcare ETF. The Manager will be responsible for ensuring that all transactions and dealings will be dealt with in compliance with the Trust Deed (where applicable) as well as the relevant laws and regulations applicable to the Manager as a RQFII.

The Manager has obtained an opinion from PRC legal counsel to the effect that, as a matter of PRC laws:

- (a) securities account(s) with the CSDCC and maintained by the RQFII Custodian and RMB cash account(s) with the RQFII Custodian (respectively, the "securities account(s)" and the "cash account(s)") have been opened in the joint names of the Manager (as the RQFII holder) and the CSI Healthcare ETF and for the sole benefit and use of the CSI Healthcare ETF in accordance with all applicable laws and regulations of the PRC and with approval from all competent authorities in the PRC;
- (b) the assets held/credited in the securities account(s) (i) belong solely to the CSI Healthcare ETF, and (ii) are segregated and independent from the proprietary assets of the Manager (as the RQFII holder), the Custodian, the RQFII Custodian and any qualified broker registered in the PRC ("**PRC Broker**") and from the assets of other clients of the Manager (as the RQFII holder), the Custodian, the RQFII Custodian and any PRC Broker(s);
- (c) the assets held/credited in the cash account(s) (i) become an unsecured debt owing from the RQFII Custodian to the CSI Healthcare ETF, and (ii) are segregated and independent from the proprietary assets of the Manager (as the RQFII holder) and any PRC Broker(s), and from the assets of other clients of the Manager (as the RQFII holder) and any PRC Broker(s);
- (d) the Trustee, for and on behalf of the CSI Healthcare ETF is the only entity which has a valid claim of ownership over the assets in the securities account(s) and the debt in the amount deposited in the cash account(s) of the CSI Healthcare ETF;
- (e) if the Manager or any PRC Broker is liquidated, the assets contained in the securities account(s) and the cash account(s) of the CSI Healthcare ETF will not form part of the liquidation assets of the Manager or such PRC Broker(s) in liquidation in the PRC; and
- (f) if the RQFII Custodian is liquidated, (i) the assets contained in the securities account(s) of the CSI Healthcare ETF will not form part of the liquidation assets of the RQFII Custodian in liquidation in the PRC, and (ii) the assets contained in the cash account(s) of the CSI Healthcare ETF will form part of the liquidation assets of the RQFII Custodian in liquidation in the PRC and the CSI Healthcare ETF will become an unsecured creditor for the amount deposited in the cash account(s).

Further, the Trustee has put in place proper arrangements to ensure that:

- (a) the Trustee takes into its custody or under its control the assets of the CSI Healthcare ETF, including onshore PRC assets of the CSI Healthcare ETF acquired by the CSI Healthcare ETF through the Manager's RQFII quota and such PRC assets will be maintained by the RQFII Custodian in electronic form via a securities account(s) with the CSDCC and cash held in cash account(s) with the RQFII Custodian ("**Onshore PRC Assets**"), and holds the same in trust for the Unitholders;
- (b) cash and registrable assets of the CSI Healthcare ETF, including Onshore PRC Assets are registered or held to the order of the Trustee; and
- (c) the Custodian and the RQFII Custodian, via the Custodian, will look to the Trustee for instructions and solely act in accordance with such instructions as provided under the RQFII participation agreement between the Custodian, the RQFII Custodian, the Manager and the Trustee, as amended from time to time ("**RQFII Participation Agreement**").

## **8. OVERVIEW OF THE OFFSHORE RMB MARKET**

### **What Led to RMB Internationalisation?**

RMB is the lawful currency of the PRC. RMB is not currently a freely convertible currency and it is subject to foreign exchange control policies of and repatriation restrictions imposed by the PRC government. Since July 2005, the PRC government began to implement a controlled floating exchange rate system based on the supply and demand in the market and adjusted with reference to a portfolio of currencies. The exchange rate of RMB is no longer pegged to US dollars, resulting in a more flexible RMB exchange rate system.

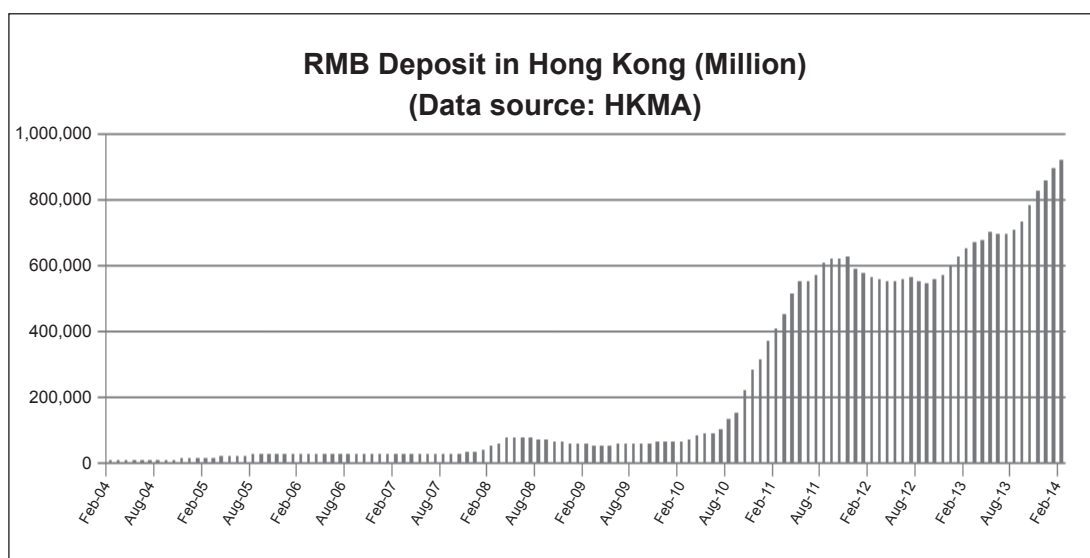
Over the past two decades, the PRC's economy grew rapidly at an average annual rate of 10.5% in real terms. This enables it to overtake Japan to become the second largest economy and trading country in the world. The International

Monetary Fund has projected that the PRC will contribute to more than one-third of global growth by 2015. As the PRC's economy becomes increasingly integrated with the rest of the world, it is a natural trend for its currency – the RMB, to become more widely used in the trade and investment activities.

### Accelerating the Pace of the RMB Internationalisation

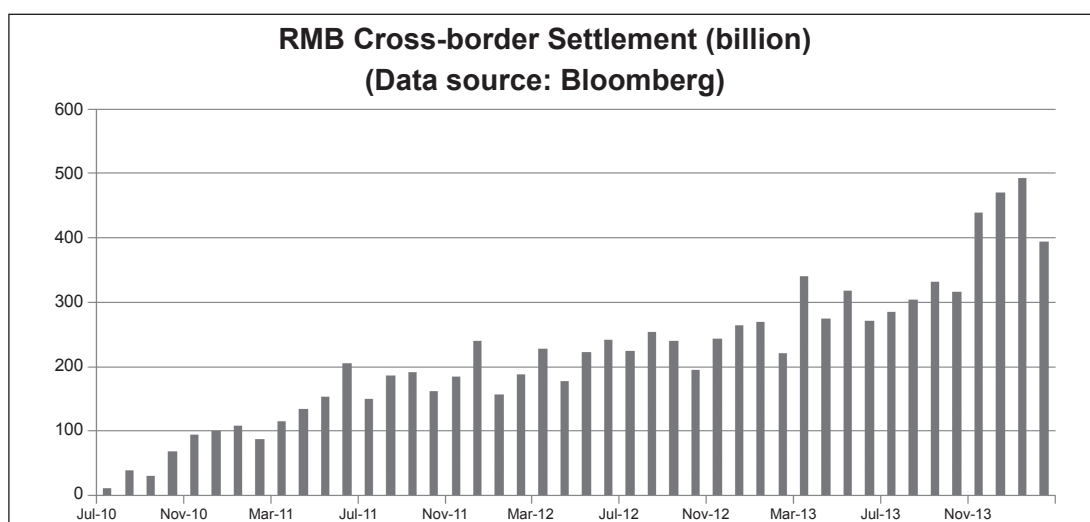
The PRC has been taking gradual steps to increase the use of RMB outside its borders by setting up various pilot programmes in Hong Kong and neighbouring areas in recent years. For instance, banks in Hong Kong were the first permitted to provide RMB deposits, exchange, remittance and credit card services to personal customers in 2004. Further relaxation occurred in 2007 when the authorities allowed PRC financial institutions to issue RMB bonds in Hong Kong, subject to regulatory approval. As of 28 February 2014, there are 146 banks in Hong Kong engaging in RMB business, with RMB deposits amounting to about RMB920 billion, as compared to just about RMB63 billion in the end of 2009.

The chart below shows the trend of RMB deposits in Hong Kong.



The pace of RMB internationalisation has accelerated since 2009 when the PRC authorities permitted cross-border trade between Hong Kong / Macau and Shanghai/four Guangdong cities, and between ASEAN and Yunnan/Guangxi, to be settled in RMB. In June 2010, the arrangement was expanded to 20 provinces / municipalities in the PRC and to all countries / regions overseas.

The chart below shows the trend of RMB cross-border settlement.



In April 2012, the PRC widened the daily trading band of the RMB against the US dollar from 0.5% to 1%.

### Onshore versus Offshore RMB Market

Following a series of policies introduced by the PRC authorities, a RMB market outside the PRC has gradually developed and started to expand rapidly since 2009. RMB traded outside the PRC is often referred as “offshore RMB” with the denotation “CNH”, which distinguishes it from the “onshore RMB” or “CNY”.

Both onshore and offshore RMB are the same currency but are traded in different markets. Since the two RMB markets operate independently where the flow between them is highly restricted, onshore and offshore RMB are traded at different rates and their movement may not be in the same direction. Due to the strong demand for offshore RMB, CNH used to be traded at a premium to onshore RMB, although occasional discount may also be observed. The relatively strength of onshore and offshore RMB may change significantly, and such change may occur within a very short period of time.

Notwithstanding that the offshore RMB market showed a meaningful growth during the past 2 years, it is still at an early stage of the development and is relatively sensitive to negative factors or market uncertainties. For instance, the value of offshore RMB had once dropped by 2% against the US dollars in the last week of September 2011 amidst the heavy selloff of the equities market. In general, the offshore RMB market is more volatile than the onshore one due to its relatively thin liquidity.

There have been talks on the potential convergence of the two RMB markets but that is believed to be driven by political decisions rather than just economics. It is widely expected that the onshore and offshore RMB markets would remain two segregated, but highly related, markets for the next few years.

### **Recent Measures**

More measures to relax the conduct of offshore RMB business were announced in 2010. On 19 July 2010, interbank transfer of RMB funds was permitted for any purposes and corporate customers of banks in Hong Kong (including those not directly involved in trade with mainland China) may exchange foreign currencies for RMB without limit. One month later, the PRC authorities announced the partial opening up of PRC's interbank bond market for foreign central banks, RMB clearing banks in Hong Kong and Macau and other foreign banks participating in the RMB offshore settlement programme.

The National Twelfth Five-Year Plan adopted in March 2011 explicitly supports the development of Hong Kong as an offshore RMB business centre. In August 2011, PRC Vice Premier Li Keqiang has announced more new initiatives during his visit, such as allowing investments on the PRC equity market through the RMB Qualified Foreign Institutional Investor scheme and the launch of an exchange-traded fund with Hong Kong stocks as the underlying constituents in the PRC. Also the PRC Government has given approval for the first non-financial PRC firm to issue RMB-denominated bonds in Hong Kong.

### **RMB Internationalisation is a Long-Term Goal**

Given the PRC's economic size and growing influence, RMB has the potential to become an international currency in the same ranks as US dollars and euro. But the PRC has to first accelerate the development of its financial markets and gradually make RMB fully convertible on the capital account. Although the internationalisation of RMB will bring benefits such as increasing political influence and reduced exchange rate risks, it also entails risks including rising volatility of RMB exchange rate.

The process of RMB internationalisation is a long and gradual one. It took US dollars many decades to replace the British pound to become a dominant reserve currency; it will also take time for RMB to gain importance in coming years, it will not be in a position to challenge the US dollar's main reserve currency status for some time to come.

## **9. CHINA A-SHARES MARKET IN THE PRC**

### **9.1 The Stock Exchanges in Mainland China**

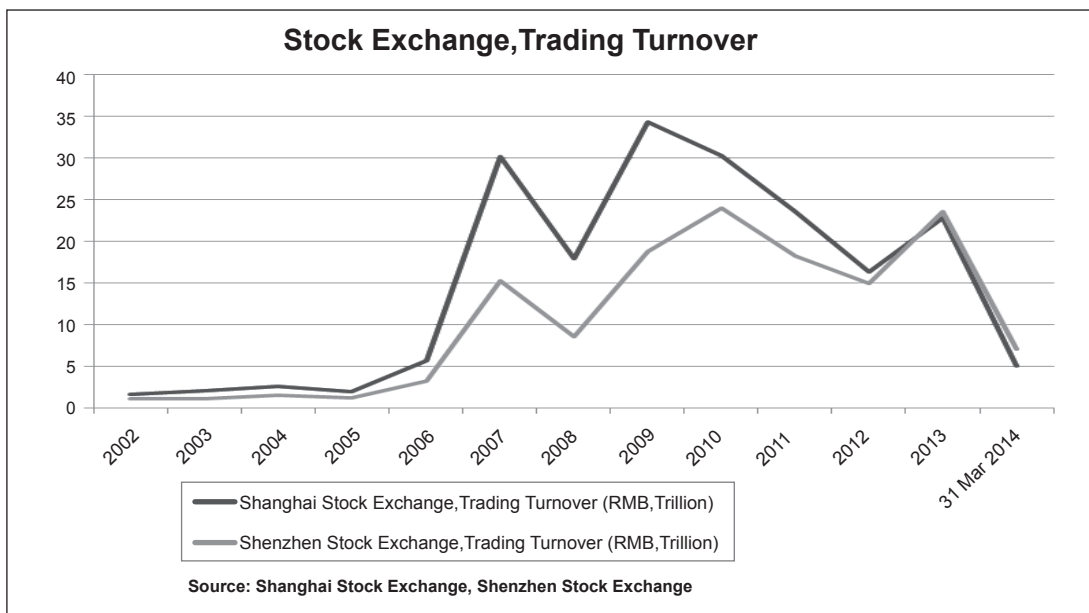
Mainland China has two stock exchanges, located in Shanghai and Shenzhen respectively. Shanghai Stock Exchange ("SSE") was established in November 26, 1990 and started trading in December 19 of the same year. Shenzhen Stock Exchange ("SZSE") was established in December 1, 1990. The two exchanges are under the direct management of the CSRC. Their main functions include: to provide premises and facilities for securities trading; to develop the business rules of the exchanges; to accept listing applications and arrange for the listing of securities; to organize and supervise securities trading; to regulate exchange members and listed companies; to manage and disclose market information.

SSE adopts an electronic trading platform. The trading of all exchange-traded securities are required to be submitted to the exchange's matching engine which automatically matches orders based on price priority and time priority. The SSE's new trading system has a peak order processing capacity of 80,000 transactions per second. It has a bilateral transactions capacity of over 120 million which is equivalent to the size of daily turnover of RMB1.2 trillion by a single market. The system also has parallel scalability.

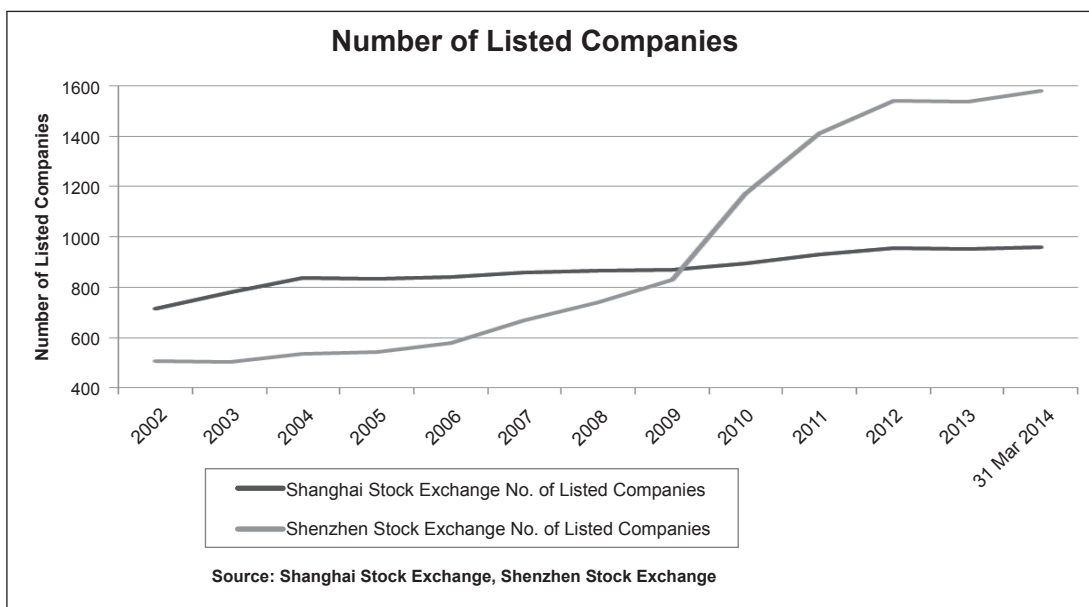
The SZSE, assuming the mission to build China's multi-level capital market system, has fully supported small and middle size enterprise development, and promoted the implementation of the national strategy of independent innovation. In May 2004, it officially launched the Small and Medium Enterprise ("SME") board; in January 2006, it started a pilot program for shares trading of non-listed companies of the Zhongguancun Science Park; it officially launched Growth Enterprises Market ("GEM") board in October 2009. After years of development, the SZSE has basically established a multi-level capital market system architecture consisting the above market boards and systems.

After years of sustained development, the two exchanges have made great achievements in terms of products and quantity listed. Now the listed products include: China A-Shares, B-Shares, open-ended funds, close-ended funds, exchange traded funds and bonds. As of 31 March 2014, the number of listed companies amounted to 2,537, including 959 in Shanghai, 1,578 in Shenzhen. The combined market capitalization of the two exchanges amounted to RMB 23.7 trillion of which RMB 19.7 trillion is free float. Currently, there are derivatives such as warrants and index futures and fixed income products listed on the SSE and SZSE (Source: Wind as at 31 March 2014).

The chart below shows the annual trading turnover in the SSE and SZSE.

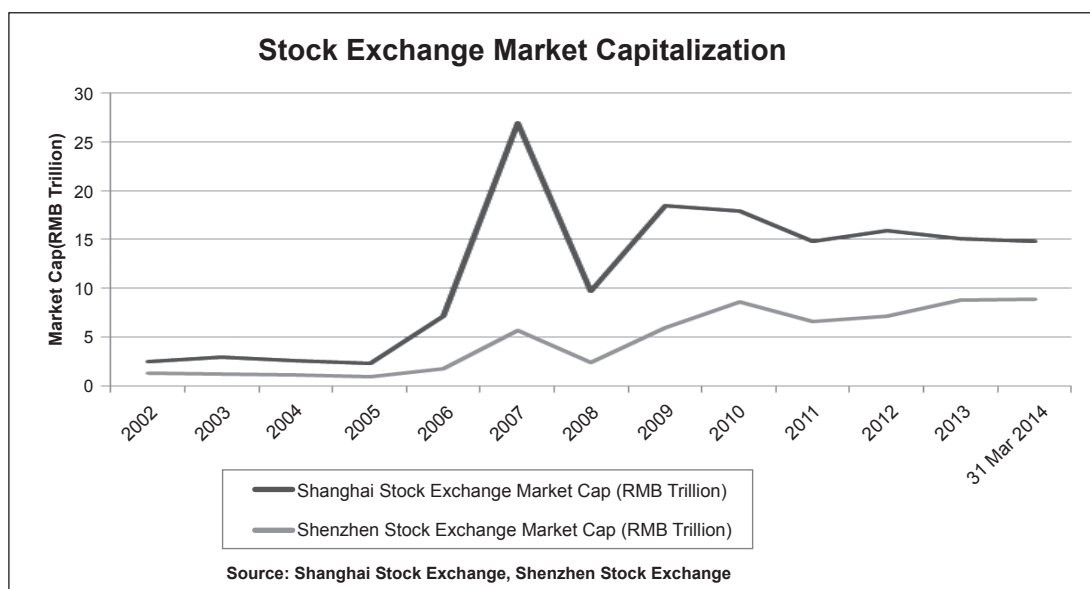


The chart below shows the number of listed company in the SSE and SZSE.

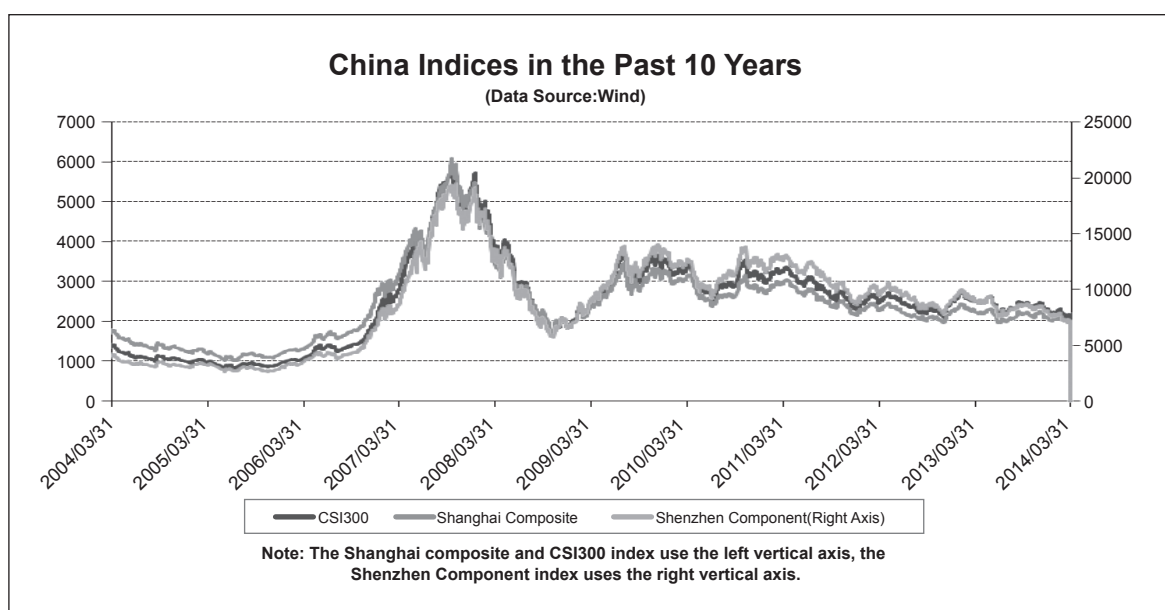




The chart below shows the market capitalisation of the SSE and SZSE.



The chart below shows the Shanghai and Shenzhen Composite Index Price and the Index Price of the Underlying Index in the past 10 years.



The regulatory agency of each stock exchange is its Stock Exchange Council. The Council consists of member directors and non-member directors. The highest decision-making body of an exchange is the General Assembly; however, the Council decides the business agenda of the exchange. The Council reports to the General Assembly, and assumes the following powers:

- To convene the General Assembly, report to the General Assembly, the implementation of the resolutions of the General Assembly;
- To enact, amend the relevant business rules of the Stock Exchange;
- To approve the general work plan submitted by its Chief Executive Officer, budget plan and the draft final accounts;
- To approve the membership admission and approve the sanction of members;
- To decide the stock exchange's internal structure;
- Other powers conferred by the General Assembly.

## 9.2 *Development of the Chinese A-Shares market*

In the 80s of last century, with huge demand of public capital from the national economic development, the State started a pilot reform program adopting the joint-stock system, commencing first in Shanghai, Shenzhen and several other cities. After the Reform and Opening up China's first stock - "Shanghai Feile Audio-Visual" was born in November 1984.

Then in 1990, the SSE and SZSE officially opened, marking the official start of the rapid development of the Chinese stock market. The China A-Shares markets in SSE and SZSE commenced on 19 December 1990 and 1 December 1990 respectively. Initially, trading in China A-Shares are restricted to domestic investors only while B-Shares are available to both domestic (since 2001) and foreign investors. However, after reforms were implemented in December 2002, foreign investors are now allowed (with limitations) to trade in China A-Shares under the QFII program which was launched in 2003 and the RQFII program which was launched in 2011.

After 20 years of development, the China A-Shares market has since grown to become influential on the global market. The participants in the China A-Shares market include retail investors, institutional investors and listed companies. The total market capitalization of the two exchanges combined as at 31 March 2014 has reached RMB 23.7 trillion, and the floating market capitalization has reached RMB 19.7 trillion, accounting for 6.29% of global market capitalization and ranking fourth. As of 31 March 2014, there were 2,537 China A-Shares companies listed on the SSE and SZSE.

### 9.3 *The major differences between the China A-Shares market and the Hong Kong market*

The table below summarises the differences between the China A-Shares market and the Hong Kong market:

		SEHK	SSE	SZSE
(a)	Key Market Index	Hang Seng Index (“HSI”)	SSE Composite Index	SZSE Composite Index
(b)	Trading Hours			
	<ul style="list-style-type: none"> <li>• Morning session</li> <li>• Afternoon session</li> </ul>	<ul style="list-style-type: none"> <li>• 9:30 a.m. – 12:00 p.m.</li> <li>• 13:00 – 16:00</li> </ul>	<ul style="list-style-type: none"> <li>• 9:30 a.m. – 11:30 a.m.</li> <li>• 13:00 – 15:00</li> </ul>	<ul style="list-style-type: none"> <li>• 9:30 a.m. – 11:30 a.m.</li> <li>• 13:00 – 15:00</li> </ul>
China A-Shares market and Hong Kong market have different schedule of holidays.				
(c)	Pre-opening session / pre-order input /order matching times			
	<ul style="list-style-type: none"> <li>• Pre-opening session</li> <li>• Order matching times</li> </ul>	<ul style="list-style-type: none"> <li>• 9:00 a.m. to 9:15 a.m.</li> <li>• 9:15 a.m. to 9:20 a.m. (pre-order matching period)</li> <li>• 9:20 a.m. to 9:28 a.m. (order matching period)</li> <li>• 9:28 a.m. to 9:30 a.m. (blocking period)</li> </ul>	<ul style="list-style-type: none"> <li>• 9:15 a.m. to 9:25 a.m.</li> <li>• 9:30 a.m. to 11:30 a.m. and 13:00 to 15:00</li> </ul>	<ul style="list-style-type: none"> <li>• 9:15 a.m. to 9:25 a.m.</li> <li>• 9:30 a.m. to 11:30 a.m. and 13:00 to 14:57</li> </ul>
	• Close matching times	• N/A	• N/A	• 14:57 to 15:00
(d)	Trading Band Limits	No trading band limit	Daily trading band limits of 10%. Where a listed company is under circumstances deemed abnormal by the SSE and SZSE, the short name of the listed company will be prefixed by “ST” and the daily up and down limit will be reduced to 5%.	
(e)	Trading Rule	The T+1 trading rule does not apply except that some stocks cannot be sold short in Hong Kong market.	The T+1 trading rule applies which means a stock bought on T day (i.e. trading day) can only be sold on T+1 (i.e. one business day after the relevant trading day), and no short-selling is allowed with a few exceptions (mostly ETFs) permitted by a pilot program.	
(f)	Round Lot	Stocks are generally traded at round lots and odd lots trading have to be facilitated by a broker through a special board.	Stocks can only be bought at the multiples of 100 shares but cannot be bought in odd lots. However, one can sell the shares of any number i.e. even in odd lots.	
(g)	Settlement cycle	The settlement period is 2 business days (i.e. T+2)	The settlement period is one business day (i.e. T+1)	

(h)	Earnings report disclosure requirement	A listed company has to disclose fiscal information twice a year. The annual reports have to be published within four months from the financial year end and the interim reports have to be published within three months of the end of the period it covers.	A listed company on the SSE and SZSE is required to prepare and disclose the annual report within four months as of the end date of each fiscal year, the half-year report within two months as of the end date of the first half of each fiscal year, and the quarterly report within one month as of the end of the first three months and the end of the first nine months of each fiscal year respectively. The time for disclosing the first-quarter report shall not be earlier than the time for disclosing the annual report of the previous year.  H-Share listed companies also disclose fiscal information quarterly for consistency with the corresponding A-Share schedules.
(i)	Suspension	There is no requirement to suspend stocks for general assembly or important information disclosure.	Stocks in the China A-Shares market will be suspended for general assembly or important information disclosure.

Investors should inform themselves of the risks associated with the differences between the China A-Shares market and the Hong Kong market, as set out in the risk factor headed “*Risks relating to the differences between the Hong Kong and China stock markets*” in section “*11.1 China market / China A-Shares market risks*” in this Appendix.

#### 9.4 Measures Adopted by the Manager to Address the Differences between the China A-Shares Market and the Hong Kong Market

The Manager has adopted the following measures to address the difference between the China A-Shares market and the Hong Kong market:

- (a) Trading hours: As regards the difference in trading hours, the shorter trading hours in the China A-Shares market is not considered to present a major risk, as it is expected that there is a high level of liquidity for the Index Securities.
- (b) Trading days: There is a difference in trading days between the China A-Shares market and the Hong Kong market. It should be noted that Applications are accepted only on a Business Day (normally a day on which both markets are open).

If the Hong Kong market is open while the China A-Shares market is closed, Units of the CSI Healthcare ETF will be traded in the Hong Kong market and the Manager will continue to publish information including prices in the manner set out in section “*14.14 Publication of Information Relating to the Sub-Funds*” in Part 1 of the Prospectus. If the China A-Shares market is open while Hong Kong market is closed, the Manager will trade the Index Security when it is necessary, in order to limit the risk to investors. These trades will be properly settled even when the Hong Kong market is closed for holiday by the Trustee’s arrangements in place.

- (c) Trading band limits: The Manager will be prevented from trading certain Index Securities when they hit the “trading band limit”. In such circumstance, the CSI Healthcare ETF, where it is required to buy such Index Securities, will hold cash until such Index Securities resume trading and thereafter, will make up the trade. The Manager believes that the average impact to the CSI Healthcare ETF in such situations is immaterial.

#### 10. RMB PAYMENT AND ACCOUNT PROCEDURES

Investors may unless otherwise agreed by relevant Participating Dealer, apply for Units through Participating Dealers only if they have sufficient RMB to pay the application monies and the related fees. Investors should note that RMB is the only official currency of the PRC. While both onshore RMB (“**CNY**”) and offshore RMB (“**CNH**”) are the same currency, they are traded in different and separated markets. Since the two RMB markets operate independently where the flow between them is highly restricted, CNY and CNH are traded at different rates and their movement may not be in the same direction. Although there is a significant amount of RMB held offshore (i.e. outside the PRC), CNH cannot be freely remitted into the PRC and is subject to certain restrictions, and vice versa. As such whilst CNH and CNY are both the same currency, certain special restrictions do apply to RMB outside the PRC. The liquidity and trading price of the CSI Healthcare ETF may be adversely affected by the limited availability of, and restrictions applicable to, RMB outside the PRC.

Application monies from Participating Dealers to the CSI Healthcare ETF will be paid in RMB only. Accordingly a Participating Dealer may require an investor (as its client) to pay CNH to it. (Payment details will be set out in the relevant Participating Dealer’s documentation such as the application form for its clients.) As such, an investor may need to have opened a bank account (for settlement) and a securities dealing account if a Participating Dealer is to subscribe

for Units on his behalf as such investor will need to have accumulated sufficient CNH to pay at least the aggregate Issue Price and related costs, to the Participating Dealer or if an application to the Participating Dealer is not successful or is successful only in part, the whole or appropriate portion of the monies paid will need to be returned to such investor by the Participating Dealer by crediting such amount into such investor's CNH bank account. Similarly, if investors wish to buy and sell Units in the secondary market on the SEHK, they may need to open a securities dealing account with their broker. Investors will need to check with the relevant Participating Dealer and/or their broker for payment details and account procedures.

If any investors wish to buy or sell RMB traded Units on the secondary market, they should contact their brokers and they are reminded to confirm with their brokers in respect of Units traded in RMB their brokers' readiness for dealing and/or clearing transactions in RMB securities and to check other relevant information published by the SEHK regarding readiness of its participants for dealing in RMB securities from time to time. CCASS Investor Participants who wish to settle the payment in relation to their trades in the RMB traded Units using their CCASS Investor Participant account or to receive distributions in RMB should make sure that they have set up an RMB designated bank account with CCASS.

Investors intending to purchase RMB traded Units from the secondary market should consult their stockbrokers as to the RMB funding requirement and settlement method for such purchase. Investors may need to open and maintain securities dealing accounts with the stockbroker first before any dealing in Units traded in either HKD or RMB can be effected.

Investors should ensure they have sufficient CNH to settle the trades of Units traded in RMB. When investors open the RMB bank accounts for settling RMB payment or receiving RMB distributions, they should note that under the current regulations, the daily maximum exchange limit for RMB applicable to Hong Kong residents is RMB20,000 per individual. Investors should consult the banks for the account opening procedures as well as terms and conditions of the RMB bank account. Some banks may impose restrictions on their RMB cheque account and fund transfer to third party accounts. For non-bank financial institutions (e.g. brokers), however, such restriction will not be applicable and investors should consult their brokers as to the currency exchange service arrangement if required.

The transaction costs of dealings in the Units on the SEHK include the trading fee payable to HKEx and Commission's transaction levy. All these secondary trading related fees and charges will be collected in Hong Kong dollars and in respect of Units traded in RMB calculated based on an exchange rate as determined by the Hong Kong Monetary Authority on the date of the trade which will be published on the HKEx's website by 11:00 a.m. on each trading day.

Investors should consult their own brokers or custodians as to how and in what currency the trading related fees and charges and brokerage commission should be paid by the investors.

Where payment in RMB is to be made by cheque, investors are advised to consult the bank at which their respective RMB bank accounts are opened in advance whether there are any specific requirements in relation to the issue of RMB cheques. In particular, investors should note that some banks have imposed an internal limit (usually RMB80,000) on the balance of RMB cheque account of their clients or the amount of cheques that their clients can issue in a day and such limit may affect an investor's arrangement of funding for an application (through a Participating Dealer) for creation of Units.

When an individual investor who is a Hong Kong resident opens an RMB bank account or settle RMB payments, he or she will be subject to a number of restrictions, including:

- (a) the existing permitted conversions in relation to personal customers are up to RMB20,000 conducted through RMB bank accounts per person per day or up to RMB20,000 per transaction per person in bank notes for walk-in personal customers; and
- (b) the daily maximum remittance amount to the PRC is RMB80,000 and a remittance service is only available to an RMB deposit account-holder who remits from his or her RMB deposit account to the PRC and provided that the account name of the account in the PRC is identical with that of the RMB bank account with the bank in Hong Kong.

On the other hand, an individual investor who is a non-Hong Kong resident may open an RMB bank account in Hong Kong and may exchange other currencies for RMB without any limit. However, non-Hong Kong residents may not remit RMB to the PRC unless approval is obtained pursuant to PRC rules and regulations.

Please refer to section "**11.2 Renminbi related risks**" of this Appendix on risks associated with Renminbi.

#### **10A. RENMINBI EQUITY TRADING SUPPORT FACILITY ("TSF")**

The TSF was launched on 24 October 2011 by the HKEx to provide a facility to enable investors who wish to buy RMB-traded shares (RMB shares) in the secondary market with Hong Kong dollars if they do not have sufficient RMB or have difficulty in obtaining RMB from other channels. The coverage of TSF has been extended to equity-related exchange traded funds and real estate investment trusts traded in RMB with effect from 6 August 2012. As such, the TSF is currently available to investors who wish to invest in the CSI Healthcare ETF and trading in RMB on the SEHK. For further details on the TSF, please refer to the website of HKEx at [http://www.hkex.com.hk/eng/market/sec\\_tradinfra/tsf/tsf.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/tsf/tsf.htm). Investors should consult their advisers if they have any query on the TSF.

## 11. **RISK FACTORS RELATING TO THE CSI HEALTHCARE ETF**

In addition to the general risk factors common to all Sub-Funds set out in section “5. *General Risk Factors*” in Part 1 of this Prospectus, investors should also consider the specific risks associated with investing in the CSI Healthcare ETF including those set out below. The risk factors below do not offer advice on the suitability of investing in the CSI Healthcare ETF. Investors should carefully consider the risk factors described below together with the other relevant information included in this Prospectus before deciding whether to invest in Units of the CSI Healthcare ETF. The Commission’s authorisation is not a recommendation or endorsement of a product nor does it guarantee the commercial merits of a product or its performance. It does not mean the product is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

### 11.1 **China market / China A-Shares market risks**

*China market / Single country investment.* Insofar as the CSI Healthcare ETF invests substantially in securities issued in mainland China, it will be subject to risks inherent in the China market and additional concentration risks. Please refer to the risk factors under section “5.1 *Risk Factors relating to China*” and section “5.2 *Investment risks*” under headings “*Restricted markets risk*”, “*Emerging Market Risk*” and “*Single country risk*” in Part 1 of this Prospectus.

*Risks relating to dependence upon trading on China A-Shares market.* The existence of a liquid trading market for China A-Shares may depend on whether there is supply of, and demand for, such China A-Shares. The price at which the Index Securities may be purchased or sold by the CSI Healthcare ETF and the Net Asset Value of the CSI Healthcare ETF may be adversely affected if trading markets for China A-Shares are limited or absent. Investors should note that the SZSE and the SSE on which China A-Shares are traded are undergoing development and the market capitalisation of, and trading volumes on, those stock exchanges are lower than those in more developed markets. The China A-Shares market may be more volatile and unstable (for examples due to the risk of suspension of a particular stock or government intervention) than those in more developed markets. A Participating Dealer may not be able to create and redeem Units if any Index Securities are not available. Market volatility and settlement difficulties in the China A-Shares markets may also result in significant fluctuations in the prices of the Index Securities traded on such markets and thereby may affect the value of the CSI Healthcare ETF.

*Risks relating to suspension of the China A-Shares market.* Securities exchanges in China typically have the right to suspend or limit trading in any security traded on the relevant exchange; a suspension will render it impossible for the Manager to liquidate positions and can thereby expose the CSI Healthcare ETF to losses. Under such circumstances, while creation/redemption of the CSI Healthcare ETF’s Units may be suspended, subject to the Manager’s discretion, the trading of the CSI Healthcare ETF on the SEHK may or may not be suspended. If some of the China A-Shares comprising the Underlying Index are suspended, it may be difficult for the Manager to determine the Net Asset Value of the CSI Healthcare ETF. Where a significant number of the China A-Shares comprising the Underlying Index are suspended, the Manager may determine to suspend the creation and redemption of Units of the CSI Healthcare ETF, and/or delay the payment of any monies in respect of any Redemption Application. If the trading of the CSI Healthcare ETF on the SEHK continues when the China A-Shares market is suspended, the trading price of the CSI Healthcare ETF may deviate away from the Net Asset Value.

As a result of the trading band limits imposed by the stock exchanges in China on China A-Shares, it may not be possible for Participating Dealers to create and/or redeem Units on a Business Day, because Index Securities may not be available if the trading band limit has been exceeded for such Index Securities or it is impossible to liquidate positions. This may lead to higher tracking error and may expose the CSI Healthcare ETF to losses. Further, the price of the Units of the CSI Healthcare ETF may be traded at a premium or discount to its Net Asset Value. The Manager has put in place measures to tackle the trading band limit as disclosed under section “9.4 *Measures Adopted by the Manager to Address the Differences between the China A-Shares Market and the Hong Kong Market*” in this Appendix.

*Risks relating to the differences between the Hong Kong and China stock markets.* As the SZSE and the SSE may be open when Units in the CSI Healthcare ETF are not priced, the value of the Index Securities in the CSI Healthcare ETF’s portfolio may change on days when investors will not be able to purchase or sell the CSI Healthcare ETF’s Units. Furthermore, the market prices of Index Securities listed on the above stock exchanges may not be available during part of or all of the SEHK trading sessions due to trading hour differences which may result in Units of the CSI Healthcare ETF being traded at a premium or discount to its Net Asset Value.

In addition, differences in trading hours between the SSE and SZSE and the SEHK may increase the level of premium/discount of the price of Units of the CSI Healthcare ETF to its Net Asset Value because if the SSE and/or SZSE is closed while the SEHK is open, the Underlying Index level may not be available. The prices quoted by the market maker would therefore be adjusted to take into account any accrued market risk that arises from such unavailability of the Underlying Index level and as a result, the level of premium or discount of the Unit price of the CSI Healthcare ETF to its Net Asset Value may be higher.

There are no trading band limits in Hong Kong. However, trading band limits are imposed by the stock exchanges in China on China A-Shares, where trading in any China A-Shares on the relevant stock exchange may be suspended if the trading price of the China A-Share has increased or decreased to the extent beyond the trading band limit during the day. Any dealing suspension of a China A-Share will render it impossible for the CSI Healthcare ETF to acquire the

Index Security or liquidate positions to reflect creation/redemption of the Units. This may result in higher tracking error and may expose the CSI Healthcare ETF to losses. Units of the CSI Healthcare ETF may also be traded at a significant premium or discount to its Net Asset Value.

## 11.2 ***Renminbi related risks***

***Renminbi currency risk.*** RMB is currently not a freely convertible currency as it is subject to foreign exchange control and fiscal policies of and repatriation restrictions imposed by the Chinese government. If such policies change in future, the CSI Healthcare ETF's or the investors' position may be adversely affected. Please refer to the risk factor headed "***Renminbi Exchange Risk***" under section "***5.1 Risk Factors relating to China***" in Part 1 of the Prospectus.

Primary Market Investors must subscribe for Units of the CSI Healthcare ETF and will receive redemption proceeds in RMB. Since the CSI Healthcare ETF is denominated in RMB, non-RMB based investors are exposed to fluctuations in the RMB exchange rate against their base currencies and may incur substantial capital loss due to foreign exchange risk. There is no assurance that RMB will not be subject to devaluation, in which case the value of their investments will be adversely affected. If investors wish or intend to convert the redemption proceeds or dividends (in RMB on both HKD traded Units and RMB traded Units) paid by the Sub-Fund or sale proceeds (in RMB on RMB traded Units) into a different currency, they are subject to the relevant foreign exchange risk and may suffer losses from such conversion as well as associated fees and charges.

***Offshore RMB Market risk.*** The onshore RMB ("CNY") is the only official currency of the PRC and is used in all financial transactions between individuals, state and corporations in the PRC ("**Onshore RMB Market**"). Hong Kong is the first jurisdiction to allow accumulation of RMB deposits outside the PRC ("**Offshore RMB Market**"). Since June 2010, the offshore RMB ("**CNH**") is traded officially, regulated jointly by the Hong Kong Monetary Authority and the PBOC. As a result of the controls on cross-border transfers of Renminbi between Hong Kong and China, the Onshore RMB Market and the Offshore RMB Market are, to an extent, segregated, and each market may be subject to different regulatory requirements that are applicable to the Renminbi. The CNY may therefore trade at a different foreign exchange rate compared to the CNH. Due to the strong demand for offshore RMB, CNH used to be traded at a premium to onshore RMB, although occasional discount may also be observed. The CSI Healthcare ETF's investments may potentially be exposed to both the CNY and the CNH, and the CSI Healthcare ETF may consequently be exposed to greater foreign exchange risks and/or higher costs of investment (for example, when converting other currencies to the Renminbi at the CNH rate of exchange).

However, the current size of RMB-denominated financial assets outside the PRC is limited. At the end of July 2013, the total amount of RMB (CNH) deposits held by institutions authorized to engage in RMB banking business in Hong Kong amounted to approximately RMB 695 billion. In addition, participating authorized institutions are required by the Hong Kong Monetary Authority to maintain a total amount of RMB assets (in the form of, inter alia, cash and the institution's settlement account balance with the Renminbi clearing bank, holding of RMB sovereign bonds issued in Hong Kong by the PRC Ministry of Finance and bond investment through the PRC interbank bond market) of no less than 25% of their RMB deposits, which further limits the availability of RMB that participating authorized institutions can utilise for conversion services for their customers. RMB business participating banks do not have direct RMB liquidity support from PBOC. The Renminbi clearing bank only has access to onshore liquidity support from PBOC (subject to annual and quarterly quotas imposed by PBOC) to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and for individual customers that are Hong Kong residents of up to RMB20,000 per person per day. The Renminbi clearing bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source RMB from the offshore market to square such open positions.

Although it is expected that the Offshore RMB Market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC laws and regulations will not be promulgated, terminated or amended in the future which will have the effect of restricting availability of RMB offshore. The limited availability of RMB outside the PRC may affect the liquidity of the CSI Healthcare ETF. To the extent the Manager is required to source RMB in the offshore market, there is no assurance that it will be able to source such RMB on satisfactory terms, if at all.

***Offshore RMB ("CNH") Remittance Risk.*** RMB is not freely convertible at present. The PRC government continues to regulate conversion between RMB and foreign currencies despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Participating banks in Hong Kong have been permitted to engage in the settlement of RMB trade transactions under a pilot scheme introduced in July 2009. This represents a current account activity. The pilot scheme was extended in June 2010 to cover 20 provinces and municipalities in the PRC and to make RMB trade and other current account item settlement available in all countries worldwide. On 25 February 2011, the Ministry of Commerce ("**MOFCOM**") promulgated the Circular on Issues concerning Foreign Investment Management (商務部關於外商投資管理工作有關問題的通知) (the "**MOFCOM Circular**"). The MOFCOM Circular states that if a foreign investor intends to make investments in the PRC (whether by way of establishing a new enterprise, increasing the registered capital of an existing enterprise, acquiring an onshore enterprise or providing loan facilities) with RMB that it has generated from cross-border trade

settlement or that is lawfully obtained by it outside the PRC, MOFCOM's prior written consent is required. While the MOFCOM Circular expressly sets out the requirement of obtaining MOFCOM's prior written consent for remittance of RMB back in the PRC by a foreign investor, the foreign investor may also be required to obtain approvals from other PRC regulatory authorities, such as the PBOC and SAFE, for transactions under capital account items. As the PBOC and SAFE have not promulgated any specific PRC regulation on the remittance of RMB into the PRC for settlement of capital account items, foreign investors may only remit offshore RMB into the PRC for capital account purposes such as shareholders' loan or capital contribution upon obtaining specific approvals from the relevant authorities on a case-by-case basis. There is no assurance that the PRC government will continue to gradually liberalise the control over cross-border RMB remittances in the future, that the pilot scheme introduced in July 2009 (as extended in June 2010) will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of RMB into or outside the PRC. Such an event could have a severe adverse effect on the operations of the CSI Healthcare ETF, including limiting the ability of the CSI Healthcare ETF to redeem and pay the redemption proceeds in RMB and the ability of Participating Dealers to create or redeem in cash and so to settle in RMB to their underlying clients. In addition, such restrictions could cause Units to trade on the SEHK at a significant discount to the Net Asset Value per Unit.

Currently the Bank of China (Hong Kong) Limited is the only clearing bank for offshore RMB in Hong Kong. A clearing bank is an offshore bank that can obtain RMB funding from the PBOC to square the net RMB positions of other participating banks. In February 2004, Bank of China (Hong Kong) Limited launched its RMB clearing services following its appointment by the PBOC. Remittance of RMB funds into China may be dependent on the operational systems developed by the Bank of China (Hong Kong) Limited for such purposes, and there is no assurance that there will not be delays in remittance.

### **11.3 *Risks relating to the RQFII regime***

***RQFII risk.*** The CSI Healthcare ETF is not a RQFII but may obtain access to China A-Shares, or other permissible investments directly using RQFII quotas of a RQFII. The CSI Healthcare ETF may invest directly in RQFII eligible securities investment via the RQFII status of the Manager. As of the date of this Prospectus, the RQFII quotas obtained by the Manager as RQFII relating to the CSI Healthcare ETF amount to RMB300 million, and all of which is expected to be allocated to the CSI Healthcare ETF.

Investors should note that RQFII status could be suspended or revoked, which may have an adverse effect on the CSI Healthcare ETF's performance as the CSI Healthcare ETF may be required to dispose of its securities holdings. In addition, certain restrictions imposed by the Chinese government on RQFIIs may have an adverse effect on the CSI Healthcare ETF's liquidity and performance.

SAFE regulates and monitors the repatriation of funds out of the PRC by the RQFII pursuant to its "Circular on Issues Related to the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors (國家外匯管理局關於人民幣合格境外機構投資者境內證券投資試點有關問題的通知) (the "**RQFII Measures**")". Repatriations by RQFIIs in respect of an open-ended RQFII fund (such as the CSI Healthcare ETF) conducted in RMB are currently permitted daily and are not subject to repatriation restrictions or prior approval from the SAFE, although authenticity and compliance reviews will be conducted by the RQFII Custodian, and monthly reports on remittances and repatriations will be submitted to SAFE by the RQFII Custodian. There is no assurance, however, that PRC rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Further, such changes to the PRC rules and regulations may take effect retrospectively. Any restrictions on repatriation of the invested capital and net profits may impact on the CSI Healthcare ETF's ability to meet redemption requests from the Unitholders. Furthermore, as the Custodian's or the RQFII Custodian's review on authenticity and compliance is conducted on each repatriation, the repatriation may be delayed or even rejected by the Custodian or the RQFII Custodian in case of non-compliance with the RQFII Regulations. In such case, it is expected that redemption proceeds will be paid to the redeeming Unitholder as soon as practicable, and within 4 Business Days, and after the completion of the repatriation of funds concerned. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the Manager's control.

RQFII quotas are generally granted to a RQFII though an amount of RMB300 million has been specifically granted to the CSI Healthcare ETF. The rules and restrictions under RQFII Regulations generally apply to the RQFII as a whole and not simply to the investments made by the CSI Healthcare ETF. It is provided in the RQFII Measures that the size of the quota may be reduced or cancelled by the SAFE if the RQFII is unable to use its RQFII quota effectively within one year since the quota is granted. If SAFE reduces the RQFII's quota, it may affect the Manager's ability to effectively pursue the investment strategy of the CSI Healthcare ETF. On the other hand, the SAFE is vested with the power to impose regulatory sanctions if the RQFII or the RQFII Custodian violates any provision of the RQFII Measures. Any violations could result in the revocation of the RQFII's quota or other regulatory sanctions and may adversely impact on the portion of the RQFII's quota made available for investment by the CSI Healthcare ETF.

Investors should note that there can be no assurance that a RQFII will continue to maintain its RQFII status or be able to acquire additional RQFII quota. The CSI Healthcare ETF may not have sufficient portion of RQFII quotas to meet all applications for subscription to the CSI Healthcare ETF. There is also no assurance that redemption requests can be processed in a timely manner due to repatriation restrictions or adverse changes in relevant laws or regulations. Such

restrictions may respectively result in a rejection of applications and a suspension of dealings of the CSI Healthcare ETF. In extreme circumstances, the CSI Healthcare ETF may incur significant losses due to insufficiency of RQFII quota, limited investment capabilities, or may not be able to fully implement or pursue its investment objective or strategy, due to RQFII investment restrictions, illiquidity of the Chinese domestic securities market, and/or delay or disruption in execution of trades or in settlement of trades.

The current RQFII laws, rules and regulations are subject to change, which may take retrospective effect. In addition, there can be no assurance that the RQFII laws, rules and regulations will not be abolished. The CSI Healthcare ETF, which invests in the PRC markets through a RQFII, may be adversely affected as a result of such changes.

Application of RQFII rules. The RQFII Regulations are in the early stages of their operations and are described under section “7. **Renminbi Qualified Foreign Institutional Investor (RQFII)**” in this Appendix. The rules and their application may depend on the interpretation given by the relevant Chinese authorities. The Chinese authorities and regulators have been given wide discretion in such investment regulations and there is no certainty as to how such discretion may be exercised now or in the future.

Any changes to the relevant rules may have an adverse impact on investors’ investment in the CSI Healthcare ETF. In the worst scenario, the Manager may determine that the CSI Healthcare ETF shall be terminated if it is not legal or viable to operate the CSI Healthcare ETF because of changes to the application of the relevant rules.

RQFII systems risk. The current RQFII Regulations include rules on investment restrictions applicable to the CSI Healthcare ETF.

In the event of any default of the RQFII Custodian in the execution or settlement of any transaction or in the transfer of any funds or securities in the PRC, the CSI Healthcare ETF may encounter delays in recovering its assets which may in turn impact the Net Asset Value of the CSI Healthcare ETF.

Risks relating to liquidity of Index Securities. Due to the potential liquidity constraint of the underlying Index Securities, the Manager may not be able to efficiently process the transactions for the Creation and Redemption Applications without adverse impact on the fund value of the CSI Healthcare ETF, therefore the existing investors’ interest. Accordingly, the Manager may impose a limit on the total number of Units to be created or redeemed each day.

RQFII Custodian risk. The Trustee shall take into its custody or under its control property of the CSI Healthcare ETF and hold it on trust for Unitholders. The assets held/credited in the securities account(s) are segregated and independent from the proprietary assets of the RQFII Custodian. However, investors should note that, under PRC law, cash deposited in the cash account(s) of the CSI Healthcare ETF with the RQFII Custodian (which is/are maintained in the joint names of the Manager (as the RQFII holder) and the CSI Healthcare ETF) will not be segregated but will be a debt owing from the RQFII Custodian to the CSI Healthcare ETF as a depositor. Such cash will be co-mingled with cash that belongs to other clients or creditors of the RQFII Custodian. In the event of bankruptcy or liquidation of the RQFII Custodian, the CSI Healthcare ETF will not have any proprietary rights to the cash deposited in such cash account(s), and the CSI Healthcare ETF will become an unsecured creditor, ranking *pari passu* with all other unsecured creditors, of the RQFII Custodian. Please refer to the disclosure on the opinion from PRC legal counsel in section “7. **Renminbi Qualified Foreign Institutional Investor (RQFII)**” in this Appendix. Whilst the opinion from PRC legal counsel indicates the legal position based on understanding of current PRC laws, such opinion may not be conclusive; and ultimately the interpretation and operation of the relevant PRC laws and regulations depend on the judicial and/or regulatory authorities of the PRC.

The CSI Healthcare ETF may face difficulty and/or encounter delays in recovering such debt, or may not be able to recover it in full or at all, in which case the CSI Healthcare ETF will suffer.

PRC brokerage risk. The execution of transactions may be conducted by PRC Broker(s) appointed by the RQFII. As a matter of practice, only one PRC Broker can be appointed in respect of each stock exchange in the PRC. Thus, the CSI Healthcare ETF will rely on only one PRC Broker for each stock exchange in the PRC, which may be the same PRC Broker. If the Manager is unable to use its designated PRC Broker in the PRC, the operation of the CSI Healthcare ETF will be adversely affected and may cause Units of the CSI Healthcare ETF to trade at a premium or discount to its Net Asset Value or the CSI Healthcare ETF may not be able to track the Underlying Index. Further, the operation of the CSI Healthcare ETF may be adversely affected in case of any acts or omissions of the PRC Broker, which may result in a higher tracking error or the CSI Healthcare ETF being traded at a significant premium or discount to its Net Asset Value.

If a single PRC Broker is appointed, the CSI Healthcare ETF may not necessarily pay the lowest commission available in the market. The RQFII Holder however, in the selection of PRC Broker(s) will have regard to factors such as the competitiveness of commission rates, size of the relevant orders and execution standards.

There is a risk that the CSI Healthcare ETF may suffer losses from the default, bankruptcy or disqualification of the PRC Broker(s). In such event, the CSI Healthcare ETF may be adversely affected in the execution of any transaction. As a result, the Net Asset Value of the CSI Healthcare ETF may also be adversely affected.

Subject to the applicable laws and regulations, the Manager will make arrangements to satisfy itself that the PRC Broker(s) have appropriate procedures to properly segregate the CSI Healthcare ETF’s securities from those of the relevant PRC Brokers.



*Risks relating to premium arising from insufficient RQFII quota.* There can be no assurance that additional RQFII quota can be obtained to fully satisfy Creation Application requests, which will lead to such requests of Participating Dealers being rejected by the Manager. This may result in a need for the Manager to close the CSI Healthcare ETF to further subscriptions which may lead to a significant premium in the trading price of the CSI Healthcare ETF against its Net Asset Value.

#### **11.4 Dual Counter Trading risks**

*Dual Counter risk.* Dual Counter is relatively new on the SEHK for exchange traded funds. The CSI Healthcare ETF has a Dual Counter arrangement where Units are traded and settled in RMB under the RMB counter and traded and settled in HKD under the HKD counter. The Dual Counter arrangement adopted by the CSI Healthcare ETF may bring additional risks for investment in the CSI Healthcare ETF and may make such investment riskier than investment in single counter exchange traded funds. For example where for some reason there is a settlement failure on an inter-counter transfer if the Units of one counter are delivered to CCASS at the last settlement on a trading day, there may not be enough time to transfer the Units to the other counter for settlement on the same day.

Moreover, where there is a suspension of the inter-counter transfer of Units between the HKD counter and the RMB counter for any reasons, for example, operational or systems interruption, Unitholders will only be able to trade their Units in the currency of the relevant Dual Counter. Accordingly it should be noted that inter-counter transfers may not always be available. Investors are recommended to check the readiness of their brokers / intermediaries in respect of the Dual Counter trading and inter-counter transfer.

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

*Inter-counter trading risk.* Although an investor may buy from one counter and sell the same on the other counter in the same day, it is possible that some brokers/intermediaries and CCASS Participants may not be familiar with and may not be able to (i) buy Units in one counter and to sell Units in the other, (ii) carry out inter-counter transfers of Units, or (iii) trade units in both RMB counter and HKD counter at the same time. In such case (i) to (iii), another broker, intermediary or CCASS Participant may need to be used. This may inhibit or delay dealing in both RMB traded Units and HKD traded Units and may mean investors may only be able to trade their Units in one currency. Investors are recommended to check the readiness of their brokers / intermediaries in respect of the Dual Counter trading and inter-counter transfer.

Investors should therefore consult their brokers/intermediaries on whether Dual Counter trading of Units of the CSI Healthcare ETF will be allowed and on the services that the brokers/intermediaries may provide in this regard along with the associated risks and fees. In particular, some brokers/intermediaries may not have in place systems and controls to facilitate inter-counter trading and/or inter-counter day trades.

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

*Currency exchange risk.* Investors who bought Units on the HKD counter may be subject to currency exchange risk as the assets of the CSI Healthcare ETF are denominated in RMB and the Net Asset Value of the CSI Healthcare ETF will be calculated in RMB. Although the trading prices of a HKD-traded Unit will normally be equivalent or close to its Net Asset Value per Unit, taking into consideration the prevailing exchange rate, the HKD-traded Units may be traded at higher or lower prices than the Net Asset Value per Unit (denominated in RMB) as a result of fluctuations in exchange rates between RMB and HKD.

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

#### **11.5 Risks relating to RMB dealing, trading and settlement**

*Primary market:*

*Non-RMB or Late Settlement Redemption Risk.* Currently, RMB cannot be freely remitted into the PRC and such remittance is subject to certain restrictions. In the event that the remittance of RMB from Hong Kong to the PRC is disrupted, this may impact on the ability of the CSI Healthcare ETF to acquire the Index Securities. This in turn may result in tracking error and the CSI Healthcare ETF may not be able to fully replicate the Underlying Index in such circumstance.

On the other hand, where, in extraordinary circumstances, the remittance or payment of RMB funds on the redemption of Units cannot, in the opinion of the Manager in consultation with the Trustee, be carried out normally due to legal or regulatory circumstances beyond the control of the Trustee and the Manager, redemption proceeds may be delayed or, if necessary in exceptional circumstances, be paid in US dollars or Hong Kong dollars instead of in RMB (at an exchange rate determined by the Manager after consultation with the Trustee). As such, there is a risk that investors receive settlement in RMB on a delayed basis or may not be able to receive redemption proceeds in RMB (i.e. such proceeds may be paid in US dollars or Hong Kong dollars).

Secondary market:

RMB Trading and Settlement of Units Risk. RMB denominated securities are listed and traded on the SEHK relatively recently. Therefore, there is no assurance that there will not be any problem with the systems or that other logistical problems will not arise in relation to the trading and settlement of RMB traded Units in Hong Kong. In addition, the Units of the CSI Healthcare ETF are traded on the SEHK with a Dual Counter (i.e. HKD traded Units and RMB traded Units) and settled in CCASS. The listing, trading and settlement of the RMB traded Units, may not be capable of being implemented as envisaged. Not all stockbrokers or custodians may be ready and able to carry out trading and settlement of the RMB traded Units.

Although end-to-end simulation trading and clearing of listed RMB products testing sessions and payment pilot runs for participants of the SEHK were held by the SEHK in 2011, some stockbrokers may not have participated in such testing sessions and pilot runs and for those who have, not all of them may be able to successfully complete such testing sessions and pilot runs, there is no assurance of their readiness for dealing in RMB denominated securities. Investors should note that not all stockbrokers may be ready and able to carry out trading and settlement of RMB traded Units of the CSI Healthcare ETF and thus they may not be able to deal in the Units through some stockbrokers. Investors should check with their brokers / intermediaries in advance if they intend to engage Dual Counter trading or in inter-counter transfers and should fully understand the services which the relevant broker / intermediary is able to provide (as well as any associated fees). Some exchange participants may not provide inter-counter transfer or Dual Counter trading services.

In addition, the liquidity and trading price of the RMB traded Units of the CSI Healthcare ETF may be adversely affected by the limited availability of RMB outside the PRC and the restrictions on the conversion between foreign currency and the RMB. This may result in the CSI Healthcare ETF trading at a significant premium / discount to its Net Asset Value.

#### **11.6 Risks relating to the nature of product**

Risks in light of cross-border nature of the CSI Healthcare ETF. CSI Healthcare ETF is an exchange traded fund denominated in RMB and invests in the China A-Shares market (which is inherently a market with restricted access) under the RQFII regime. In light of the cross-border nature of the CSI Healthcare ETF, it is more risky than traditional exchange traded funds which invest directly in markets other than the China A-Shares market and therefore, is subject to operational and settlement risks. Operational risks may arise from technical failures of communication and trading systems, and any breaches of the relevant operational policies or guidelines by the relevant staff of the Manager. Whilst the Manager has in place internal control systems, operational guidelines and contingency procedures to reduce the chances of such operational risks, there is no guarantee that events beyond the control of the Manager (e.g. trading errors or system errors) will not occur. The occurrence of such events may adversely affect the value of the CSI Healthcare ETF.

To the extent that the CSI Healthcare ETF transacts in the China A-Shares market, the CSI Healthcare ETF may also be exposed to risks associated with settlement procedures. Any significant delays in the settlement of transactions or the registration of a transfer may affect the ability to ascertain the value of the CSI Healthcare ETF's portfolio and adversely affect the Net Asset Value and pricing of the CSI Healthcare ETF.

Limited operating history and experience of the Manager and reliance on parent company. The RQFII exchange traded funds with its cross-border nature are relatively new in the market. Whilst the Manager has experience in managing and operating RQFII exchange traded fund, such experience is limited. As such, the CSI Healthcare ETF is subject to the risks relating to the limited operating history and experience of the Manager in managing and operating RQFII physical China A-Shares exchange traded fund. The Manager may substantially tap into its PRC parent company's relevant infrastructure and expertise to support its operation of the CSI Healthcare ETF in Hong Kong. While the PRC parent company of the Manager has sufficient experience and expertise in managing and operating physical China A-Shares exchange traded funds listed and traded in China, there is no assurance that the CSI Healthcare ETF will be operated as envisaged. Any disruption in the assistance from the Manager's parent company may adversely affect the operations of the CSI Healthcare ETF.

#### **11.7 Risks relating to the Underlying Index of CSI Healthcare ETF**

Risks relating to the Underlying Index. The CSI Healthcare ETF may be subject to the following risks in relation to the Underlying Index:

- (i) If the Underlying Index is discontinued or the Manager's license from the Index Provider under the relevant licence agreement is terminated, the Manager may, in consultation with the Trustee, seek the Commission's

prior approval to replace the Underlying Index with an index that is tradable and has similar objectives to the Underlying Index. Please refer to section “**16. Replacement of Underlying Index**” below on the circumstances in which the Underlying Index may be replaced by the Manager. Such change shall be made in accordance with the provisions of the Trust Deed and with the prior approval of the Commission. For the avoidance of doubt, index-tracking will remain the CSI Healthcare ETF’s investment objective.

The Manager has been granted a licence by China Securities Index Co. Ltd. (“**CSI**”) to use the Underlying Index as a basis for determining the composition of the CSI Healthcare ETF and to use certain trade marks in the Underlying Index. The licence granted is for an initial term of 3 years commencing from the effective date of the agreement (i.e. 1 March 2014), and thereafter automatically renewed for successive 2-year period unless terminated pursuant to the agreement. There is no guarantee that the licence agreement will be perpetually renewed.

The CSI Healthcare ETF may be terminated if the Underlying Index is discontinued and/or the Index licence agreement is terminated and the Manager is unable to identify or agree with any Index Provider terms for the use of a suitable replacement index, using, in the opinion of the Manager, the same or substantially similar formula for the method of calculation as used in calculating the Underlying Index and which meets the acceptability criteria under Chapter 8.6(e) of the Code. Any such replacement index will be subject to the prior approval of the Commission under the Code and Unitholders will be duly notified of the same. Accordingly, investors should note that the ability of the CSI Healthcare ETF to track the Underlying Index depends on the continuation in force of the Index licence agreement in respect of the Underlying Index or a suitable replacement. The CSI Healthcare ETF may also be terminated if the Underlying Index ceases to be compiled or published and there is no replacement index, using, in the opinion of the Manager, the same or substantially similar formula for the method of calculation as used in calculating the Underlying Index.

The Manager and the Index Provider may by mutual agreement terminate or postpone the parties’ obligations under the Index licence agreement upon the occurrence of a force majeure event such that the terms of the Index licence agreement can no longer be performed. There is no guarantee or assurance of exact or identical replication at any time of the performance of the relevant Underlying Index.

For further information on the grounds for terminating the license agreement in respect of the Underlying Index, please refer to section “**14. Index Licence Agreement**” in this Appendix.

- (ii) There may be changes in the constituent securities of the Underlying Index from time to time. For example, a constituent security may be delisted or a new eligible security may be added to the Underlying Index. In such circumstances, in order to achieve the investment objective of the CSI Healthcare ETF, the Manager may rebalance the composition of a Basket. The price of the Units may rise or fall as a result of these changes. Thus, an investment in Units will generally reflect the Underlying Index as its constituents change from time to time, and not necessarily the way it is comprised at the time of an investment in the Units. Please refer to the section “**17. The Underlying Index**” of this Appendix 2 for more information on how the Underlying Index is compiled.
- (iii) The process and the basis of computing and compiling the Underlying Index and any of its related formulae, constituent companies and factors may also be changed or altered by the Index Provider at any time without notice. There is also no warranty, representation or guarantee given to the investors as to the accuracy or completeness of the Underlying Index, its computation or any information related thereto.

## **11.8 Other risks**

*Risks associated with the healthcare sector.* The economic prospects of the healthcare sector are generally subject to greater influences from governmental policies and regulations than those of many other industries. Certain healthcare companies may allocate greater than usual financial resources to research and product development and experience above-average price movements associated with the perceived prospects of success of the research and development programs. In addition, certain healthcare companies may be adversely affected by lack of commercial acceptance of a new product or process or by technological change and obsolescence. Any future slow downs or declines in the healthcare sector in the PRC may materially and adversely affect the business of the companies in the healthcare sector and as a result, the performance of the Sub-Fund.

*Operating risk.* There is no assurance that the performance of the CSI Healthcare ETF will be identical to the performance of the Underlying Index. The level of fees, taxes and expenses payable by the CSI Healthcare ETF will fluctuate in relation to the Net Asset Value. Although the amounts of certain ordinary expenses of the CSI Healthcare ETF can be estimated, the growth rate of the CSI Healthcare ETF, and hence its Net Asset Value, cannot be anticipated. Accordingly, no assurance can be given as to the performance of the CSI Healthcare ETF or the actual level of its expenses. Under the terms of the Trust Deed and as summarised under the section headed “**14.5 Termination of the Trust or a Sub-Fund**” in Part 1 of this Prospectus, the Manager may terminate the CSI Healthcare ETF. On the termination of the CSI Healthcare ETF, the CSI Healthcare ETF will be liquidated and investors will receive distributions of cash although the Manager has the power to decide to make distributions in specie.

*Reliance on RMB Market Makers.* Investors should note that Units of the CSI Healthcare ETF on the RMB counter are traded and settled in RMB. There may be less interest by potential market makers making a market in Units denominated and traded in RMB. Furthermore, any disruption to the availability of RMB may adversely affect the capability of market makers in providing liquidity for the Units.

*No Market in the Units Risk.* Although the Units are to be listed on the SEHK and it is a requirement that the Manager ensures that there is at all times at least one market maker for Units traded in the RMB counter and at least one market maker for Units traded in the HKD counter, investors should be aware that 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 other exchange traded fund which are traded on the SEHK and which are based upon indices.

*Termination of Market Maker Risk.* A market maker may cease to act as a market maker for the CSI Healthcare ETF in accordance with the terms of its agreement including upon giving prior written notice. The termination notice period for at least one market maker for the CSI Healthcare ETF for each counter will be ninety (90) days. The liquidity for the RMB traded Units and HKD traded Units of the CSI Healthcare ETF may be affected if there is no market maker for the RMB traded Units and the HKD traded Units respectively. The Manager intends to ensure that there is at least one market maker for the CSI Healthcare ETF for each counter (although these market makers may be the same entity) to facilitate efficient trading of Units of the relevant trading currency (i.e. RMB and HKD). It is possible that there is only one SEHK market maker to a Sub-Fund or to a counter of a Sub-Fund or the Manager may not be able to engage a substitute market maker within the termination notice period of a market maker, and there is also no guarantee that any market making activity will be effective.

*Liquidity Risk.* Units of the CSI Healthcare ETF will be a new security and following listing on the SEHK, it is unlikely that the Units will initially be widely held. Accordingly, any investor buying Units in small numbers may not necessarily be able to find other buyers should that investor wish to sell. To address this risk, at least one market maker has been appointed. There are also a number of limitations on the conversion of RMB. These factors may affect the amount of RMB available for investors to invest in Units on the SEHK and accordingly adversely affect the market demand for the Units. In turn this may affect the liquidity and trading price of the Units in the secondary market. Therefore, Unitholders may not be able to sell their Units in the secondary market in as timely a manner as some other equity products denominated in Hong Kong dollars listed in Hong Kong, and the trading price may not fully reflect the intrinsic value of the Units.

## **12. FEES AND CHARGES**

### **12.1 Fees and Expenses payable by CSI Healthcare ETF**

#### **12.1.1 Management Fees**

The Manager is entitled to receive a management fee, currently at the rate of 0.50% per annum of the Net Asset Value of the CSI Healthcare ETF and subject to a maximum fee of 2%.

The management fee is accrued daily and calculated as at the Valuation Point on each Valuation Day and payable monthly in arrears.

#### **12.1.2 Trustee's Fee**

The Trustee is entitled to receive a fee up to 1% per annum of the Net Asset Value of the CSI Healthcare ETF. The current rate of the Trustee's fee is 0.10% per annum of the Net Asset Value of the CSI Healthcare ETF, accrued daily and calculated as at each Dealing Day and payable monthly in arrears, subject to a monthly minimum fee of RMB40,000.

The Trustee's fee is inclusive of the custody fee payable to the Custodian and the RQFII Custodian.

The Trustee shall also be entitled to be reimbursed out of the assets of the CSI Healthcare ETF all out-of-pocket expenses incurred (including out-of-pocket expenses incurred by the Custodian and RQFII Custodian).

#### **12.1.3 Registrar's Fee**

The Registrar is entitled to receive an initial placing fee of HK\$180,000 and an ongoing registry service fee of HK\$96,000 per annum in respect of the CSI Healthcare ETF. These fees are payable out of the assets of the CSI Healthcare ETF.

The Registrar shall also be entitled to be reimbursed out of the assets of the CSI Healthcare ETF all out-of-pocket expenses incurred.

#### **12.1.4 Service Agent's Fee**

The Service Agent is entitled to receive a monthly reconciliation fee of HK\$5,000 from the Manager. For any period less than a month, the reconciliation fee is payable by the Manager on a pro-rata basis and accrues on a daily basis.

### **12.1.5 Establishment costs of CSI Healthcare ETF**

The costs and expenses incurred by the Manager and the Trustee in establishing the CSI Healthcare ETF are estimated to be HK\$1,600,000; such costs shall be borne by the CSI Healthcare ETF (unless otherwise determined by the Manager) and amortised over the first 5 financial years of the CSI Healthcare ETF (unless the Manager decides a shorter period is appropriate).

### **12.1.6 Other Charges and Expenses of CSI Healthcare ETF**

Please refer to section “12.6 Other Charges and Expenses” in Part 1 of this Prospectus on other charges and expenses payable by the CSI Healthcare ETF.

## **12.2 Fees Payable by Participating Dealers, Primary Market Investors and Secondary Market Investors**

The fees payable by Participating Dealers, Primary Market Investors and Secondary Market Investors are summarized in the respective tables below:

### **12.2.1 Participating Dealers**

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

Application Cancellation Fee	RMB8,000 per cancellation (See Note 1)
Extension Fee	Not Applicable (See Note 1)
Transaction Fee	RMB20,000 per Application (See Note 2)
Service Agent’s Fee	HK\$1,000 per book-entry deposit transaction (See Note 3)
Stamp duty	Nil

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

Application Cancellation Fee	RMB8,000 per cancellation (See Note 1)
Extension Fee	RMB8,000 per extension (See Note 1)
Transaction Fee	RMB20,000 per Application (See Note 2)
Service Agent Fee	HK\$1,000 per book-entry withdrawal transaction (See Note 3)
Stamp duty	Nil

Participating Dealers shall also bear all transaction costs, Duties and Charges and other expenses and charges, and the market risks in constituting and liquidating the Basket(s) in relation to an Application.

### **12.2.2 Primary Market Investors creating or redeeming Units through a Participating Dealer or a stockbroker**

Primary Market Investors submitting creation or redemption requests through the Participating Dealer or a stockbroker should note that the Participating Dealer or the stockbroker (as the case may be) may impose fees and charges in handling such requests. Such investors should check the relevant fees and charges with the Participating Dealer or the stockbroker (as the case may be).

### **12.2.3 Secondary Market Investors Dealing in Units on the SEHK**

Brokerage	Market rates (in currency determined by the intermediaries used by the investors)
Transaction levy	0.003% (see Note 4 and Note 8)
Trading fee	0.005% (see Note 5 and Note 8)
Stamp duty	Nil (see Note 6)
Investor compensation levy	0.002% (currently suspended) (see Note 7)
Inter-counter transfers	HKD 5 (see Note 9)

*Note:*

1. The Application Cancellation Fee of RMB8,000 and the Extension Fee of RMB8,000 in respect of Redemption Applications are payable by the Participating Dealer, and are payable to the Trustee for its own

account, on each occasion the Manager grants the request of such Participating Dealer for cancellation or extended settlement in respect of such Application as provided in this Prospectus. In respect of Creation Applications, the Extension Fee is not applicable as the Manger currently does not allow extension of settlement period.

2. A Transaction Fee of RMB20,000 per Application is payable by each Participating Dealer for the account and benefit of the Trustee.
3. A Service Agent Fee of HK\$1,000 is payable by each Participating Dealer to the Service Agent for each book-entry deposit transaction or book-entry withdrawal transaction.
4. A transaction levy of 0.003% of the trading price of the Units, payable by each of the buyer and the seller.
5. A trading fee of 0.005% of the trading price of the Units, payable by each of the buyer and the seller.
6. A stamp duty of 0.1% of the trading price of the Units is payable by each of the buyer and the seller. Application has been made to the Financial Services and Treasury Bureau and the Manager anticipates approval will be given for remission of stamp duty payable or paid in respect of any contract notes or instruments of transfer relating to transactions in Units for both the RMB counter and the HKD counter before the listing of the Units on the SEHK. No Hong Kong stamp duty is payable on the sales or purchases or transfer of the Units by the Unitholders if the stamp duty remission is obtained.
7. The investor compensation levy of the trading price of the Units, payable by the buyer and the seller, has been suspended pursuant to the exemption notice published by the Commission on 11 November 2005.
8. The transaction levy and trading fee will be paid by intermediaries to HKEx in Hong Kong dollars and calculated based on an exchange rate as determined by the Hong Kong Monetary Authority on the date of the trade which will be published on the HKEx's website by 11:00 a.m. on each trading day.

Investors should consult their own intermediaries as to how and in what currency the trading related fees and charges should be paid by the investors.

9. HKSCC will charge each CCASS participant a fee of HKD 5 per instruction for effecting an inter-counter transfer of Units of the CSI Healthcare ETF from one counter to another counter. Investors should check with their brokers regarding any additional fees.

### **12.3 Total Expense Ratio**

The TER of the CSI Healthcare ETF is estimated to be 0.8% per annum. TER is the sum of anticipated charges to the CSI Healthcare ETF (including the fees of the Manager, the Trustee and the Custodian and other charges) expressed as a percentage of the Net Asset Value of the CSI Healthcare ETF but it does not represent the estimated tracking error.

### **13. ADDITIONAL DOCUMENTS AVAILABLE FOR INSPECTION**

The material contracts in respect of the CSI Healthcare ETF are set out below:

- (a) RQFII Custody Agreement; and
- (b) RQFII Participation Agreement.

The above material contracts are available for inspection free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the offices of the Manager. Copies of the above documents can be purchased from the Manager on payment of a reasonable fee. Please refer to section "**Directory**" in Part 1 of this Prospectus for the address of the Manager.

Please refer to section "**14.11 Documents Available for Inspection**" in Part 1 of this Prospectus for the list of the other documents that are available for inspection.

### **13A. PUBLICATION OF INFORMATION RELATING TO CSI HEALTHCARE ETF**

The following information relating to CSI Healthcare ETF will be published on the Manager's website [www.99fund.com.hk](http://www.99fund.com.hk):

- the near real-time estimated Net Asset Value per Unit of the CSI Healthcare ETF in RMB and HKD during normal trading hours of the SEHK on each Dealing Day; and
- the last closing Net Asset Value of CSI Healthcare ETF on each Dealing Day in RMB only and the last closing Net Asset Value per Unit of the CSI Healthcare ETF on each Dealing Day in RMB and HKD.

The near real-time estimated Net Asset Value per Unit in HKD of CSI Healthcare ETF and the last closing Net Asset Value per Unit in HKD are indicative and for reference only. The near real-time estimated Net Asset Value per Unit in HKD is updated during SEHK trading hours. The near real-time estimated Net Asset Value per Unit in HKD does not use a real-time HKD:RMB foreign exchange rate for calculation, it is calculated using the estimated Net Asset Value per Unit in RMB multiplied by an assumed foreign exchange rate using the Tokyo Composite 3:00 pm Tokyo time (2:00 pm Hong Kong time) mid rate quoted for offshore RMB by Bloomberg on the previous Dealing Day on which SEHK

is opened for trading. Since the estimated Net Asset Value per Unit in RMB will not be updated when the underlying A shares market is closed, any change in the estimated Net Asset Value per Unit in HKD during such period is solely due to the change in the assumed foreign exchange rate.

The last closing Net Asset Value per Unit in HKD is calculated using the last closing Net Asset Value per Unit in RMB multiplied by the assumed foreign exchange rate using the Tokyo Composite 3:00 pm Tokyo time (2:00 pm Hong Kong time) mid rate for offshore RMB quoted by Bloomberg as of the same Dealing Day. The official last closing Net Asset Value per Unit in RMB and the indicative last closing Net Asset Value per Unit in HKD will not be updated when the underlying A shares market is closed.

Please refer to the section headed “**14.14 Publication of Information Relating to the Sub-Funds**” in Part 1 of this Prospectus for other information that will be published on the Manager’s website [www.99fund.com.hk](http://www.99fund.com.hk).

#### **14. INDEX LICENCE AGREEMENT**

The Manager has been granted a non-exclusive, non transferable licence pursuant to index licence agreement dated 20 February 2014 (the “**Licence Agreement**”) entered into between the Manager and CSI, to use the Underlying Index (i.e. CSI Healthcare Index) in connection with the issue, operation, marketing, promotion and distribution of the CSI Healthcare ETF.

The Licence Agreement has an initial term of 3 years, and thereafter automatically renewed for successive 2-year period unless terminated pursuant to the agreement. A summary of the circumstances which the Licence Agreement may be terminated include but are not limited to the below:

- (a) CSI may terminate the Licence Agreement if:
  - 1. the Manager does not list the CSI Healthcare ETF within 12 months from the effective date of the Licence Agreement on 1 March 2014;
  - 2. the Manager has stopped the development or management of the CSI Healthcare ETF;
  - 3. the Manager’s appointment to manage the CSI Healthcare ETF is terminated;
  - 4. the CSRC, Shanghai Stock Exchange or the Shenzhen Stock Exchange requests CSI to terminate the Licence Agreement;
  - 5. the Commission or The Hong Kong Stock Exchange requests the Manager to stop the development of the CSI Healthcare ETF or its management;
  - 6. the Manager is found to be in material breach of any applicable laws, regulations or rules;
  - 7. the CSI Healthcare ETF is the subject of a regulatory investigation as a result of major litigation or breach of laws, regulations or rules; or
  - 8. other circumstances stipulated by laws and regulations.
- (b) Either party may terminate the Licence Agreement if:
  - 1. the Licence Agreement cannot be performed as a result of force majeure;
  - 2. CSI loses the rights and interests of the CSI Healthcare Index, or either party has terminated its operations, or has been revoked, dissolved or declared bankrupt;
  - 3. the Manager is unable to list the CSI Healthcare ETF within 12 months from the effective date of the Licence Agreement on 1 March 2014; or
  - 4. the other party commits any material breach of its obligations and fails to remedy the breach within 30 days of receipt of written notice requiring the same.

#### **15. MATERIAL CHANGES TO THE INDEX**

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

#### **16. REPLACEMENT OF UNDERLYING INDEX**

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

- (a) the Underlying Index ceasing to exist;
- (b) the licence to use the Underlying Index being terminated;
- (c) a new index becoming available that supersedes the existing Underlying 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 Underlying Index;
- (e) investing in the Index Securities comprised within the Underlying 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 Underlying Index having in the opinion of the Manager, deteriorated;
- (h) a significant modification of the formula or calculation method of the Underlying 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 CSI Healthcare ETF if the Underlying Index changes or for any other reasons including if licence to use the Underlying Index is terminated. Any change to (i) the use by CSI Healthcare ETF of the Underlying Index and/or (ii) the name of CSI Healthcare ETF will be notified to investors.

## 17. **THE UNDERLYING INDEX**

This section is a brief overview of the Underlying Index. It contains a summary of the principal features of the Underlying Index and is not a complete description of the Underlying Index. As of the date of this Prospectus, the summary of the Underlying Index in this section is accurate and consistent with the complete description of the Underlying Index. Complete information on the Underlying 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.

### 17.1 ***General***

The Underlying Index is a healthcare sector index under the CSI 800 Index (“**Parent Reference Index**”) which is composed by the constituents of the CSI 500 Index and CSI 300 Index.

The Underlying Index is a free float adjusted, category-weighted index which measures the performance of China A-Shares of companies classified under the healthcare sector and traded on the Shanghai Stock Exchange or the Shenzhen Stock Exchange. The Underlying Index consists of all the stocks of listed companies classified under the healthcare sector under the Parent Reference Index. The Underlying Index is calculated and disseminated in RMB on a real-time basis and is maintained by China Securities Index Co., Ltd. (“**CSI**” or the “**Index Provider**”). The Index is quoted in RMB.

The Underlying Index is a price return index which means that it does not include the reinvestment of dividends from the Index Securities (such dividends being net of withholding tax).

The Underlying Index was launched on 31 December 2004 and had a base level of 1,000.

As of 31 March 2014, the Underlying Index had a total float market capitalisation of RMB 466.66 billion and 60 constituents.

### 17.2 ***Index Methodology***

#### *Index Universe*

The selection universe of the Underlying Index (the “**Index Universe**”) includes all the China A-Shares constituting the Parent Reference Index (each a “**Stock**”) listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange satisfying the conditions below.

- (a) The Stock has been listed for more than three months at the time it is considered for inclusion in the Underlying Index. If it has been listed for less than 3 months, it will be considered for inclusion in the Index Universe if its daily average total market value since its initial listing has ranked within the top 30 companies in all the China A-Shares; and
- (b) The Stock is not designated for special treatment or potential delisting by any of the CSRC, the Shanghai Stock Exchange or the Shenzhen Stock Exchange as a result of continuous financial losses.

#### *Selection criteria*

Index constituents of the Underlying Index are comprised of all Stocks of companies classified under the healthcare sector under the Parent Reference Index.

Index constituents of CSI 300 Index are selected as follows and the candidate constituents should have good performance without serious financial problems or laws and regulations breaking events and with no large price volatility that shows strong evidence of manipulation. CSI:

- (a) Calculates the China A-Share daily average trading value and China A-Share daily average total market value during the most recent year for stocks in the index universe, or in case of a new issue, during the fourth trading day that it was a public company;



- (b) Ranks the Stocks in the universe by China A-Share daily average trading value of the most recent year in descending order and delete the bottom ranked 50% stocks;
- (c) Ranks the remaining stocks by China A-Share daily average market value of the most recent year in descending order, those who rank top 300 are selected as constituents of the CSI 300 Index.

The selection criteria of constituents of CSI 500 Index are selected as follows:

- (a) Delete the constituents of CSI 300 Index and top ranked 300 stocks by daily average market cap of the most recent year from the index universe;
- (b) Rank the remaining stocks in (a) by daily average trading value of the most recent year in descending order, or in case of a new issue, during the time that it was a public company and delete the stocks ranked bottom 20%;
- (c) Rank the remaining stocks (b) in by daily average market cap in descending order. Those that are ranked top 500 are selected as constituents of the CSI 500 Index.

The selected securities under the CSI 300 Index and the CSI 500 Index will constitute the index constituents of the Parent Reference Index. The index constituents of the Parent Reference Index will then be classified into different sectors. All the Stocks which are classified under the healthcare sector will constitute the constituent stocks for the Underlying Index. The classification into each industry sector is based on international prevailing industry classification standards.

*Index calculation*

The Underlying Index is calculated and disseminated in RMB on a real-time basis and is maintained by the Index Provider, a joint-venture established on 25 August 2005 between the Shanghai Stock Exchange and the Shenzhen Stock Exchange, which specialises in the management of securities indices and the provision of related services. The Index Provider has confirmed that it has all necessary rights to use and to grant the licence on the use of the Underlying Index.

The Manager (and each of its Connected Persons) is independent of CSI.

*Index calculation method*

The Underlying Index is weighted by adjusted capital stock and calculated using the Paasche Weighted Composite Price Index Formula. The adjusted capital stock is obtained using the classification and rounding off method, as shown in the following table:

Free-float proportion (%)	≤ 10	(10, 20]	(20, 30]	(30, 40]	(40, 50]	(50, 60]	(60, 70]	(70, 80]	> 80
Weighted proportion (%)	Free-float proportion	20	30	40	50	60	70	80	100

Examples: If the free-float proportion of a certain stock is 7%, which is less than 10%, the free-float proportion of the capital stock will be used as the weight. If the free-float proportion of a certain stock is 35%, which falls in the (30, 40] range, the weight will be 40% of the total capital stock.

Note: The term “free-float proportion” means the proportion of capital stock remaining after excluding the following non-negotiable shares from the total capital stock: (1) shares held on a long-term basis by the company’s founders, family members and senior management; (2) state-owned shares; (3) shares held by strategic investors; (4) frozen shares; (5) restricted employee shares; (6) cross-holdings, etc.

*Calculation formula*

$$\text{Index for a given reporting period} = \frac{\text{adjusted market cap of constituents during reporting period}}{\text{base period}} \times 1000$$

Where: adjusted market cap =  $\sum$  (market price x adjusted number of shares x weight cap factor)

The calculation of adjusted number of shares is the same as the Parent Reference Index. Weight cap factor is between 0 and 1.

If the number of constituents of the Underlying Index is between 10 and 49, the weight of each constituent is capped at 15%. If the number of constituents of the Underlying Index is between 50 and 99, the weight of each constituent is capped at 10%. Otherwise, no weight capping is adopted.

### 17.3 Index Maintenance

The Underlying Index is maintained using the “divisor adjustment methodology”. In the event of a change in the list of constituents or in a constituent’s equity structure, or a change in the adjusted market capitalisation of a constituent stock due to non-trading factors, the old divisor is adjusted by means of the divisor adjustment methodology, in order to maintain the continuity of the Underlying Index. The adjustment formula is as follows:

$$\frac{\text{adjusted market cap before divisor adjustment}}{\text{old divisor}} = \frac{\text{adjusted market cap after divisor adjustment}}{\text{new divisor}}$$

Where: “adjusted market cap after divisor adjustment” = adjusted market cap before divisor adjustment + increase (decrease) in adjusted market capitalisation. The new divisor (i.e. the adjusted divisor, also known as the new base period) is obtained from this formula and is used to calculate the Underlying Index.

Circumstances under which maintenance of the Underlying Index is required include the following:

- ex-right: whenever bonus shares or rights are issued for a constituent stock, the Underlying Index is adjusted the day before the issuance; adjusted market cap after divisor adjustment = ex-right quote x number of shares of capital stock after the stock started to trade ex-right + adjusted market cap before divisor adjustment (excluding ex-right shares);
- suspension of trading: if a constituent stock is suspended from trading, its last trading price is used to calculate the Underlying Index, until trading is resumed;
- delisted: the Underlying Index is adjusted the day before the constituent is delisted;
- other corporate events such as second offering or exercise of warrants:
  - (i) if the cumulative change of constituent shares is more than 5%, the Underlying Index is adjusted immediately;
  - (ii) if the cumulative change of constituent shares is less than 5%, the Underlying Index is adjusted in the next regular review; and
- when there is a periodic adjustment or an ad hoc adjustment of the list of constituent stocks of the Underlying Index, the Underlying Index is adjusted prior to the date of the change.

### 17.4 Index Advisory Committee

CSI has established an index advisory committee (the “**Index Advisory Committee**”), which is responsible for the evaluation, consulting and examination of CSI index methodologies.

### 17.5 Index Adjustments

#### *Periodical Review*

When CSI 300 Index and CSI 500 Index constituents change, the Parent Reference Index would be adjusted accordingly.

If the industry classification of the constituent of CSI 800 Index changes due to a particular event, the Underlying Index will adjust its constituent accordingly.

Periodical reviews of the constituents of the CSI 300 Index and the CSI 500 Index are conducted every six months by the Index Advisory Committee. Meetings of the Index Advisory Committee are usually held at the end of May and November every year and constituents adjustments are implemented on the next trading day after the close of the second Friday in June and December each year.

#### *Temporary Adjustments*

Necessary adjustments are made by CSI when some corporate events happen so as to maintain the representativeness and investability of the Underlying Index. Such events include without limitation the bankruptcy, restructuring, merger, acquisition and spin-off, of an index constituent issuer and the delisting, temporary suspension from trading and re-issuance, of an index constituent.

In general, CSI will publish index constituent adjustments lists as soon as practicable after the adjustments are decided and before their implementation.

#### *The Adjustment of Weight Cap Factor*

The weight cap factor is the factor that limits the maximum weighting for a constituent in calculating the Underlying Index. The weight cap factor is adjusted accordingly to maintain the stability of the Underlying Index.

The weight cap factor is adjusted semi-annually together with constituents periodical review, which is usually held at the end of May and November every year. The adjustment will be implemented on the next trading day after the close of the second Friday in June and December each year. The adjusted market cap of the last trading day before the review is the basis for the calculation of the weight cap factor. The weight cap factor will also be adjusted when constituents are temporarily adjusted. Temporary adjustments are usually carried out including but not limited to when corporate events such as initial public offering, merger and acquisition, spin-off, suspension and bankruptcy of the constituents occur. If the share structure of a constituent changes dramatically or its weight changes notably, CSI will submit the changes to the Index Advisory Committee to decide whether to adjust the weight cap factor.

#### **17.6 Top 10 Constituents**

As at 31 March 2014, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 41.22% of the market capitalisation of the Underlying Index based on total shares in issue.

<b>Rank</b>	<b>Constituent Name</b>	<b>Weighting (%)</b>
1.	Yunnan Baiyao Industry Co Ltd	6.19%
2.	Kangmei Pharmaceutical Co Ltd	5.33%
3.	Tasly Pharmaceutical Group Co., Ltd	5.30%
4.	Shanghai Fosun Pharmaceutical (Group) Co Ltd	4.87%
5.	Jiangsu Hengrui Medicine Co Ltd	4.82%
6.	Shandong Dong-Ee Jiao Co Ltd	3.95%
7.	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited	2.98%
8.	Shandong Xinhua Medical Instrument Co Ltd	2.75%
9.	Humanwell Healthcare (Group) Co., Ltd	2.57%
10.	Beijing SL Pharmaceutical Co Ltd	2.48%

The list of constituent stocks of the Underlying Index may be updated from time to time and the complete list of constituent stocks of the Underlying Index and additional information of the Underlying Index (including Underlying Index fact sheets, methodology, end of day levels of the Underlying Index and Underlying Index performance) is available on the following website of CSI: [http://www.csindex.com.cn/sseportal\\_en/csiportal/zs/jbxx/report.do?code=000933&&subdir=1](http://www.csindex.com.cn/sseportal_en/csiportal/zs/jbxx/report.do?code=000933&&subdir=1). This website has not been reviewed or authorized by the Commission.

The Underlying Index is available in real-time through Bloomberg and Reuters.

#### **17.7 Index Codes**

Shanghai Stock Exchange Quote System Code: 000933  
Shenzhen Stock Exchange Quote System Code: 399933  
Bloomberg Code: SH000933  
Reuters Code: .CSIHC

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

The Underlying Index is compiled and calculated by CSI. CSI will apply all necessary means to ensure the accuracy of the Underlying Index. However, neither CSI nor the Shanghai Stock Exchange nor the Shenzhen Stock Exchange shall be liable (whether in negligence or otherwise) to any person for any error in the Underlying Index and neither CSI nor the Shanghai Stock Exchange nor the Shenzhen Stock Exchange shall be under any obligation to advise any person of any error therein. All copyright in the Underlying Index values and constituent list vests in CSI. However, neither CSI nor Shanghai Stock Exchange nor the Shenzhen Stock Exchange will guarantee to instantaneity, completeness and accuracy of the content of the Underlying Index, and shall not be liable for any fault or loss suffered by the CSI Healthcare ETF as a result of any delay, omission, error or other faults in the content of the Underlying Index.

## **APPENDIX 3**

### **C-Shares CSI Consumer Staples Index ETF**

*(a sub-fund of the China Universal International ETF Series, a Hong Kong umbrella unit trust authorized under Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong)*

STOCK CODES: 83107 (RMB counter) and 03107 (HKD counter)

MANAGER

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

LISTING AGENT

**GF Capital (Hong Kong) Limited**

5 May 2014

Application has been made by the Manager for the trademark registration of “C-Shares” in Hong Kong. Please note the reference to “C-Shares” in the name of the C-Shares CSI Consumer Staples Index ETF does not have any implication on the fee structure of the C-Shares CSI Consumer Staples Index ETF.

## C-Shares CSI Consumer Staples Index ETF

Stock Codes: 83107 (RMB counter) and 03107 (HKD counter)

### 1. KEY INFORMATION

#### 1.1 General

This Appendix sets out information specific to C-Shares CSI Consumer Staples Index ETF (“**CSI Consumer Staples ETF**”). For general information about the Trust and its Sub-Funds, please refer to Part 1 of this Prospectus. Investors should read both Parts of the Prospectus before investing in CSI Consumer Staples ETF. In particular, investors should consider the general risk factors set out in section “**5. General Risk Factors**” of Part 1 of this Prospectus and any specific risk factors set out in section “**11. Risk Factors relating to the CSI Consumer Staples ETF**” of this Appendix 3 of Part 2 of this Prospectus, before investing in the CSI Consumer Staples ETF.

Application has been made to the SEHK for the listing of, and permission to deal in, the Units of the CSI Consumer Staples ETF. Subject to the approval granting of listing of, and permission to deal in the Units on the SEHK and compliance with the relevant admission requirements of the HKSCC, Units in the CSI Consumer Staples ETF will be accepted as eligible securities by HKSCC for deposit, clearing and settlement in the CCASS with effect from the date of commencement of dealings in Units on the SEHK or such other date as may be determined by HKSCC. 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.

#### 1.2 Summary of Information

The following table sets out certain key information in respect of the CSI Consumer Staples ETF, and should be read in conjunction with the full text of this Prospectus.

Investment Type	Exchange Traded Fund (“ <b>ETF</b> ”) authorized as a collective investment scheme by the Commission under Chapter 8.6 and Appendix I of the Code
Underlying Index	CSI Consumer Staples Index Inception Date: 31 December 2004 Number of current constituents: 62 Base Currency of Underlying Index: RMB (CNY)
Type of Underlying Index	The Underlying Index is a price return index which means that it does not include the reinvestment of dividends from the constituents (such dividends being net of withholding tax).
Index Provider	China Securities Index Co. Ltd
Investment Strategy	Full replication strategy. Please refer to section “ <b>3. Investment Objective and Strategy</b> ” of this Appendix for further details.
Initial Issue Date	9 May 2014
Listing Date	12 May 2014
Exchange Listing	SEHK - Main Board
Stock Codes	83107 – RMB counter 03107 – HKD counter
Stock Short Names	C-SHS CSI STA-R – RMB counter C-SHS CSI STA – HKD counter
Trading Board Lot Size	200 Units – RMB counter 200 Units – HKD counter
Base Currency	Renminbi (RMB)
Trading Currency	Renminbi (RMB) – RMB counter Hong Kong dollars (HKD) – HKD counter

Dividend Policy	<p>The Manager intends to distribute income to Unitholders annually having regard to the CSI Consumer Staples ETF's net income after fees and charges. Distributions will not be paid (whether directly or effectively) out of capital of the CSI Consumer Staples ETF.</p> <p>Distributions (if declared) will normally be made within the first quarter of the calendar year.</p> <p><b>Distributions on all Units (RMB counter Units and HKD counter Units) will be in RMB only<sup>#</sup>.</b></p>	
Application Unit size for Creation/ Redemption (only by or through Participating Dealers)	Minimum 300,000 Units (or multiples thereof)	
Minimum Subscription (only by or through Participating Dealers)	1 Application Unit (i.e. 300,000 Units)	
Method of Creation/ Redemption	Cash (RMB) only	
Parties	Manager / RQFII Holder	China Universal Asset Management (Hong Kong) Company Limited
	Trustee	BOCI-Prudential Trustee Limited
	Custodian	Bank of China (Hong Kong) Limited
	RQFII Custodian	Bank of China Limited
	Registrar	Computershare Hong Kong Investor Services Limited
	Adviser	China Universal Asset Management Company Limited
	Listing Agent	GF Capital (Hong Kong) Limited
	Initial Participating Dealers	<p>China Merchants Securities (HK) Co., Ltd.  Barclays Bank PLC  China International Capital Corporation Hong Kong Securities Limited  Nomura International (Hong Kong) Limited  CITIC Securities Brokerage (HK) Limited  Haitong International Securities Company Limited  KGI Securities (Hong Kong) Limited  Orient Securities (Hong Kong) Limited</p> <p><i>*please refer to the Manager's website set out below for the latest list</i></p>
	Initial Market Makers	<p><u>RMB counter:</u>  CITIC Securities Brokerage (HK) Limited  Haitong International Securities Company  China International Capital Corporation Hong Kong Securities Limited</p> <p><u>HKD counter:</u>  CITIC Securities Brokerage (HK) Limited  Haitong International Securities Company  China International Capital Corporation Hong Kong Securities Limited</p> <p><i>*please refer to the Manager's website set out below for the latest list</i></p>
Service Agent	HK Conversion Agency Services Limited	
Financial Year	Ending 31 December each year	
Management Fee	Currently 0.50% per annum of the Net Asset Value of the CSI Consumer Staples ETF	
Trustee's Fee	Currently 0.10% per annum (as a % of the Net Asset Value of the CSI Consumer Staples ETF) (subject to a minimum of RMB40,000 per month)	
Registrar's Fee	Initial placing fee of HK\$180,000 and an ongoing registry service fee of HK\$96,000 per annum	

Estimated total expense ratio*	Estimated to be 0.8% per annum of the Net Asset Value of the CSI Consumer Staples ETF (including the fees of the Manager, the Trustee and the Custodian and other charges)
Website	www.99fund.com.hk <sup>1</sup>

<sup>#</sup> Both HKD traded Units and RMB traded Units will receive distributions in RMB only. In the event that the relevant Unitholder has no RMB account, the Unitholder may have to bear the fees and charges associated with the conversion of such dividend from RMB into HKD or any other currency. Unitholders are advised to check with their brokers / intermediaries on the arrangements concerning distributions and to consider the risk factor entitled “RMB distributions risk” below. Please refer to the section headed “5. Distribution Policy” and section headed “RMB distribution risk” under “11.4 Dual Counter Trading risks” in this Appendix for further details.

\* The estimated total expense ratio does not represent the estimated tracking error of CSI Consumer Staples ETF.

### 1.3 **Listing Agent of CSI Consumer Staples ETF**

GF Capital (Hong Kong) Limited has been appointed by the Manager as the Listing Agent for the CSI Consumer Staples ETF. The Listing Agent is licensed by the Commission to carry on Type 6 (advising on corporate finance) regulated activity in Hong Kong under the Securities and Futures Ordinance.

### 1.4 **Custodian**

The Custodian of the Trust and the Sub-Fund is Bank of China (Hong Kong) Limited (“**Custodian**”). For further details on the Custodian, please refer to section 2.3 of Part 1 of this Prospectus.

The Custodian has been appointed by the Trustee to act as the custodian of the Sub-Fund’s assets, which will be held directly by the Custodian or through its agents, sub-custodians, or delegates pursuant to the custody agreement.

### 1.5 **RQFII Custodian for CSI Consumer Staples ETF**

The CSI Consumer Staples ETF invests directly in China A-Shares using RQFII quotas granted to the Manager. The Manager as the RQFII Holder is required to appoint a custodian in the PRC for the custody of assets, pursuant to relevant laws and regulations. Bank of China Limited (“**Bank of China**” or “**RQFII Custodian**”) has been appointed by the Manager together with the Custodian as the RQFII Custodian in respect of the investments held by the CSI Consumer Staples ETF pursuant to the custody agreement entered into between the Custodian, the RQFII Custodian and the Manager (“**RQFII Custody Agreement**”).

The RQFII Custodian will look to the Trustee for instructions (through the Custodian) and solely act in accordance with the Trustee’s instructions (through the Custodian).

Bank of China was founded in February 1912 following the approval of Dr. Sun Yat-sen. Until the founding of the People’s Republic of China in 1949, Bank of China served as the central bank, international exchange bank and specialized foreign trade bank of the country. In 1994, Bank of China was transformed into a state-owned commercial bank. It was then selected as a pilot bank for the joint stock reforms of state-owned commercial banks in 2003, so it was incorporated in August 2004 and got listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange in June and July 2006 respectively, becoming the first A and H dual listed Chinese commercial bank.

Bank of China engages in full-scaled commercial banking business, including a wide spectrum of corporate and retail services, treasury functions and institutional banking. The latter refers to services offered to banks, brokerage houses, fund companies, and insurance companies worldwide, ranging from clearing and inter-bank lending to agency and custody services etc. The Bank of China has been providing custody services since 1998 as one of the first qualified custodians in the China market. During the past decade, the Bank of China has been playing a leading role in the domestic custodian industry in terms of research capabilities, service standards, internal controls and IT constructions. It also leads the market in a number of product innovations. As the Bank of China has moved into the global custody arena in recent years, it has achieved total assets under custody of nearly RMB3 trillion within the Bank of China Group world-wide as at the end of 2011, making it the largest Chinese global custodian. Its Custody and Investor Services Department has over 130 professional staff. Fund houses, insurance companies, securities firms, trust companies, commercial banks, National Council for Social Security, pensions, private equity companies, and individual clients are all well served by the Bank of China. In addition, the Bank of China maintains close relationships with various regulatory authorities to enable effective communication and top notch services.

### 1.6 **Parent Company - Adviser**

China Universal Asset Management Company Limited (“**CUAM**”), the PRC parent company of the Manager has sufficient experience and expertise in managing and operating physical China A-Shares exchange traded funds listed and traded in the PRC. The CSI Consumer Staples ETF is the third China A-Shares exchange traded fund managed by the Manager.

Given the cross-border nature of the CSI Consumer Staples ETF, the Manager may substantially tap into the relevant infrastructure and expertise of CUAM to support its operation of the CSI Consumer Staples ETF in Hong Kong.

<sup>1</sup> The contents of this website have not been reviewed by the Commission.

Accordingly, the Manager has appointed CUAM to act as adviser to the Manager and provide advice and backup operational support in relation to the operations of the CSI Consumer Staples ETF.

CUAM will not exercise investment discretion in respect of the investments of the CSI Consumer Staples ETF.

CUAM will advise the Manager on major corporate actions relating to the Index Securities. CUAM will also advise the Manager on cash management and cross-border money transfers. CUAM will provide investment advice to the Manager for the CSI Consumer Staples ETF, however, the Manager retains discretionary investment powers in the management of the CSI Consumer Staples ETF.

The Manager will review and closely monitor the services performed by CUAM so as to ensure that they are carried out properly.

The Manager may perform any or all of the above functions on its own as and when it has determined that it would be appropriate for it to do so.

### **1.7 *Market Maker***

It is a requirement that the Manager ensures that there is at all times at least one market maker for Units of the CSI Consumer Staples ETF traded in the RMB counter and at least one market maker for Units of the CSI Consumer Staples ETF traded in the HKD counter although these market makers may be the same entity. 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 counter to facilitate the efficient trading of Units of the CSI Consumer Staples ETF. The Manager will ensure that at least one Market Maker per counter is required to give not less than 90 days' prior notice to terminate market making under the relevant market making agreement.

The list of market makers in respect of the CSI Consumer Staples ETF is available on [www.99fund.com.hk](http://www.99fund.com.hk) and from time to time will be displayed on [www.hkex.com.hk](http://www.hkex.com.hk).

## **2. INVESTMENT OBJECTIVE AND STRATEGY**

### ***Investment Objective***

The investment objective of the CSI Consumer Staples ETF is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the Underlying Index, namely, CSI Consumer Staples Index. There is no assurance that the CSI Consumer Staples ETF will achieve its investment objective.

### ***Investment Strategy***

In order to achieve the investment objective of the CSI Consumer Staples ETF, the Manager will use a full replication strategy by directly investing all, or substantially all, of the assets of CSI Consumer Staples ETF in Index Securities constituting the Underlying Index in substantially the same weightings (i.e. proportions) as these Index Securities have in the Underlying Index. Please refer to the section headed "**17. The Underlying Index**" of this Appendix for further details on the Underlying Index.

Under normal circumstances, the CSI Consumer Staples ETF will invest at least 95% of its assets in the Index Securities constituting the Underlying Index. The CSI Consumer Staples ETF may also invest not more than 5% of its Net Asset Value in money market funds and in cash deposits for cash management purpose.

The Manager reviews the Index Securities held in the CSI Consumer Staples ETF's portfolio each Business Day. In order to minimise tracking error, it closely monitors factors such as any changes in the weighting of each Index Security in the Underlying Index, suspension, dividend distributions and the liquidity of the CSI Consumer Staples ETF's portfolio. The Manager will also conduct adjustment on the portfolio of the CSI Consumer Staples ETF regularly, taking into account tracking error reports, the index methodology and any rebalance notification of the Underlying Index.

Currently it is intended that the CSI Consumer Staples ETF will directly obtain exposure to Securities issued within the PRC through the Manager's RQFII quotas granted by SAFE, as the Manager has obtained RQFII status in the PRC. For further details please refer to section "**7. Renminbi Qualified Foreign Institutional Investor (RQFII)**" in this Appendix.

The CSI Consumer Staples ETF will not invest in derivatives instruments (including structured products or instruments) for investment or hedging purposes. Prior approval of the Commission will be sought and not less than one month's prior notice will be given to the Unitholders of CSI Consumer Staples ETF in the event the Manager wishes to invest in derivatives instruments (including structured products or instruments) for investment or hedging purposes.

Prior approval of the Commission will be sought and not less than one month's prior notice will be given to the Unitholders in the event the Manager wishes to adopt an investment strategy other than the full replication strategy.

## **3. INVESTMENT AND BORROWING RESTRICTIONS**

The investment strategy of the CSI Consumer Staples ETF is subject to the investment and borrowing restrictions set out in Schedule 1.

The Manager may borrow up to 25% of the latest available Net Asset Value of CSI Consumer Staples ETF to acquire investments, to redeem Units or to pay expenses relating to CSI Consumer Staples ETF.



#### **4. INITIAL OFFER AND DEALING**

##### **4.1 *The Initial Offer Period***

Units in the CSI Consumer Staples ETF will initially be offered only to the Participating Dealer(s) from 9:00 a.m. (Hong Kong time) on 5 May 2014 to 11:00 a.m. (Hong Kong time) on 7 May 2014, unless otherwise extended by the Manager (the “**Initial Offer Period**”). The purpose of the Initial Offer Period is to enable the Participating Dealer(s) to apply for Units on their own account or on behalf of third party Primary Market Investors in accordance with the terms of the Trust Deed and the Operating Guidelines.

##### **4.2 *Extension of the Initial Offer Period***

If the Initial Offer Period is extended beyond 7 May 2014, dealings in the Units on the SEHK will commence 3 Business Days following the close of the Initial Offer Period.

##### **4.3 *Exchange Listing and Trading***

Application has been made to the SEHK for listing of and permission to deal in Units in the CSI Consumer Staples ETF.

Currently, Units are expected to be listed and dealt only on the SEHK and no application for listing or permission to deal on any other stock exchanges is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Units on other stock exchanges subject to the applicable RQFII Regulations (as defined in section “7. **Renminbi Qualified Foreign Institutional Investor (RQFII)**” in this Appendix).

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

##### **4.4 *Buying and Selling of Units of CSI Consumer Staples ETF on SEHK***

Dealings on the SEHK in Units of the CSI Consumer Staples ETF are expected to begin on the trading day after the Initial Issue Date.

A Secondary Market Investor can buy and sell the Units of the CSI Consumer Staples ETF on the SEHK through his stockbroker at any time the SEHK is open. Units of the CSI Consumer Staples ETF may be bought and sold in the Trading Board Lot Size (or the multiples thereof). The Trading Board Lot Size is currently 200 Units for the RMB counter and 200 Units for the HKD counter.

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 the Net Asset Value per Unit of the CSI Consumer Staples ETF 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 of the CSI Consumer Staples ETF in the secondary market may be higher or lower than the Net Asset Value per Unit of the CSI Consumer Staples ETF.

Please refer to section “8. **Trading of Units on the SEHK (Secondary Market)**” in Part 1 of this Prospectus for further information on buying and selling of Units on the SEHK.

##### **4.5 *Dual Counter Trading***

###### **4.5.1 *Introduction of Dual Counter Trading (Secondary Market)***

The Manager has arranged for the Units of the CSI Consumer Staples ETF to be available for trading on the secondary market on the SEHK under a Dual Counter arrangement. Units are denominated in RMB. The CSI Consumer Staples ETF will offer two trading counters on the SEHK i.e. RMB counter and HKD counter to investors for secondary trading purposes. The two counters will have different stock codes, different International Securities Identification Number (“ISIN”) numbers and different stock short names as detailed in section headed “4.5.4 Trading Arrangement” in this Appendix.

Units of CSI Consumer Staples ETF traded in the RMB counter will be settled in RMB and Units traded in the HKD counter will be settled in HKD. Apart from settlement in different currencies, the trading prices of Units of the CSI Consumer Staples ETF in the two counters may be different as the RMB counter and HKD counter are two distinct and separate markets.

Please note that despite the Dual Counter arrangement, creations and redemptions of new Units for the CSI Consumer Staples ETF in the primary market will continue to be made in RMB only. Please refer to section “4.6 Creation Applications and Redemption Applications by Participating Dealers” in this Appendix for further details.

Investors can buy and sell Units of the CSI Consumer Staples ETF traded in the same counter. Alternatively, they can buy in one counter and sell in the other counter provided their brokers/intermediaries or CCASS participants provide both HKD and RMB trading services at the same time and offer inter-counter transfer services to support Dual Counter trading. However, investors should note that the trading price of Units of the CSI Consumer Staples ETF traded in the RMB counter and the HKD counter may be different and may not always maintain a close relationship depending on factors such as market demand and supply and liquidity in each counter.

Inter-counter buy and sell is permissible even if the trades take place within the same trading day. Investors should also note that some brokers / intermediaries may not provide inter-counter day trade services due to various reasons including operations, system limitations, associated settlement risks and other business considerations. Even if a broker / intermediary is able to provide such service, it may impose an earlier cut-off time, other procedures and/or fees.

More information with regard to the Dual Counter is available in the frequently asked questions in respect of the Dual Counter published on the HKEx's website [www.hkex.com.hk/eng/prod/secprod/etf/dc.htm](http://www.hkex.com.hk/eng/prod/secprod/etf/dc.htm).

Investors should consult their brokers if they have any questions concerning fees, timing, procedures and the operation of the Dual Counter, including inter-counter transfers. Investors' attention is also drawn to the risk facts under the section headed "**11.4 Dual Counter Trading risk**" in this Appendix.

#### **4.5.2 Transferability**

Units of the CSI Consumer Staples ETF traded in both counters are inter-transferable. Units traded in the RMB counter can be transferred to the HKD counter by way of an inter-counter transfer and vice versa on a one to one basis.

Inter-counter transfer of Units of the CSI Consumer Staples ETF will be effected and processed within CCASS only.

For units of the CSI Consumer Staples ETF which are bought using the Renminbi Equity Trading Support Facility (the "**TSF**"), TSF CCASS Participants should, on behalf of their clients, arrange a TSF stock release before proceeding with the inter-counter transfer. Investors are advised to consult their brokers / intermediaries about their service schedule to effect a TSF Unit release.

#### **4.5.3 Unitholders' rights**

Units of both the RMB and HKD counters belong to the same class in CSI Consumer Staples ETF and Unitholders of Units traded on both counters are entitled to identical rights and are therefore treated equally.

#### **4.5.4 Trading Arrangement**

Units of the CSI Consumer Staples ETF traded under the two counters can be distinguished by their stock codes, their stock short names and a unique and separate ISIN as follows:

<b>Counter</b>	<b>Stock Code</b>	<b>Stock short name</b>	<b>Trading Currency</b>	<b>ISIN Number (ISIN assigned to each counter)</b>
RMB counter	83107	C-SHS CSI STA-R	RMB	HK0000187465
HKD counter	03107	C-SHS CSI STA	HKD	HK0000187473

#### **4.5.5 Clearing and Settlement Arrangement**

Units of the CSI Consumer Staples ETF traded in the RMB counter will be settled in RMB and Units traded in the HKD counter will be settled in HKD. Apart from settlement in different currencies, the trading prices of Units of the CSI Consumer Staples ETF in the two counters may be different as the RMB counter and HKD counter are two distinct and separate markets.

#### **4.5.6 Transfer Arrangement**

Inter-counter transfer of Units of the CSI Consumer Staples ETF will be effected and processed within CCASS only. Inter-counter transfers are not subject to any on-hold / earmark mechanism. Units of the CSI Consumer Staples ETF are freely transferable after they are "transferred" from one counter into its opposite counter.

#### **4.5.7 Fees and Other Transaction Costs**

The fees and costs payable by a Secondary Market Investor for buying and selling Units of the CSI Consumer Staples ETF on the SEHK are the same for both the RMB and HKD counters.

HKSCC will charge each CCASS participant a fee of HKD5 per instruction for effecting an inter-counter transfer of the CSI Consumer Staples ETF from one counter to another counter.

### **4.6 Creation Applications and Redemption Applications by Participating Dealers**

The general terms and procedures relating to Creation Applications and Redemption Applications by the Participating Dealers are set out in section "**7. Creation and Redemption of Application Units (Primary Market)**" of Part 1 of this Prospectus, which should be read in conjunction with the following specific terms and procedures which relate to the CSI Consumer Staples ETF only.

The Manager currently only allows In-Cash Applications and In-Cash Redemptions for Units of the CSI Consumer Staples ETF. Notwithstanding the Dual Counter, any cash payable by Participating Dealers in an In-Cash Application must be in RMB. The process of creation of Units deposited under the RMB counter and the HKD counter is the same.

Units which are created can be deposited in CCASS as RMB counter Units or HKD counter Units initially. Settlement in cash for subscribing Units is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

The Application Unit size for CSI Consumer Staples ETF is 300,000 Units. Creation Applications submitted in respect of Units other than in Application Unit size will not be accepted. The minimum subscription for the CSI Consumer Staples ETF is one Application Unit.

Both RMB traded Units and HKD traded Units can be redeemed by way of a Redemption Application (through a Participating Dealer). The process of redemption of Units deposited under the RMB counter and the HKD counter is the same. Notwithstanding the Dual Counter, any cash proceeds received by Participating Dealers in an In-Cash Redemption shall be paid only in RMB.

#### **4.6.1 Dealing Period**

The “**Dealing Day**” for the CSI Consumer Staples ETF is each Business Day.

The dealing period on each Dealing Day for a Creation Application or Redemption Application in respect of the CSI Consumer Staples ETF commences at 9:00 a.m. (Hong Kong time) and ends at the Dealing Deadline at 11:00 a.m. (Hong Kong time), as may be revised by the Manager from time to time. Any Creation Application or Redemption Application received after the Dealing Deadline will be considered as received on the next Dealing Day unless otherwise determined by the Manager.

The cleared funds in respect of Creation Applications must be received by 12:00 p.m. on the relevant Dealing Day or such other time as may be agreed by the Trustee, the Manager and the relevant Participating Dealer.

#### **4.6.2 Issue Price and Redemption Price**

In respect of each Creation Application during the Initial Offer Period, the Issue Price of a Unit of any class which is the subject of a Creation Application in relation to the CSI Consumer Staples ETF shall be equal to two-hundredth (1/200th) of the closing level of the Underlying Index on the trading day immediately preceding the Initial Offer Period or such other price as may be determined by the Manager in consultation with the Trustee.

After the Initial Issue Date, the Issue Price of a Unit of any class in the CSI Consumer Staples ETF shall be the Net Asset Value per Unit of the relevant class calculated as at the Valuation Point in respect of the relevant Valuation Day rounded to the nearest fourth (4th) decimal place (0.00005 or above being rounded up, and less than 0.00005 being rounded down).

The Redemption Price of Units of any class redeemed shall be the Net Asset Value per Unit of the relevant class calculated as at the Valuation Point of the relevant Valuation Day rounded to the nearest fourth (4th) decimal place (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 CSI Consumer Staples ETF.

The “**Valuation Day**” of the CSI Consumer Staples ETF, coincides with, and shall mean, the Dealing Day of the CSI Consumer Staples ETF or such other days as the Manager may determine.

The latest Net Asset Value of the Units will be available on the Manager’s website at [www.99fund.com.hk](http://www.99fund.com.hk) or published in such other publications as the Manager decides.

#### **4.6.3 Rejection of Creation of Applications relating to CSI Consumer Staples ETF**

In addition to the circumstances set out in section “**7.3.5 Rejection of Creation Applications**” in Part 1 of this Prospectus, the Manager, acting reasonably and in good faith, has the absolute discretion to reject a Creation Application in relation to the CSI Consumer Staples ETF, in any of the following circumstances:

- (a) where the acceptance of the Creation Application will have a material adverse impact on the China A-Shares market; or
- (b) where the RQFII quotas obtained by the Manager as RQFII relating to the CSI Consumer Staples ETF are reduced or cancelled or are not sufficient to meet the Creation Applications for the CSI Consumer Staples ETF.

#### **4.6.4 Termination of the CSI Consumer Staples ETF**

Termination on the ground that the aggregate Net Asset Value of the Units of the relevant classes of a Sub-Fund is less than a certain amount, as set out under section “**14.5 Termination of the Trust or a Sub-Fund**” in Part 1 of this Prospectus, is not applicable to the CSI Consumer Staples ETF as the Manager currently does not intend to rely on such ground for termination of the CSI Consumer Staples ETF.

## 5. **DISTRIBUTION POLICY**

Net income earned by the CSI Consumer Staples ETF will not be re-invested. The Manager intends to distribute income to Unitholders annually having regard to the CSI Consumer Staples ETF's net income after fees and charges. Distributions will not be paid (whether directly or effectively) out of the capital of the CSI Consumer Staples ETF. The distribution policy may be amended subject to the Commission's prior approval and upon giving not less than one month's prior notice to Unitholders. Distributions (if declared) will normally be made within the first quarter of the calendar year.

Distributions (if declared) will be declared in the Base Currency of the CSI Consumer Staples ETF (i.e. RMB). The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in RMB only. The details of the distribution declaration dates, distribution amounts and ex-dividend payment dates will be published on the Manager's website [www.99fund.com.hk](http://www.99fund.com.hk) and on HKEx's website [http://www.hkexnews.hk/listedco/listconews/advancedsearch/search\\_active\\_main.aspx](http://www.hkexnews.hk/listedco/listconews/advancedsearch/search_active_main.aspx). There can be no assurance that a distribution will be paid. For the avoidance of doubt, distributions will not be paid out of the capital of CSI Consumer Staples ETF.

Each Unitholder will receive distributions in RMB (whether holding RMB traded Units or HKD traded Units). In the event that the relevant Unitholder has no RMB account, the Unitholder may have to bear the fees and charges associated with the conversion of such dividend from RMB into HKD or any other currency. Unitholders are advised to check with their brokers/intermediaries on the arrangements concerning distributions.

Distribution payment rates in respect of Units will depend on factors beyond the control of the Manager or Trustee including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions.

## 6. **PRC TAX PROVISIONS**

The Manager will make provisions for any PRC taxes payable by the CSI Consumer Staples ETF on the gross realized capital gains derived from the disposal of China A-Shares and unrealized capital gains, at a rate of 10%. The Manager may review the rate of tax provision from time to time, and may further assess on making an accounting estimate based on the likelihood of the CSI Consumer Staples ETF enjoying the benefit from double tax treaty agreements between Hong Kong and the PRC for Hong Kong tax residents. The amount of actual provision will be disclosed in the accounts of the CSI Consumer Staples ETF. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary. The tax provision may be excessive or inadequate to meet the actual tax liabilities.

For further details relating to PRC taxes and the associated risks, please refer to the risk factor headed "*PRC tax considerations*" under section "*5.1 Risk Factors relating to China*" in Part 1 of this Prospectus.

## 7. **RENMINBI QUALIFIED FOREIGN INSTITUTIONAL INVESTOR (RQFII)**

Under current regulations in the PRC, generally foreign investors can invest only in the domestic securities market through certain qualified foreign institutional investors that have obtained status as a QFII or a RQFII from the CSRC and have been granted quota(s) by the SAFE to remit foreign freely convertible currencies (in the case of a QFII) and RMB (in the case of a RQFII) into the PRC for the purpose of investing in the PRC's domestic securities markets.

The RQFII regime is currently governed by (a) the "Circular on Issues Related to the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors" (國家外匯管理局關於人民幣合格境外機構投資者境內證券投資試點有關問題的通知) issued by SAFE and effective from 21 March 2013; (b) the "Notice of the People's Bank of China on the Relevant Matters concerning the Implementation of the Pilot Measures for Domestic Securities Investment Made by the RMB Qualified Foreign Institutional Investors", issued by the PBOC and effective from 2 May 2013 (中國人民銀行關於實施《人民幣合格境外機構投資者境內證券投資試點辦法》有關事項的通知); (c) the "Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors" issued by the CSRC, the PBOC and the SAFE and effective from 1 March 2013 (人民幣合格境外機構投資者境內證券投資試點辦法); (d) the "Implementation Rules for the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors" issued by the CSRC and effective from 1 March 2013 (關於實施《人民幣合格境外機構投資者境內證券投資試點辦法》的規定); and (e) any other applicable regulations promulgated by the relevant authorities (collectively, the "**RQFII Regulations**").

The CSI Consumer Staples ETF will obtain exposure to securities issued within the PRC through the RQFII quotas of the Manager. The Manager has obtained RQFII status in the PRC and as of the date of this Prospectus, has been granted, on behalf of the CSI Consumer Staples ETF, an initial RQFII quota of RMB 300 million. To the extent that the Manager has, on behalf of the CSI Consumer Staples ETF, utilised its entire RQFII quota, the Manager may, subject to any applicable requirements, apply for an increase of the RQFII quota. On the other hand, the Manager will actively manage the RQFII quota obtained and may impose limits on Creation Applications as it considers appropriate. The Manager will notify the Participating Dealers through e-mail and telephone as and when it deems appropriate when it has substantially utilised its RQFII quota. Any increase of the RQFII quota will be announced on the website of the Manager.

The RQFII Custodian has been appointed to hold the assets of the CSI Consumer Staples ETF in the PRC in accordance with the terms of the RQFII Custody Agreement. Securities including China A-Shares will be maintained by the RQFII Custodian pursuant to PRC regulations through securities account(s) with the China Securities Depository and Clearing Corporation Limited (“CSDCC”) in the joint names of the Manager (as the RQFII holder) and the CSI Consumer Staples ETF. An RMB cash account(s) shall be established and maintained with the RQFII Custodian in the joint names of the Manager (as the RQFII holder) and the CSI Consumer Staples ETF. The RQFII Custodian shall, in turn, have a cash clearing account with CSDCC for trade settlement according to applicable regulations.

Repatriations in RMB conducted by the Manager (as RQFII) on behalf of the CSI Consumer Staples ETF are permitted daily and not subject to any repatriation restrictions, lock-up periods or prior approval from the SAFE.

There are specific risks associated with the RQFII regime and investors’ attention is drawn to the risk factors headed “**RQFII risk**” and “**PRC brokerage risk**” under section “**11.3 Risks relating to the RQFII regime**” below.

The Manager will assume dual roles as the Manager of the CSI Consumer Staples ETF and the holder of the RQFII quota for the CSI Consumer Staples ETF. The Manager will be responsible for ensuring that all transactions and dealings will be dealt with in compliance with the Trust Deed (where applicable) as well as the relevant laws and regulations applicable to the Manager as a RQFII.

The Manager has obtained an opinion from PRC legal counsel to the effect that, as a matter of PRC laws:

- (a) securities account(s) with the CSDCC and maintained by the RQFII Custodian and RMB cash account(s) with the RQFII Custodian (respectively, the “securities account(s)” and the “cash account(s)”) have been opened in the joint names of the Manager (as the RQFII holder) and the CSI Consumer Staples ETF and for the sole benefit and use of the CSI Consumer Staples ETF in accordance with all applicable laws and regulations of the PRC and with approval from all competent authorities in the PRC;
- (b) the assets held/credited in the securities account(s) (i) belong solely to the CSI Consumer Staples ETF, and (ii) are segregated and independent from the proprietary assets of the Manager (as the RQFII holder), the Custodian, the RQFII Custodian and any qualified broker registered in the PRC (“**PRC Broker**”) and from the assets of other clients of the Manager (as the RQFII holder), the Custodian, the RQFII Custodian and any PRC Broker(s);
- (c) the assets held/credited in the cash account(s) (i) become an unsecured debt owing from the RQFII Custodian to the CSI Consumer Staples ETF, and (ii) are segregated and independent from the proprietary assets of the Manager (as the RQFII holder) and any PRC Broker(s), and from the assets of other clients of the Manager (as the RQFII holder) and any PRC Broker(s);
- (d) the Trustee, for and on behalf of the CSI Consumer Staples ETF is the only entity which has a valid claim of ownership over the assets in the securities account(s) and the debt in the amount deposited in the cash account(s) of the CSI Consumer Staples ETF;
- (e) if the Manager or any PRC Broker is liquidated, the assets contained in the securities account(s) and the cash account(s) of the CSI Consumer Staples ETF will not form part of the liquidation assets of the Manager or such PRC Broker(s) in liquidation in the PRC; and
- (f) if the RQFII Custodian is liquidated, (i) the assets contained in the securities account(s) of the CSI Consumer Staples ETF will not form part of the liquidation assets of the RQFII Custodian in liquidation in the PRC, and (ii) the assets contained in the cash account(s) of the CSI Consumer Staples ETF will form part of the liquidation assets of the RQFII Custodian in liquidation in the PRC and the CSI Consumer Staples ETF will become an unsecured creditor for the amount deposited in the cash account(s).

Further, the Trustee has put in place proper arrangements to ensure that:

- (a) the Trustee takes into its custody or under its control the assets of the CSI Consumer Staples ETF, including onshore PRC assets of the CSI Consumer Staples ETF acquired by the CSI Consumer Staples ETF through the Manager’s RQFII quota and such PRC assets will be maintained by the RQFII Custodian in electronic form via a securities account(s) with the CSDCC and cash held in cash account(s) with the RQFII Custodian (“**Onshore PRC Assets**”), and holds the same in trust for the Unitholders;
- (b) cash and registrable assets of the CSI Consumer Staples ETF, including Onshore PRC Assets are registered or held to the order of the Trustee; and
- (c) the Custodian and the RQFII Custodian, via the Custodian, will look to the Trustee for instructions and solely act in accordance with such instructions as provided under the RQFII participation agreement between the Custodian, the RQFII Custodian, the Manager and the Trustee, as amended from time to time (“**RQFII Participation Agreement**”).

## 8. OVERVIEW OF THE OFFSHORE RMB MARKET

### What Led to RMB Internationalisation?

RMB is the lawful currency of the PRC. RMB is not currently a freely convertible currency and it is subject to foreign exchange control policies of and repatriation restrictions imposed by the PRC government. Since July 2005, the PRC

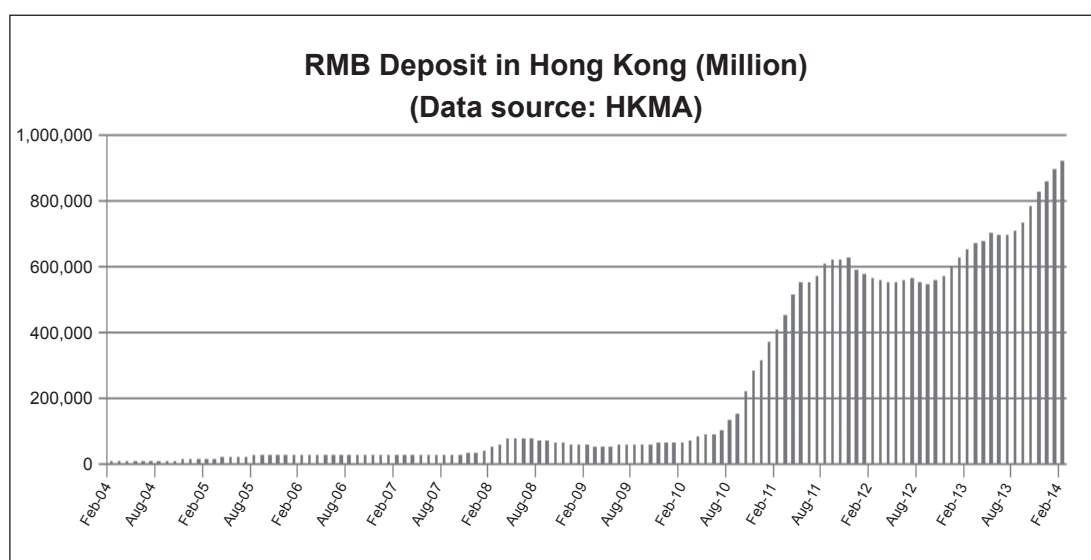
government began to implement a controlled floating exchange rate system based on the supply and demand in the market and adjusted with reference to a portfolio of currencies. The exchange rate of RMB is no longer pegged to US dollars, resulting in a more flexible RMB exchange rate system.

Over the past two decades, the PRC's economy grew rapidly at an average annual rate of 10.5% in real terms. This enables it to overtake Japan to become the second largest economy and trading country in the world. The International Monetary Fund has projected that the PRC will contribute to more than one-third of global growth by 2015. As the PRC's economy becomes increasingly integrated with the rest of the world, it is a natural trend for its currency – the RMB, to become more widely used in the trade and investment activities.

### Accelerating the Pace of the RMB Internationalisation

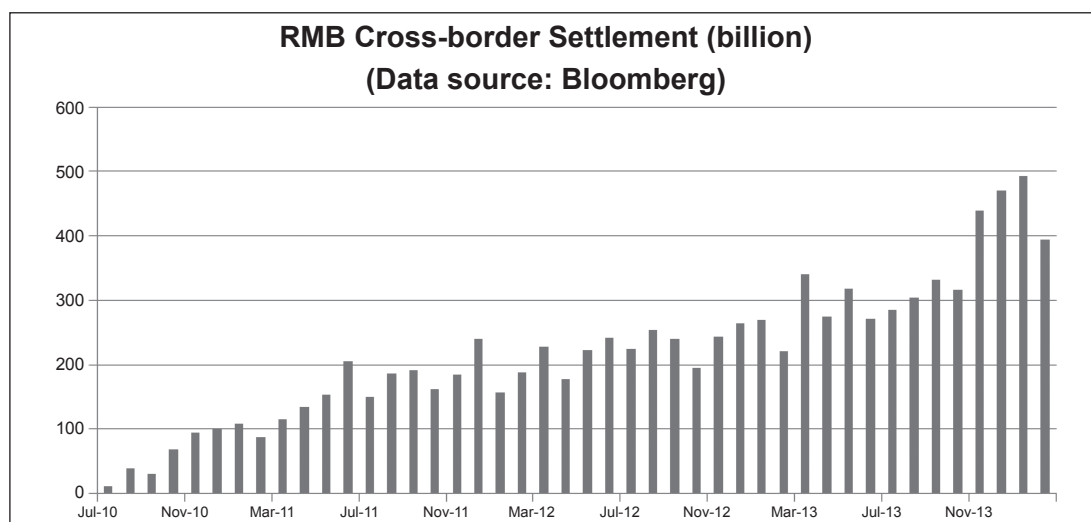
The PRC has been taking gradual steps to increase the use of RMB outside its borders by setting up various pilot programmes in Hong Kong and neighbouring areas in recent years. For instance, banks in Hong Kong were the first permitted to provide RMB deposits, exchange, remittance and credit card services to personal customers in 2004. Further relaxation occurred in 2007 when the authorities allowed PRC financial institutions to issue RMB bonds in Hong Kong, subject to regulatory approval. As of 28 February 2014, there are 146 banks in Hong Kong engaging in RMB business, with RMB deposits amounting to about RMB920 billion, as compared to just about RMB63 billion in the end of 2009.

The chart below shows the trend of RMB deposits in Hong Kong.



The pace of RMB internationalisation has accelerated since 2009 when the PRC authorities permitted cross-border trade between Hong Kong / Macau and Shanghai/four Guangdong cities, and between ASEAN and Yunnan/Guangxi, to be settled in RMB. In June 2010, the arrangement was expanded to 20 provinces / municipalities in the PRC and to all countries / regions overseas.

The chart below shows the trend of RMB cross-border settlement.



In April 2012, the PRC widened the daily trading band of the RMB against the US dollar from 0.5% to 1%.

## **Onshore versus Offshore RMB Market**

Following a series of policies introduced by the PRC authorities, a RMB market outside the PRC has gradually developed and started to expand rapidly since 2009. RMB traded outside the PRC is often referred as “offshore RMB” with the denotation “CNH”, which distinguishes it from the “onshore RMB” or “CNY”.

Both onshore and offshore RMB are the same currency but are traded in different markets. Since the two RMB markets operate independently where the flow between them is highly restricted, onshore and offshore RMB are traded at different rates and their movement may not be in the same direction. Due to the strong demand for offshore RMB, CNH used to be traded at a premium to onshore RMB, although occasional discount may also be observed. The relatively strength of onshore and offshore RMB may change significantly, and such change may occur within a very short period of time.

Notwithstanding that the offshore RMB market showed a meaningful growth during the past 2 years, it is still at an early stage of the development and is relatively sensitive to negative factors or market uncertainties. For instance, the value of offshore RMB had once dropped by 2% against the US dollars in the last week of September 2011 amidst the heavy selloff of the equities market. In general, the offshore RMB market is more volatile than the onshore one due to its relatively thin liquidity.

There have been talks on the potential convergence of the two RMB markets but that is believed to be driven by political decisions rather than just economics. It is widely expected that the onshore and offshore RMB markets would remain two segregated, but highly related, markets for the next few years.

### **Recent Measures**

More measures to relax the conduct of offshore RMB business were announced in 2010. On 19 July 2010, interbank transfer of RMB funds was permitted for any purposes and corporate customers of banks in Hong Kong (including those not directly involved in trade with mainland China) may exchange foreign currencies for RMB without limit. One month later, the PRC authorities announced the partial opening up of PRC’s interbank bond market for foreign central banks, RMB clearing banks in Hong Kong and Macau and other foreign banks participating in the RMB offshore settlement programme.

The National Twelfth Five-Year Plan adopted in March 2011 explicitly supports the development of Hong Kong as an offshore RMB business centre. In August 2011, PRC Vice Premier Li Keqiang has announced more new initiatives during his visit, such as allowing investments on the PRC equity market through the RMB Qualified Foreign Institutional Investor scheme and the launch of an exchange-traded fund with Hong Kong stocks as the underlying constituents in the PRC. Also the PRC Government has given approval for the first non-financial PRC firm to issue RMB-denominated bonds in Hong Kong.

### **RMB Internationalisation is a Long-Term Goal**

Given the PRC’s economic size and growing influence, RMB has the potential to become an international currency in the same ranks as US dollars and euro. But the PRC has to first accelerate the development of its financial markets and gradually make RMB fully convertible on the capital account. Although the internationalisation of RMB will bring benefits such as increasing political influence and reduced exchange rate risks, it also entails risks including rising volatility of RMB exchange rate.

The process of RMB internationalisation is a long and gradual one. It took US dollars many decades to replace the British pound to become a dominant reserve currency; it will also take time for RMB to gain importance in coming years, it will not be in a position to challenge the US dollar’s main reserve currency status for some time to come.

## **9. CHINA A-SHARES MARKET IN THE PRC**

### **9.1 *The Stock Exchanges in Mainland China***

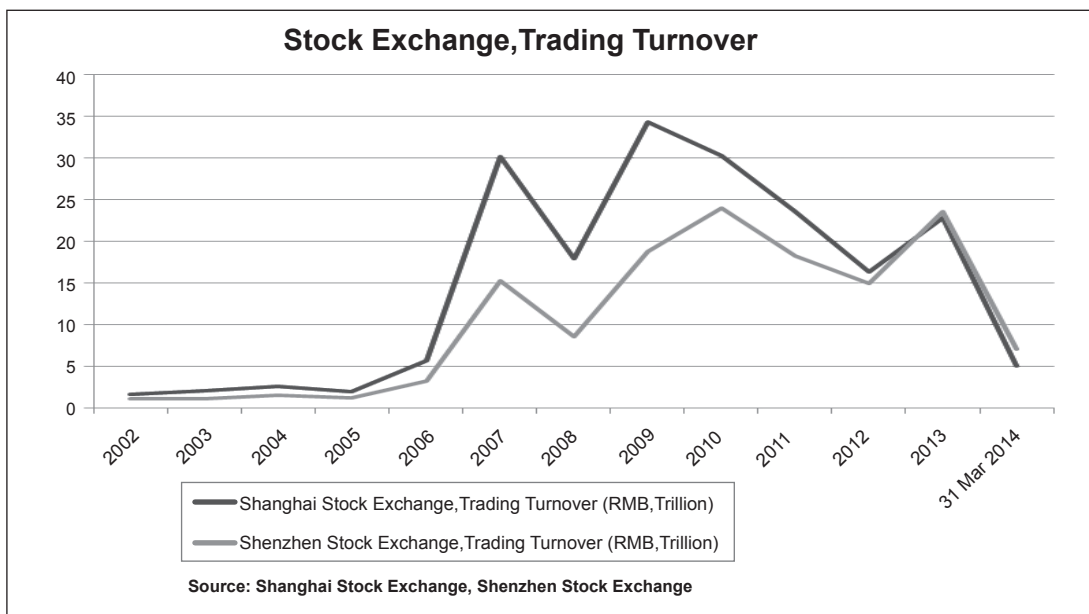
Mainland China has two stock exchanges, located in Shanghai and Shenzhen respectively. Shanghai Stock Exchange (“SSE”) was established in November 26, 1990 and started trading in December 19 of the same year. Shenzhen Stock Exchange (“SZSE”) was established in December 1, 1990. The two exchanges are under the direct management of the CSRC. Their main functions include: to provide premises and facilities for securities trading; to develop the business rules of the exchanges; to accept listing applications and arrange for the listing of securities; to organize and supervise securities trading; to regulate exchange members and listed companies; to manage and disclose market information.

SSE adopts an electronic trading platform. The trading of all exchange-traded securities are required to be submitted to the exchange’s matching engine which automatically matches orders based on price priority and time priority. The SSE’s new trading system has a peak order processing capacity of 80,000 transactions per second. It has a bilateral transactions capacity of over 120 million which is equivalent to the size of daily turnover of RMB1.2 trillion by a single market. The system also has parallel scalability.

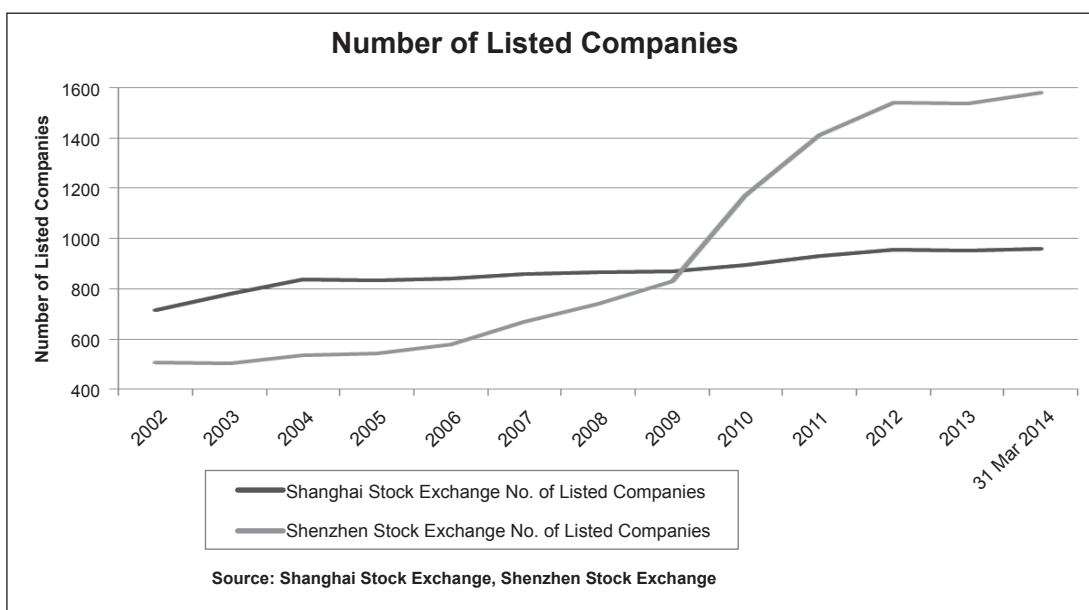
The SZSE, assuming the mission to build China’s multi-level capital market system, has fully supported small and middle size enterprise development, and promoted the implementation of the national strategy of independent innovation. In May 2004, it officially launched the Small and Medium Enterprise (“SME”) board; in January 2006, it started a pilot program for shares trading of non-listed companies of the Zhongguancun Science Park; it officially launched Growth Enterprises Market (“GEM”) board in October 2009. After years of development, the SZSE has basically established a multi-level capital market system architecture consisting the above market boards and systems.

After years of sustained development, the two exchanges have made great achievements in terms of products and quantity listed. Now the listed products include: China A-Shares, B-Shares, open-ended funds, close-ended funds, exchange traded funds and bonds. As of 31 March 2014, the number of listed companies amounted to 2,537, including 959 in Shanghai, 1,578 in Shenzhen. The combined market capitalization of the two exchanges amounted to RMB 23.7 trillion of which RMB 19.7 trillion is free float. Currently, there are derivatives such as warrants and index futures and fixed income products listed on the SSE and SZSE (Source: Wind as at 31 March 2014).

The chart below shows the annual trading turnover in the SSE and SZSE.

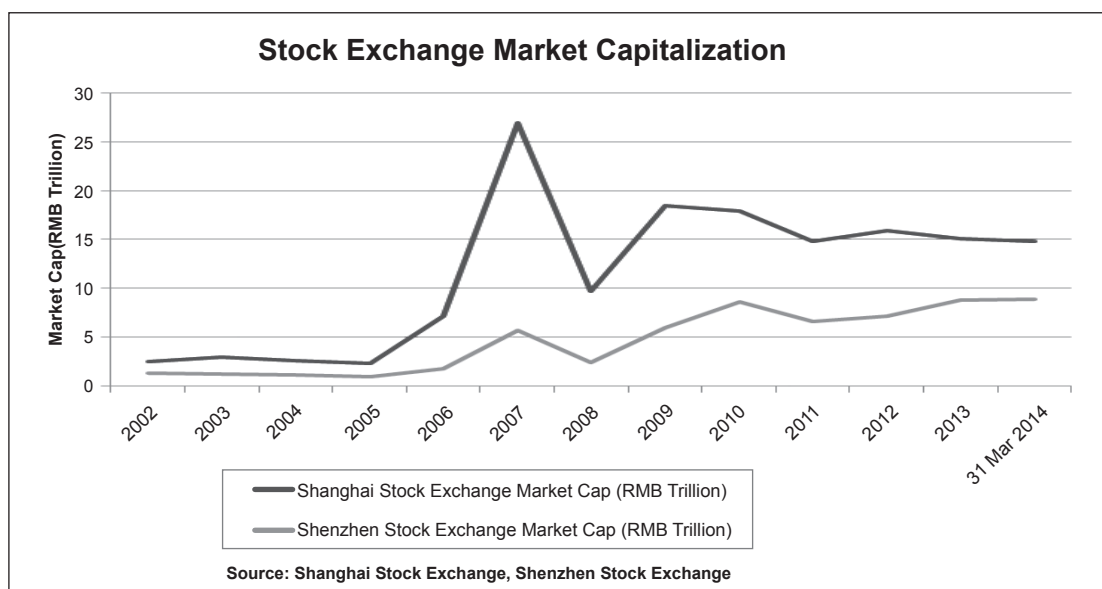


The chart below shows the number of listed company in the SSE and SZSE.

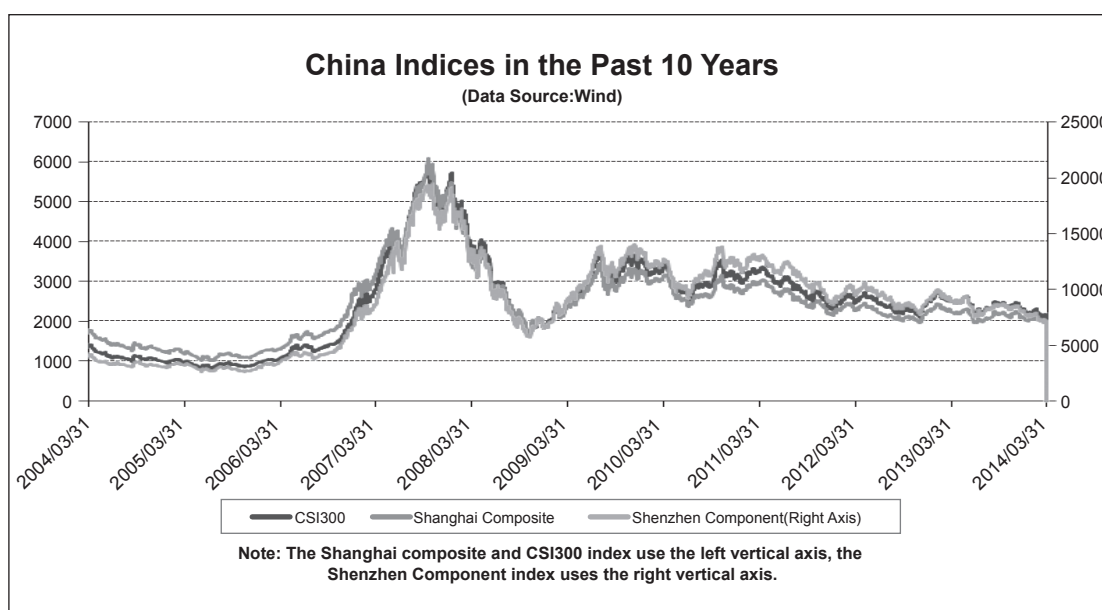




The chart below shows the market capitalisation of the SSE and SZSE.



The chart below shows the Shanghai and Shenzhen Composite Index Price and the Index Price of the Underlying Index in the past 10 years.



The regulatory agency of each stock exchange is its Stock Exchange Council. The Council consists of member directors and non-member directors. The highest decision-making body of an exchange is the General Assembly; however, the Council decides the business agenda of the exchange. The Council reports to the General Assembly, and assumes the following powers:

- To convene the General Assembly, report to the General Assembly, the implementation of the resolutions of the General Assembly;
- To enact, amend the relevant business rules of the Stock Exchange;
- To approve the general work plan submitted by its Chief Executive Officer, budget plan and the draft final accounts;
- To approve the membership admission and approve the sanction of members;
- To decide the stock exchange's internal structure;
- Other powers conferred by the General Assembly.

## 9.2 *Development of the Chinese A-Shares market*

In the 80s of last century, with huge demand of public capital from the national economic development, the State started a pilot reform program adopting the joint-stock system, commencing first in Shanghai, Shenzhen and several other cities. After the Reform and Opening up China's first stock - "Shanghai Feile Audio-Visual" was born in November 1984.

Then in 1990, the SSE and SZSE officially opened, marking the official start of the rapid development of the Chinese stock market. The China A-Shares markets in SSE and SZSE commenced on 19 December 1990 and 1 December 1990 respectively. Initially, trading in China A-Shares are restricted to domestic investors only while B-Shares are available to both domestic (since 2001) and foreign investors. However, after reforms were implemented in December 2002, foreign investors are now allowed (with limitations) to trade in China A-Shares under the QFII program which was launched in 2003 and the RQFII program which was launched in 2011.

After 20 years of development, the China A-Shares market has since grown to become influential on the global market. The participants in the China A-Shares market include retail investors, institutional investors and listed companies. The total market capitalization of the two exchanges combined as at 31 March 2014 has reached RMB 23.7 trillion, and the floating market capitalization has reached RMB 19.7 trillion, accounting for 6.29% of global market capitalization and ranking fourth. As of 31 March 2014, there were 2,537 China A-Shares companies listed on the SSE and SZSE.

## 9.3 *The major differences between the China A-Shares market and the Hong Kong market*

The table below summarises the differences between the China A-Shares market and the Hong Kong market:

		SEHK	SSE	SZSE
(a)	Key Market Index	Hang Seng Index ("HSI")	SSE Composite Index	SZSE Composite Index
(b)	Trading Hours			
	<ul style="list-style-type: none"> <li>• Morning session</li> <li>• Afternoon session</li> </ul>	<ul style="list-style-type: none"> <li>• 9:30 a.m. – 12:00 p.m.</li> <li>• 13:00 – 16:00</li> </ul>	<ul style="list-style-type: none"> <li>• 9:30 a.m. – 11:30 a.m.</li> <li>• 13:00 – 15:00</li> </ul>	<ul style="list-style-type: none"> <li>• 9:30 a.m. – 11:30 a.m.</li> <li>• 13:00 – 15:00</li> </ul>
China A-Shares market and Hong Kong market have different schedule of holidays.				
(c)	Pre-opening session / pre-order input / order matching times			
	<ul style="list-style-type: none"> <li>• Pre-opening session</li> <li>• Order matching times</li> </ul>	<ul style="list-style-type: none"> <li>• 9:00 a.m. to 9:15 a.m.</li> <li>• 9:15 a.m. to 9:20 a.m. (pre-order matching period)</li> <li>• 9:20 a.m. to 9:28 a.m. (order matching period)</li> <li>• 9:28 a.m. to 9:30 a.m. (blocking period)</li> </ul>	<ul style="list-style-type: none"> <li>• 9:15 a.m. to 9:25 a.m.</li> <li>• 9:30 a.m. to 11:30 a.m. and 13:00 to 15:00</li> </ul>	<ul style="list-style-type: none"> <li>• 9:15 a.m. to 9:25 a.m.</li> <li>• 9:30 a.m. to 11:30 a.m. and 13:00 to 14:57</li> </ul>
	• Close matching times	• N/A	• N/A	• 14:57 to 15:00
(d)	Trading Band Limits	No trading band limit	Daily trading band limits of 10%. Where a listed company is under circumstances deemed abnormal by the SSE and SZSE, the short name of the listed company will be prefixed by "ST" and the daily up and down limit will be reduced to 5%.	
(e)	Trading Rule	The T+1 trading rule does not apply except that some stocks cannot be sold short in Hong Kong market.	The T+1 trading rule applies which means a stock bought on T day (i.e. trading day) can only be sold on T+1 (i.e. one business day after the relevant trading day), and no short-selling is allowed with a few exceptions (mostly ETFs) permitted by a pilot program.	
(f)	Round Lot	Stocks are generally traded at round lots and odd lots trading have to be facilitated by a broker through a special board.	Stocks can only be bought at the multiples of 100 shares but cannot be bought in odd lots. However, one can sell the shares of any number i.e. even in odd lots.	
(g)	Settlement cycle	The settlement period is 2 business days (i.e. T+2)	The settlement period is one business day (i.e. T+1)	

(h)	Earnings report disclosure requirement	A listed company has to disclose fiscal information twice a year. The annual reports have to be published within four months from the financial year end and the interim reports have to be published within three months of the end of the period it covers.	A listed company on the SSE and SZSE is required to prepare and disclose the annual report within four months as of the end date of each fiscal year, the half-year report within two months as of the end date of the first half of each fiscal year, and the quarterly report within one month as of the end of the first three months and the end of the first nine months of each fiscal year respectively. The time for disclosing the first-quarter report shall not be earlier than the time for disclosing the annual report of the previous year.  H-Share listed companies also disclose fiscal information quarterly for consistency with the corresponding A-Share schedules.
(i)	Suspension	There is no requirement to suspend stocks for general assembly or important information disclosure.	Stocks in the China A-Shares market will be suspended for general assembly or important information disclosure.

Investors should inform themselves of the risks associated with the differences between the China A-Shares market and the Hong Kong market, as set out in the risk factor headed “*Risks relating to the differences between the Hong Kong and China stock markets*” in section “*11.1 China market / China A-Shares market risks*” in this Appendix.

#### 9.4 Measures Adopted by the Manager to Address the Differences between the China A-Shares Market and the Hong Kong Market

The Manager has adopted the following measures to address the difference between the China A-Shares market and the Hong Kong market:

- (a) Trading hours: As regards the difference in trading hours, the shorter trading hours in the China A-Shares market is not considered to present a major risk, as it is expected that there is a high level of liquidity for the Index Securities.
- (b) Trading days: There is a difference in trading days between the China A-Shares market and the Hong Kong market. It should be noted that Applications are accepted only on a Business Day (normally a day on which both markets are open).

If the Hong Kong market is open while the China A-Shares market is closed, Units of the CSI Consumer Staples ETF will be traded in the Hong Kong market and the Manager will continue to publish information including prices in the manner set out in section “*14.14 Publication of Information Relating to the Sub-Funds*” in Part 1 of the Prospectus. If the China A-Shares market is open while Hong Kong market is closed, the Manager will trade the Index Security when it is necessary, in order to limit the risk to investors. These trades will be properly settled even when the Hong Kong market is closed for holiday by the Trustee’s arrangements in place.

- (c) Trading band limits: The Manager will be prevented from trading certain Index Securities when they hit the “trading band limit”. In such circumstance, the CSI Consumer Staples ETF, where it is required to buy such Index Securities, will hold cash until such Index Securities resume trading and thereafter, will make up the trade. The Manager believes that the average impact to the CSI Consumer Staples ETF in such situations is immaterial.

#### 10. RMB PAYMENT AND ACCOUNT PROCEDURES

Investors may unless otherwise agreed by relevant Participating Dealer, apply for Units through Participating Dealers only if they have sufficient RMB to pay the application monies and the related fees. Investors should note that RMB is the only official currency of the PRC. While both onshore RMB (“**CNY**”) and offshore RMB (“**CNH**”) are the same currency, they are traded in different and separated markets. Since the two RMB markets operate independently where the flow between them is highly restricted, CNY and CNH are traded at different rates and their movement may not be in the same direction. Although there is a significant amount of RMB held offshore (i.e. outside the PRC), CNH cannot be freely remitted into the PRC and is subject to certain restrictions, and vice versa. As such whilst CNH and CNY are both the same currency, certain special restrictions do apply to RMB outside the PRC. The liquidity and trading price of the CSI Consumer Staples ETF may be adversely affected by the limited availability of, and restrictions applicable to, RMB outside the PRC.

Application monies from Participating Dealers to the CSI Consumer Staples ETF will be paid in RMB only. Accordingly a Participating Dealer may require an investor (as its client) to pay CNH to it. (Payment details will be set out in the relevant Participating Dealer’s documentation such as the application form for its clients.) As such, an investor may need to have opened a bank account (for settlement) and a securities dealing account if a Participating Dealer is to subscribe for Units on his behalf as such investor will need to have accumulated sufficient CNH to pay at least the aggregate Issue

Price and related costs, to the Participating Dealer or if an application to the Participating Dealer is not successful or is successful only in part, the whole or appropriate portion of the monies paid will need to be returned to such investor by the Participating Dealer by crediting such amount into such investor's CNH bank account. Similarly, if investors wish to buy and sell Units in the secondary market on the SEHK, they may need to open a securities dealing account with their broker. Investors will need to check with the relevant Participating Dealer and/or their broker for payment details and account procedures.

If any investors wish to buy or sell RMB traded Units on the secondary market, they should contact their brokers and they are reminded to confirm with their brokers in respect of Units traded in RMB their brokers' readiness for dealing and/or clearing transactions in RMB securities and to check other relevant information published by the SEHK regarding readiness of its participants for dealing in RMB securities from time to time. CCASS Investor Participants who wish to settle the payment in relation to their trades in the RMB traded Units using their CCASS Investor Participant account or to receive distributions in RMB should make sure that they have set up an RMB designated bank account with CCASS.

Investors intending to purchase RMB traded Units from the secondary market should consult their stockbrokers as to the RMB funding requirement and settlement method for such purchase. Investors may need to open and maintain securities dealing accounts with the stockbroker first before any dealing in Units traded in either HKD or RMB can be effected.

Investors should ensure they have sufficient CNH to settle the trades of Units traded in RMB. When investors open the RMB bank accounts for settling RMB payment or receiving RMB distributions, they should note that under the current regulations, the daily maximum exchange limit for RMB applicable to Hong Kong residents is RMB20,000 per individual. Investors should consult the banks for the account opening procedures as well as terms and conditions of the RMB bank account. Some banks may impose restrictions on their RMB cheque account and fund transfer to third party accounts. For non-bank financial institutions (e.g. brokers), however, such restriction will not be applicable and investors should consult their brokers as to the currency exchange service arrangement if required.

The transaction costs of dealings in the Units on the SEHK include the trading fee payable to HKEx and Commission's transaction levy. All these secondary trading related fees and charges will be collected in Hong Kong dollars and in respect of Units traded in RMB calculated based on an exchange rate as determined by the Hong Kong Monetary Authority on the date of the trade which will be published on the HKEx's website by 11:00 a.m. on each trading day.

Investors should consult their own brokers or custodians as to how and in what currency the trading related fees and charges and brokerage commission should be paid by the investors.

Where payment in RMB is to be made by cheque, investors are advised to consult the bank at which their respective RMB bank accounts are opened in advance whether there are any specific requirements in relation to the issue of RMB cheques. In particular, investors should note that some banks have imposed an internal limit (usually RMB80,000) on the balance of RMB cheque account of their clients or the amount of cheques that their clients can issue in a day and such limit may affect an investor's arrangement of funding for an application (through a Participating Dealer) for creation of Units.

When an individual investor who is a Hong Kong resident opens an RMB bank account or settle RMB payments, he or she will be subject to a number of restrictions, including:

- (a) the existing permitted conversions in relation to personal customers are up to RMB20,000 conducted through RMB bank accounts per person per day or up to RMB20,000 per transaction per person in bank notes for walk-in personal customers; and
- (b) the daily maximum remittance amount to the PRC is RMB80,000 and a remittance service is only available to an RMB deposit account-holder who remits from his or her RMB deposit account to the PRC and provided that the account name of the account in the PRC is identical with that of the RMB bank account with the bank in Hong Kong.

On the other hand, an individual investor who is a non-Hong Kong resident may open an RMB bank account in Hong Kong and may exchange other currencies for RMB without any limit. However, non-Hong Kong residents may not remit RMB to the PRC unless approval is obtained pursuant to PRC rules and regulations.

Please refer to section "**11.2 Renminbi related risks**" of this Appendix on risks associated with Renminbi.

#### **10A. RENMINBI EQUITY TRADING SUPPORT FACILITY ("TSF")**

The TSF was launched on 24 October 2011 by the HKEx to provide a facility to enable investors who wish to buy RMB-traded shares (RMB shares) in the secondary market with Hong Kong dollars if they do not have sufficient RMB or have difficulty in obtaining RMB from other channels. The coverage of TSF has been extended to equity-related exchange traded funds and real estate investment trusts traded in RMB with effect from 6 August 2012. As such, the TSF is currently available to investors who wish to invest in the CSI Consumer Staples ETF and trading in RMB on the SEHK. For further details on the TSF, please refer to the website of HKEx at [http://www.hkex.com.hk/eng/market/sec\\_tradingfra/tsf/tsf.htm](http://www.hkex.com.hk/eng/market/sec_tradingfra/tsf/tsf.htm). Investors should consult their advisers if they have any query on the TSF.

## 11. **RISK FACTORS RELATING TO THE CSI CONSUMER STAPLES ETF**

In addition to the general risk factors common to all Sub-Funds set out in section “5. *General Risk Factors*” in Part 1 of this Prospectus, investors should also consider the specific risks associated with investing in the CSI Consumer Staples ETF including those set out below. The risk factors below do not offer advice on the suitability of investing in the CSI Consumer Staples ETF. Investors should carefully consider the risk factors described below together with the other relevant information included in this Prospectus before deciding whether to invest in Units of the CSI Consumer Staples ETF. The Commission’s authorisation is not a recommendation or endorsement of a product nor does it guarantee the commercial merits of a product or its performance. It does not mean the product is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

### 11.1 **China market / China A-Shares market risks**

*China market / Single country investment.* Insofar as the CSI Consumer Staples ETF invests substantially in securities issued in mainland China, it will be subject to risks inherent in the China market and additional concentration risks. Please refer to the risk factors under section “5.1 *Risk Factors relating to China*” and section “5.2 *Investment risks*” under headings “*Restricted markets risk*”, “*Emerging Market Risk*” and “*Single country risk*” in Part 1 of this Prospectus.

*Risks relating to dependence upon trading on China A-Shares market.* The existence of a liquid trading market for China A-Shares may depend on whether there is supply of, and demand for, such China A-Shares. The price at which the Index Securities may be purchased or sold by the CSI Consumer Staples ETF and the Net Asset Value of the CSI Consumer Staples ETF may be adversely affected if trading markets for China A-Shares are limited or absent. Investors should note that the SZSE and the SSE on which China A-Shares are traded are undergoing development and the market capitalisation of, and trading volumes on, those stock exchanges are lower than those in more developed markets. The China A-Shares market may be more volatile and unstable (for examples due to the risk of suspension of a particular stock or government intervention) than those in more developed markets. A Participating Dealer may not be able to create and redeem Units if any Index Securities are not available. Market volatility and settlement difficulties in the China A-Shares markets may also result in significant fluctuations in the prices of the Index Securities traded on such markets and thereby may affect the value of the CSI Consumer Staples ETF.

*Risks relating to suspension of the China A-Shares market.* Securities exchanges in China typically have the right to suspend or limit trading in any security traded on the relevant exchange; a suspension will render it impossible for the Manager to liquidate positions and can thereby expose the CSI Consumer Staples ETF to losses. Under such circumstances, while creation/redemption of the CSI Consumer Staples ETF’s Units may be suspended, subject to the Manager’s discretion, the trading of the CSI Consumer Staples ETF on the SEHK may or may not be suspended. If some of the China A-Shares comprising the Underlying Index are suspended, it may be difficult for the Manager to determine the Net Asset Value of the CSI Consumer Staples ETF. Where a significant number of the China A-Shares comprising the Underlying Index are suspended, the Manager may determine to suspend the creation and redemption of Units of the CSI Consumer Staples ETF, and/or delay the payment of any monies in respect of any Redemption Application. If the trading of the CSI Consumer Staples ETF on the SEHK continues when the China A-Shares market is suspended, the trading price of the CSI Consumer Staples ETF may deviate away from the Net Asset Value.

As a result of the trading band limits imposed by the stock exchanges in China on China A-Shares, it may not be possible for Participating Dealers to create and/or redeem Units on a Business Day, because Index Securities may not be available if the trading band limit has been exceeded for such Index Securities or it is impossible to liquidate positions. This may lead to higher tracking error and may expose the CSI Consumer Staples ETF to losses. Further, the price of the Units of the CSI Consumer Staples ETF may be traded at a premium or discount to its Net Asset Value. The Manager has put in place measures to tackle the trading band limit as disclosed under section “9.4 *Measures Adopted by the Manager to Address the Differences between the China A-Shares Market and the Hong Kong Market*” in this Appendix.

*Risks relating to the differences between the Hong Kong and China stock markets.* As the SZSE and the SSE may be open when Units in the CSI Consumer Staples ETF are not priced, the value of the Index Securities in the CSI Consumer Staples ETF’s portfolio may change on days when investors will not be able to purchase or sell the CSI Consumer Staples ETF’s Units. Furthermore, the market prices of Index Securities listed on the above stock exchanges may not be available during part of or all of the SEHK trading sessions due to trading hour differences which may result in Units of the CSI Consumer Staples ETF being traded at a premium or discount to its Net Asset Value.

In addition, differences in trading hours between the SSE and SZSE and the SEHK may increase the level of premium/discount of the price of Units of the CSI Consumer Staples ETF to its Net Asset Value because if the SSE and/or SZSE is closed while the SEHK is open, the Underlying Index level may not be available. The prices quoted by the market maker would therefore be adjusted to take into account any accrued market risk that arises from such unavailability of the Underlying Index level and as a result, the level of premium or discount of the Unit price of the CSI Consumer Staples ETF to its Net Asset Value may be higher.

There are no trading band limits in Hong Kong. However, trading band limits are imposed by the stock exchanges in China on China A-Shares, where trading in any China A-Shares on the relevant stock exchange may be suspended if the trading price of the China A-Share has increased or decreased to the extent beyond the trading band limit during the day. Any dealing suspension of a China A-Share will render it impossible for the CSI Consumer Staples ETF to acquire the Index Security or liquidate positions to reflect creation/redemption of the Units. This may result in higher tracking error and may expose the CSI Consumer Staples ETF to losses. Units of the CSI Consumer Staples ETF may also be traded at a significant premium or discount to its Net Asset Value.

## 11.2 *Renminbi related risks*

*Renminbi currency risk.* RMB is currently not a freely convertible currency as it is subject to foreign exchange control and fiscal policies of and repatriation restrictions imposed by the Chinese government. If such policies change in future, the CSI Consumer Staples ETF's or the investors' position may be adversely affected. Please refer to the risk factor headed "*Renminbi Exchange Risk*" under section "*5.1 Risk Factors relating to China*" in Part 1 of the Prospectus.

Primary Market Investors must subscribe for Units of the CSI Consumer Staples ETF and will receive redemption proceeds in RMB. Since the CSI Consumer Staples ETF is denominated in RMB, non-RMB based investors are exposed to fluctuations in the RMB exchange rate against their base currencies and may incur substantial capital loss due to foreign exchange risk. There is no assurance that RMB will not be subject to devaluation, in which case the value of their investments will be adversely affected. If investors wish or intend to convert the redemption proceeds or dividends (in RMB on both HKD traded Units and RMB traded Units) paid by the Sub-Fund or sale proceeds (in RMB on RMB traded Units) into a different currency, they are subject to the relevant foreign exchange risk and may suffer losses from such conversion as well as associated fees and charges.

*Offshore RMB Market risk.* The onshore RMB ("CNY") is the only official currency of the PRC and is used in all financial transactions between individuals, state and corporations in the PRC ("**Onshore RMB Market**"). Hong Kong is the first jurisdiction to allow accumulation of RMB deposits outside the PRC ("**Offshore RMB Market**"). Since June 2010, the offshore RMB ("CNH") is traded officially, regulated jointly by the Hong Kong Monetary Authority and the PBOC. As a result of the controls on cross-border transfers of Renminbi between Hong Kong and China, the Onshore RMB Market and the Offshore RMB Market are, to an extent, segregated, and each market may be subject to different regulatory requirements that are applicable to the Renminbi. The CNY may therefore trade at a different foreign exchange rate compared to the CNH. Due to the strong demand for offshore RMB, CNH used to be traded at a premium to onshore RMB, although occasional discount may also be observed. The CSI Consumer Staples ETF's investments may potentially be exposed to both the CNY and the CNH, and the CSI Consumer Staples ETF may consequently be exposed to greater foreign exchange risks and/or higher costs of investment (for example, when converting other currencies to the Renminbi at the CNH rate of exchange).

However, the current size of RMB-denominated financial assets outside the PRC is limited. At the end of July 2013, the total amount of RMB (CNH) deposits held by institutions authorized to engage in RMB banking business in Hong Kong amounted to approximately RMB 695 billion. In addition, participating authorized institutions are required by the Hong Kong Monetary Authority to maintain a total amount of RMB assets (in the form of, inter alia, cash and the institution's settlement account balance with the Renminbi clearing bank, holding of RMB sovereign bonds issued in Hong Kong by the PRC Ministry of Finance and bond investment through the PRC interbank bond market) of no less than 25% of their RMB deposits, which further limits the availability of RMB that participating authorized institutions can utilise for conversion services for their customers. RMB business participating banks do not have direct RMB liquidity support from PBOC. The Renminbi clearing bank only has access to onshore liquidity support from PBOC (subject to annual and quarterly quotas imposed by PBOC) to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and for individual customers that are Hong Kong residents of up to RMB20,000 per person per day. The Renminbi clearing bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source RMB from the offshore market to square such open positions.

Although it is expected that the Offshore RMB Market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC laws and regulations will not be promulgated, terminated or amended in the future which will have the effect of restricting availability of RMB offshore. The limited availability of RMB outside the PRC may affect the liquidity of the CSI Consumer Staples ETF. To the extent the Manager is required to source RMB in the offshore market, there is no assurance that it will be able to source such RMB on satisfactory terms, if at all.

*Offshore RMB ("CNH") Remittance Risk.* RMB is not freely convertible at present. The PRC government continues to regulate conversion between RMB and foreign currencies despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Participating banks in Hong Kong have been permitted to engage in the settlement of RMB trade transactions under a pilot scheme introduced in July 2009. This represents a current account activity. The pilot scheme was extended in June 2010 to cover 20 provinces and

municipalities in the PRC and to make RMB trade and other current account item settlement available in all countries worldwide. On 25 February 2011, the Ministry of Commerce (“**MOFCOM**”) promulgated the Circular on Issues concerning Foreign Investment Management (商務部關於外商投資管理工作有關問題的通知) (the “**MOFCOM Circular**”). The MOFCOM Circular states that if a foreign investor intends to make investments in the PRC (whether by way of establishing a new enterprise, increasing the registered capital of an existing enterprise, acquiring an onshore enterprise or providing loan facilities) with RMB that it has generated from cross-border trade settlement or that is lawfully obtained by it outside the PRC, MOFCOM’s prior written consent is required. While the MOFCOM Circular expressly sets out the requirement of obtaining MOFCOM’s prior written consent for remittance of RMB back in the PRC by a foreign investor, the foreign investor may also be required to obtain approvals from other PRC regulatory authorities, such as the PBOC and SAFE, for transactions under capital account items. As the PBOC and SAFE have not promulgated any specific PRC regulation on the remittance of RMB into the PRC for settlement of capital account items, foreign investors may only remit offshore RMB into the PRC for capital account purposes such as shareholders’ loan or capital contribution upon obtaining specific approvals from the relevant authorities on a case-by-case basis. There is no assurance that the PRC government will continue to gradually liberalise the control over cross-border RMB remittances in the future, that the pilot scheme introduced in July 2009 (as extended in June 2010) will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of RMB into or outside the PRC. Such an event could have a severe adverse effect on the operations of the CSI Consumer Staples ETF, including limiting the ability of the CSI Consumer Staples ETF to redeem and pay the redemption proceeds in RMB and the ability of Participating Dealers to create or redeem in cash and so to settle in RMB to their underlying clients. In addition, such restrictions could cause Units to trade on the SEHK at a significant discount to the Net Asset Value per Unit.

Currently the Bank of China (Hong Kong) Limited is the only clearing bank for offshore RMB in Hong Kong. A clearing bank is an offshore bank that can obtain RMB funding from the PBOC to square the net RMB positions of other participating banks. In February 2004, Bank of China (Hong Kong) Limited launched its RMB clearing services following its appointment by the PBOC. Remittance of RMB funds into China may be dependent on the operational systems developed by the Bank of China (Hong Kong) Limited for such purposes, and there is no assurance that there will not be delays in remittance.

### **11.3 Risks relating to the RQFII regime**

**RQFII risk.** The CSI Consumer Staples ETF is not a RQFII but may obtain access to China A-Shares, or other permissible investments directly using RQFII quotas of a RQFII. The CSI Consumer Staples ETF may invest directly in RQFII eligible securities investment via the RQFII status of the Manager. As of the date of this Prospectus, the RQFII quotas obtained by the Manager as RQFII relating to the CSI Consumer Staples ETF amount to RMB300 million, and all of which is expected to be allocated to the CSI Consumer Staples ETF.

Investors should note that RQFII status could be suspended or revoked, which may have an adverse effect on the CSI Consumer Staples ETF’s performance as the CSI Consumer Staples ETF may be required to dispose of its securities holdings. In addition, certain restrictions imposed by the Chinese government on RQFIIs may have an adverse effect on the CSI Consumer Staples ETF’s liquidity and performance.

SAFE regulates and monitors the repatriation of funds out of the PRC by the RQFII pursuant to its “Circular on Issues Related to the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors (國家外匯管理局關於人民幣合格境外機構投資者境內證券投資試點有關問題的通知) (the “**RQFII Measures**”). Repatriations by RQFIIs in respect of an open-ended RQFII fund (such as the CSI Consumer Staples ETF) conducted in RMB are currently permitted daily and are not subject to repatriation restrictions or prior approval from the SAFE, although authenticity and compliance reviews will be conducted by the RQFII Custodian, and monthly reports on remittances and repatriations will be submitted to SAFE by the RQFII Custodian. There is no assurance, however, that PRC rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Further, such changes to the PRC rules and regulations may take effect retrospectively. Any restrictions on repatriation of the invested capital and net profits may impact on the CSI Consumer Staples ETF’s ability to meet redemption requests from the Unitholders. Furthermore, as the Custodian’s or the RQFII Custodian’s review on authenticity and compliance is conducted on each repatriation, the repatriation may be delayed or even rejected by the Custodian or the RQFII Custodian in case of non-compliance with the RQFII Regulations. In such case, it is expected that redemption proceeds will be paid to the redeeming Unitholder as soon as practicable, and within 4 Business Days, and after the completion of the repatriation of funds concerned. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the Manager’s control.

RQFII quotas are generally granted to a RQFII though an amount of RMB 300 million has been specifically granted to the CSI Consumer Staples ETF. The rules and restrictions under RQFII Regulations generally apply to the RQFII as a whole and not simply to the investments made by the CSI Consumer Staples ETF. It is provided in the RQFII Measures that the size of the quota may be reduced or cancelled by the SAFE if the RQFII is unable to use its RQFII quota effectively within one year since the quota is granted. If SAFE reduces the RQFII’s quota, it may affect the Manager’s ability to effectively pursue the investment strategy of the CSI Consumer Staples ETF. On the other hand, the SAFE is vested with the power to impose regulatory sanctions if the RQFII or the RQFII Custodian violates any provision of the

RQFII Measures. Any violations could result in the revocation of the RQFII's quota or other regulatory sanctions and may adversely impact on the portion of the RQFII's quota made available for investment by the CSI Consumer Staples ETF.

Investors should note that there can be no assurance that a RQFII will continue to maintain its RQFII status or be able to acquire additional RQFII quota. The CSI Consumer Staples ETF may not have sufficient portion of RQFII quotas to meet all applications for subscription to the CSI Consumer Staples ETF. There is also no assurance that redemption requests can be processed in a timely manner due to repatriation restrictions or adverse changes in relevant laws or regulations. Such restrictions may respectively result in a rejection of applications and a suspension of dealings of the CSI Consumer Staples ETF. In extreme circumstances, the CSI Consumer Staples ETF may incur significant losses due to insufficiency of RQFII quota, limited investment capabilities, or may not be able to fully implement or pursue its investment objective or strategy, due to RQFII investment restrictions, illiquidity of the Chinese domestic securities market, and/or delay or disruption in execution of trades or in settlement of trades.

The current RQFII laws, rules and regulations are subject to change, which may take retrospective effect. In addition, there can be no assurance that the RQFII laws, rules and regulations will not be abolished. The CSI Consumer Staples ETF, which invests in the PRC markets through a RQFII, may be adversely affected as a result of such changes.

Application of RQFII rules. The RQFII Regulations are in the early stages of their operations and are described under section “7. **Renminbi Qualified Foreign Institutional Investor (RQFII)**” in this Appendix. The rules and their application may depend on the interpretation given by the relevant Chinese authorities. The Chinese authorities and regulators have been given wide discretion in such investment regulations and there is no certainty as to how such discretion may be exercised now or in the future.

Any changes to the relevant rules may have an adverse impact on investors' investment in the CSI Consumer Staples ETF. In the worst scenario, the Manager may determine that the CSI Consumer Staples ETF shall be terminated if it is not legal or viable to operate the CSI Consumer Staples ETF because of changes to the application of the relevant rules.

RQFII systems risk. The current RQFII Regulations include rules on investment restrictions applicable to the CSI Consumer Staples ETF.

In the event of any default of the RQFII Custodian in the execution or settlement of any transaction or in the transfer of any funds or securities in the PRC, the CSI Consumer Staples ETF may encounter delays in recovering its assets which may in turn impact the Net Asset Value of the CSI Consumer Staples ETF.

Risks relating to liquidity of Index Securities. Due to the potential liquidity constraint of the underlying Index Securities, the Manager may not be able to efficiently process the transactions for the Creation and Redemption Applications without adverse impact on the fund value of the CSI Consumer Staples ETF, therefore the existing investors' interest. Accordingly, the Manager may impose a limit on the total number of Units to be created or redeemed each day.

RQFII Custodian risk. The Trustee shall take into its custody or under its control property of the CSI Consumer Staples ETF and hold it on trust for Unitholders. The assets held/credited in the securities account(s) are segregated and independent from the proprietary assets of the RQFII Custodian. However, investors should note that, under PRC law, cash deposited in the cash account(s) of the CSI Consumer Staples ETF with the RQFII Custodian (which is/are maintained in the joint names of the Manager (as the RQFII holder) and the CSI Consumer Staples ETF) will not be segregated but will be a debt owing from the RQFII Custodian to the CSI Consumer Staples ETF as a depositor. Such cash will be co-mingled with cash that belongs to other clients or creditors of the RQFII Custodian. In the event of bankruptcy or liquidation of the RQFII Custodian, the CSI Consumer Staples ETF will not have any proprietary rights to the cash deposited in such cash account(s), and the CSI Consumer Staples ETF will become an unsecured creditor, ranking pari passu with all other unsecured creditors, of the RQFII Custodian. Please refer to the disclosure on the opinion from PRC legal counsel in section “7. **Renminbi Qualified Foreign Institutional Investor (RQFII)**” in this Appendix. Whilst the opinion from PRC legal counsel indicates the legal position based on understanding of current PRC laws, such opinion may not be conclusive; and ultimately the interpretation and operation of the relevant PRC laws and regulations depend on the judicial and/or regulatory authorities of the PRC.

The CSI Consumer Staples ETF may face difficulty and/or encounter delays in recovering such debt, or may not be able to recover it in full or at all, in which case the CSI Consumer Staples ETF will suffer.

PRC brokerage risk. The execution of transactions may be conducted by PRC Broker(s) appointed by the RQFII. As a matter of practice, only one PRC Broker can be appointed in respect of each stock exchange in the PRC. Thus, the CSI Consumer Staples ETF will rely on only one PRC Broker for each stock exchange in the PRC, which may be the same PRC Broker. If the Manager is unable to use its designated PRC Broker in the PRC, the operation of the CSI Consumer Staples ETF will be adversely affected and may cause Units of the CSI Consumer Staples ETF to trade at a premium or discount to its Net Asset Value or the CSI Consumer Staples ETF may not be able to track the Underlying Index. Further, the operation of the CSI Consumer Staples ETF may be adversely affected in case of any acts or omissions of the PRC Broker, which may result in a higher tracking error or the CSI Consumer Staples ETF being traded at a significant premium or discount to its Net Asset Value.



If a single PRC Broker is appointed, the CSI Consumer Staples ETF may not necessarily pay the lowest commission available in the market. The RQFII Holder however, in the selection of PRC Broker(s) will have regard to factors such as the competitiveness of commission rates, size of the relevant orders and execution standards.

There is a risk that the CSI Consumer Staples ETF may suffer losses from the default, bankruptcy or disqualification of the PRC Broker(s). In such event, the CSI Consumer Staples ETF may be adversely affected in the execution of any transaction. As a result, the Net Asset Value of the CSI Consumer Staples ETF may also be adversely affected.

Subject to the applicable laws and regulations, the Manager will make arrangements to satisfy itself that the PRC Broker(s) have appropriate procedures to properly segregate the CSI Consumer Staples ETF's securities from those of the relevant PRC Brokers.

*Risks relating to premium arising from insufficient RQFII quota.* There can be no assurance that additional RQFII quota can be obtained to fully satisfy Creation Application requests, which will lead to such requests of Participating Dealers being rejected by the Manager. This may result in a need for the Manager to close the CSI Consumer Staples ETF to further subscriptions which may lead to a significant premium in the trading price of the CSI Consumer Staples ETF against its Net Asset Value.

#### **11.4 Dual Counter Trading risks**

*Dual Counter risk.* Dual Counter is relatively new on the SEHK for exchange traded funds. The CSI Consumer Staples ETF has a Dual Counter arrangement where Units are traded and settled in RMB under the RMB counter and traded and settled in HKD under the HKD counter. The Dual Counter arrangement adopted by the CSI Consumer Staples ETF may bring additional risks for investment in the CSI Consumer Staples ETF and may make such investment riskier than investment in single counter exchange traded funds. For example where for some reason there is a settlement failure on an inter-counter transfer if the Units of one counter are delivered to CCASS at the last settlement on a trading day, there may not be enough time to transfer the Units to the other counter for settlement on the same day.

Moreover, where there is a suspension of the inter-counter transfer of Units between the HKD counter and the RMB counter for any reasons, for example, operational or systems interruption, Unitholders will only be able to trade their Units in the currency of the relevant Dual Counter. Accordingly it should be noted that inter-counter transfers may not always be available. Investors are recommended to check the readiness of their brokers / intermediaries in respect of the Dual Counter trading and inter-counter transfer.

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

*Inter-counter trading risk.* Although an investor may buy from one counter and sell the same on the other counter in the same day, it is possible that some brokers/intermediaries and CCASS Participants may not be familiar with and may not be able to (i) buy Units in one counter and to sell Units in the other, (ii) carry out inter-counter transfers of Units, or (iii) trade units in both RMB counter and HKD counter at the same time. In such case (i) to (iii), another broker, intermediary or CCASS Participant may need to be used. This may inhibit or delay dealing in both RMB traded Units and HKD traded Units and may mean investors may only be able to trade their Units in one currency. Investors are recommended to check the readiness of their brokers / intermediaries in respect of the Dual Counter trading and inter-counter transfer.

Investors should therefore consult their brokers/intermediaries on whether Dual Counter trading of Units of the CSI Consumer Staples ETF will be allowed and on the services that the brokers/intermediaries may provide in this regard along with the associated risks and fees. In particular, some brokers/intermediaries may not have in place systems and controls to facilitate inter-counter trading and/or inter-counter day trades.

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

*Currency exchange risk.* Investors who bought Units on the HKD counter may be subject to currency exchange risk as the assets of the CSI Consumer Staples ETF are denominated in RMB and the Net Asset Value of the CSI Consumer Staples ETF will be calculated in RMB. Although the trading prices of a HKD-traded Unit will normally be equivalent or close to its Net Asset Value per Unit, taking into consideration the prevailing exchange rate, the HKD-traded Units may be traded at higher or lower prices than the Net Asset Value per Unit (denominated in RMB) as a result of fluctuations in exchange rates between RMB and HKD.

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

#### **11.5 *Risks relating to RMB dealing, trading and settlement***

##### *Primary market:*

*Non-RMB or Late Settlement Redemption Risk.* Currently, RMB cannot be freely remitted into the PRC and such remittance is subject to certain restrictions. In the event that the remittance of RMB from Hong Kong to the PRC is disrupted, this may impact on the ability of the CSI Consumer Staples ETF to acquire the Index Securities. This in turn may result in tracking error and the CSI Consumer Staples ETF may not be able to fully replicate the Underlying Index in such circumstance.

On the other hand, where, in extraordinary circumstances, the remittance or payment of RMB funds on the redemption of Units cannot, in the opinion of the Manager in consultation with the Trustee, be carried out normally due to legal or regulatory circumstances beyond the control of the Trustee and the Manager, redemption proceeds may be delayed or, if necessary in exceptional circumstances, be paid in US dollars or Hong Kong dollars instead of in RMB (at an exchange rate determined by the Manager after consultation with the Trustee). As such, there is a risk that investors receive settlement in RMB on a delayed basis or may not be able to receive redemption proceeds in RMB (i.e. such proceeds may be paid in US dollars or Hong Kong dollars).

##### *Secondary market:*

*RMB Trading and Settlement of Units Risk.* RMB denominated securities are listed and traded on the SEHK relatively recently. Therefore, there is no assurance that there will not be any problem with the systems or that other logistical problems will not arise in relation to the trading and settlement of RMB traded Units in Hong Kong. In addition, the Units of the CSI Consumer Staples ETF are traded on the SEHK with a Dual Counter (i.e. HKD traded Units and RMB traded Units) and settled in CCASS. The listing, trading and settlement of the RMB traded Units, may not be capable of being implemented as envisaged. Not all stockbrokers or custodians may be ready and able to carry out trading and settlement of the RMB traded Units.

Although end-to-end simulation trading and clearing of listed RMB products testing sessions and payment pilot runs for participants of the SEHK were held by the SEHK in 2011, some stockbrokers may not have participated in such testing sessions and pilot runs and for those who have, not all of them may be able to successfully complete such testing sessions and pilot runs, there is no assurance of their readiness for dealing in RMB denominated securities. Investors should note that not all stockbrokers may be ready and able to carry out trading and settlement of RMB traded Units of the CSI Consumer Staples ETF and thus they may not be able to deal in the Units through some stockbrokers. Investors should check with their brokers / intermediaries in advance if they intend to engage Dual Counter trading or in inter-counter transfers and should fully understand the services which the relevant broker / intermediary is able to provide (as well as any associated fees). Some exchange participants may not provide inter-counter transfer or Dual Counter trading services.

In addition, the liquidity and trading price of the RMB traded Units of the CSI Consumer Staples ETF may be adversely affected by the limited availability of RMB outside the PRC and the restrictions on the conversion between foreign currency and the RMB. This may result in the CSI Consumer Staples ETF trading at a significant premium / discount to its Net Asset Value.

#### **11.6 *Risks relating to the nature of product***

*Risks in light of cross-border nature of the CSI Consumer Staples ETF.* CSI Consumer Staples ETF is an exchange traded fund denominated in RMB and invests in the China A-Shares market (which is inherently a market with restricted access) under the RQFII regime. In light of the cross-border nature of the CSI Consumer Staples ETF, it is more risky than traditional exchange traded funds which invest directly in markets other than the China A-Shares market and therefore, is subject to operational and settlement risks. Operational risks may arise from technical failures of communication and trading systems, and any breaches of the relevant operational policies or guidelines by the relevant staff of the Manager. Whilst the Manager has in place internal control systems, operational guidelines and contingency procedures to reduce the chances of such operational risks, there is no guarantee that events beyond the control of the Manager (e.g. trading errors or system errors) will not occur. The occurrence of such events may adversely affect the value of the CSI Consumer Staples ETF.

To the extent that the CSI Consumer Staples ETF transacts in the China A-Shares market, the CSI Consumer Staples ETF may also be exposed to risks associated with settlement procedures. Any significant delays in the settlement of transactions or the registration of a transfer may affect the ability to ascertain the value of the CSI Consumer Staples ETF's portfolio and adversely affect the Net Asset Value and pricing of the CSI Consumer Staples ETF.

*Limited operating history and experience of the Manager and reliance on parent company.* The RQFII exchange traded funds with its cross-border nature are relatively new in the market. Whilst the Manager has experience in managing and operating RQFII exchange traded fund, such experience is limited. As such, the CSI Consumer Staples ETF is subject to the risks relating to the limited operating history and experience of the Manager in managing and operating RQFII physical China A-Shares exchange traded fund. The Manager may substantially tap into its PRC parent company's relevant infrastructure and expertise to support its operation of the CSI Consumer Staples ETF in Hong Kong. While the PRC parent company of the Manager has sufficient experience and expertise in managing and operating physical China A-Shares exchange traded funds listed and traded in China, there is no assurance that the CSI Consumer Staples ETF will be operated as envisaged. Any disruption in the assistance from the Manager's parent company may adversely affect the operations of the CSI Consumer Staples ETF.

#### **11.7 *Risks relating to the Underlying Index of CSI Consumer Staples ETF***

*Risks relating to the Underlying Index.* The CSI Consumer Staples ETF may be subject to the following risks in relation to the Underlying Index:

- (i) If the Underlying Index is discontinued or the Manager's license from the Index Provider under the relevant licence agreement is terminated, the Manager may, in consultation with the Trustee, seek the Commission's prior approval to replace the Underlying Index with an index that is tradable and has similar objectives to the Underlying Index. Please refer to section "**16. Replacement of Underlying Index**" below on the circumstances in which the Underlying Index may be replaced by the Manager. Such change shall be made in accordance with the provisions of the Trust Deed and with the prior approval of the Commission. For the avoidance of doubt, index-tracking will remain the CSI Consumer Staples ETF's investment objective.

The Manager has been granted a licence by China Securities Index Co. Ltd. ("**CSI**") to use the Underlying Index as a basis for determining the composition of the CSI Consumer Staples ETF and to use certain trade marks in the Underlying Index. The licence granted is for an initial term of 3 years commencing from the effective date of the agreement (i.e. 1 March 2014), and thereafter automatically renewed for successive 2-year period unless terminated pursuant to the agreement. There is no guarantee that the licence agreement will be perpetually renewed.

The CSI Consumer Staples ETF may be terminated if the Underlying Index is discontinued and/or the Index licence agreement is terminated and the Manager is unable to identify or agree with any Index Provider terms for the use of a suitable replacement index, using, in the opinion of the Manager, the same or substantially similar formula for the method of calculation as used in calculating the Underlying Index and which meets the acceptability criteria under Chapter 8.6(e) of the Code. Any such replacement index will be subject to the prior approval of the Commission under the Code and Unitholders will be duly notified of the same. Accordingly, investors should note that the ability of the CSI Consumer Staples ETF to track the Underlying Index depends on the continuation in force of the Index licence agreement in respect of the Underlying Index or a suitable replacement. The CSI Consumer Staples ETF may also be terminated if the Underlying Index ceases to be compiled or published and there is no replacement index, using, in the opinion of the Manager, the same or substantially similar formula for the method of calculation as used in calculating the Underlying Index.

The Manager and the Index Provider may by mutual agreement terminate or postpone the parties' obligations under the Index licence agreement upon the occurrence of a force majeure event such that the terms of the Index licence agreement can no longer be performed. There is no guarantee or assurance of exact or identical replication at any time of the performance of the relevant Underlying Index.

For further information on the grounds for terminating the license agreement in respect of the Underlying Index, please refer to section "**14. Index Licence Agreement**" in this Appendix.

- (ii) There may be changes in the constituent securities of the Underlying Index from time to time. For example, a constituent security may be delisted or a new eligible security may be added to the Underlying Index. In such circumstances, in order to achieve the investment objective of the CSI Consumer Staples ETF, the Manager may rebalance the composition of a Basket. The price of the Units may rise or fall as a result of these changes. Thus, an investment in Units will generally reflect the Underlying Index as its constituents change from time to time, and not necessarily the way it is comprised at the time of an investment in the Units. Please refer to the section "**17. The Underlying Index**" of this Appendix 2 for more information on how the Underlying Index is compiled.
- (iii) The process and the basis of computing and compiling the Underlying Index and any of its related formulae, constituent companies and factors may also be changed or altered by the Index Provider at any time without notice. There is also no warranty, representation or guarantee given to the investors as to the accuracy or completeness of the Underlying Index, its computation or any information related thereto.

## 11.8 ***Other risks***

***Risks associated with the consumer staples sector.*** Companies in the consumer staples sector are subject to government regulation affecting the permissibility of using various food additives and production methods, which regulations could affect company profitability. The success of food, beverage, household and personal products companies may be strongly affected by marketing campaigns, performance of the overall domestic and international economy, interest rates, competition and consumer confidence and spending. There are many factors affecting the level of consumer spending, including but not limited to interest rates, currency exchange rates, economic growth rate, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment level and general consumer confidence. There can be no assurance that historical growth rates of the economy of the PRC and the PRC consumer market will continue.

Any future slowdowns or declines in the PRC economy or consumer spending may materially and adversely affect the business of the companies in the consumer staples sector and as a result the performance of the CSI Consumer Staples ETF, to the extent the CSI Consumer Staples ETF invests in companies in the PRC consumer staples sector.

***Operating risk.*** There is no assurance that the performance of the CSI Consumer Staples ETF will be identical to the performance of the Underlying Index. The level of fees, taxes and expenses payable by the CSI Consumer Staples ETF will fluctuate in relation to the Net Asset Value. Although the amounts of certain ordinary expenses of the CSI Consumer Staples ETF can be estimated, the growth rate of the CSI Consumer Staples ETF, and hence its Net Asset Value, cannot be anticipated. Accordingly, no assurance can be given as to the performance of the CSI Consumer Staples ETF or the actual level of its expenses. Under the terms of the Trust Deed and as summarised under the section headed “**14.5 Termination of the Trust or a Sub-Fund**” in Part 1 of this Prospectus, the Manager may terminate the CSI Consumer Staples ETF. On the termination of the CSI Consumer Staples ETF, the CSI Consumer Staples ETF will be liquidated and investors will receive distributions of cash although the Manager has the power to decide to make distributions in specie.

***Reliance on RMB Market Makers.*** Investors should note that Units of the CSI Consumer Staples ETF on the RMB counter are traded and settled in RMB. There may be less interest by potential market makers making a market in Units denominated and traded in RMB. Furthermore, any disruption to the availability of RMB may adversely affect the capability of market makers in providing liquidity for the Units.

***No Market in the Units Risk.*** Although the Units are to be listed on the SEHK and it is a requirement that the Manager ensures that there is at all times at least one market maker for Units traded in the RMB counter and at least one market maker for Units traded in the HKD counter, investors should be aware that 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 other exchange traded fund which are traded on the SEHK and which are based upon indices.

***Termination of Market Maker Risk.*** A market maker may cease to act as a market maker for the CSI Consumer Staples ETF in accordance with the terms of its agreement including upon giving prior written notice. The termination notice period for at least one market maker for the CSI Consumer Staples ETF for each counter will be ninety (90) days. The liquidity for the RMB traded Units and HKD traded Units of the CSI Consumer Staples ETF may be affected if there is no market maker for the RMB traded Units and the HKD traded Units respectively. The Manager intends to ensure that there is at least one market maker for the CSI Consumer Staples ETF for each counter (although these market makers may be the same entity) to facilitate efficient trading of Units of the relevant trading currency (i.e. RMB and HKD). It is possible that there is only one SEHK market maker to a Sub-Fund or to a counter of a Sub-Fund or the Manager may not be able to engage a substitute market maker within the termination notice period of a market maker, and there is also no guarantee that any market making activity will be effective.

***Liquidity Risk.*** Units of the CSI Consumer Staples ETF will be a new security and following listing on the SEHK, it is unlikely that the Units will initially be widely held. Accordingly, any investor buying Units in small numbers may not necessarily be able to find other buyers should that investor wish to sell. To address this risk, at least one market maker has been appointed. There are also a number of limitations on the conversion of RMB. These factors may affect the amount of RMB available for investors to invest in Units on the SEHK and accordingly adversely affect the market demand for the Units. In turn this may affect the liquidity and trading price of the Units in the secondary market. Therefore, Unitholders may not be able to sell their Units in the secondary market in as timely a manner as some other equity products denominated in Hong Kong dollars listed in Hong Kong, and the trading price may not fully reflect the intrinsic value of the Units.

## 12. **FEES AND CHARGES**

### 12.1 ***Fees and Expenses payable by CSI Consumer Staples ETF***

#### 12.1.1 ***Management Fees***

The Manager is entitled to receive a management fee, currently at the rate of 0.50% per annum of the Net Asset Value of the CSI Consumer Staples ETF and subject to a maximum fee of 2%.

The management fee is accrued daily and calculated as at the Valuation Point on each Valuation Day and payable monthly in arrears.

#### **12.1.2 Trustee's Fee**

The Trustee is entitled to receive a fee up to 1% per annum of the Net Asset Value of the CSI Consumer Staples ETF. The current rate of the Trustee's fee is 0.10% per annum of the Net Asset Value of the CSI Consumer Staples ETF, accrued daily and calculated as at each Dealing Day and payable monthly in arrears, subject to a monthly minimum fee of RMB40,000.

The Trustee's fee is inclusive of the custody fee payable to the Custodian and the RQFII Custodian.

The Trustee shall also be entitled to be reimbursed out of the assets of the CSI Consumer Staples ETF all out-of-pocket expenses incurred (including out-of-pocket expenses incurred by the Custodian and RQFII Custodian).

#### **12.1.3 Registrar's Fee**

The Registrar is entitled to receive an initial placing fee of HK\$180,000 and an ongoing registry service fee of HK\$96,000 per annum in respect of the CSI Consumer Staples ETF. These fees are payable out of the assets of the CSI Consumer Staples ETF.

The Registrar shall also be entitled to be reimbursed out of the assets of the CSI Consumer Staples ETF all out-of-pocket expenses incurred.

#### **12.1.4 Service Agent's Fee**

The Service Agent is entitled to receive a monthly reconciliation fee of HK\$5,000 from the Manager. For any period less than a month, the reconciliation fee is payable by the Manager on a pro-rata basis and accrues on a daily basis.

#### **12.1.5 Establishment costs of CSI Consumer Staples ETF**

The costs and expenses incurred by the Manager and the Trustee in establishing the CSI Consumer Staples ETF are estimated to be HK\$1,600,000; such costs shall be borne by the CSI Consumer Staples ETF (unless otherwise determined by the Manager) and amortised over the first 5 financial years of the CSI Consumer Staples ETF (unless the Manager decides a shorter period is appropriate).

#### **12.1.6 Other Charges and Expenses of CSI Consumer Staples ETF**

Please refer to section "12.6 Other Charges and Expenses" in Part 1 of this Prospectus on other charges and expenses payable by the CSI Consumer Staples ETF.

### **12.2 Fees Payable by Participating Dealers, Primary Market Investors and Secondary Market Investors**

The fees payable by Participating Dealers, Primary Market Investors and Secondary Market Investors are summarized in the respective tables below:

#### **12.2.1 Participating Dealers**

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

Application Cancellation Fee	RMB8,000 per cancellation (See Note 1)
Extension Fee	Not Applicable (See Note 1)
Transaction Fee	RMB20,000 per Application (See Note 2)
Service Agent's Fee	HK\$1,000 per book-entry deposit transaction (See Note 3)
Stamp duty	Nil

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

Application Cancellation Fee	RMB8,000 per cancellation (See Note 1)
Extension Fee	RMB8,000 per extension (See Note 1)
Transaction Fee	RMB20,000 per Application (See Note 2)
Service Agent Fee	HK\$1,000 per book-entry withdrawal transaction (See Note 3)
Stamp duty	Nil

Participating Dealers shall also bear all transaction costs, Duties and Charges and other expenses and charges, and the market risks in constituting and liquidating the Basket(s) in relation to an Application.

#### **12.2.2 Primary Market Investors creating or redeeming Units through a Participating Dealer or a stockbroker**

Primary Market Investors submitting creation or redemption requests through the Participating Dealer or a stockbroker should note that the Participating Dealer or the stockbroker (as the case may be) may impose fees and charges in handling such requests. Such investors should check the relevant fees and charges with the Participating Dealer or the stockbroker (as the case may be).

#### **12.2.3 Secondary Market Investors Dealing in Units on the SEHK**

Brokerage	Market rates (in currency determined by the intermediaries used by the investors)
Transaction levy	0.003% (see Note 4 and Note 8)
Trading fee	0.005% (see Note 5 and Note 8)
Stamp duty	Nil (see Note 6)
Investor compensation levy	0.002% (currently suspended) (see Note 7)
Inter-counter transfers	HKD 5 (see Note 9)

*Note:*

1. The Application Cancellation Fee of RMB8,000 and the Extension Fee of RMB8,000 in respect of Redemption Applications are payable by the Participating Dealer, and are payable to the Trustee for its own account, on each occasion the Manager grants the request of such Participating Dealer for cancellation or extended settlement in respect of such Application as provided in this Prospectus. In respect of Creation Applications, the Extension Fee is not applicable as the Manager currently does not allow extension of settlement period.
2. A Transaction Fee of RMB20,000 per Application is payable by each Participating Dealer for the account and benefit of the Trustee.
3. A Service Agent Fee of HK\$1,000 is payable by each Participating Dealer to the Service Agent for each book-entry deposit transaction or book-entry withdrawal transaction.
4. A transaction levy of 0.003% of the trading price of the Units, payable by each of the buyer and the seller.
5. A trading fee of 0.005% of the trading price of the Units, payable by each of the buyer and the seller.
6. A stamp duty of 0.1% of the trading price of the Units is payable by each of the buyer and the seller. Application has been made to the Financial Services and Treasury Bureau and the Manager anticipates approval will be given for remission of stamp duty payable or paid in respect of any contract notes or instruments of transfer relating to transactions in Units for both the RMB counter and the HKD counter before the listing of the Units on the SEHK. No Hong Kong stamp duty is payable on the sales or purchases or transfer of the Units by the Unitholders if the stamp duty remission is obtained.
7. The investor compensation levy of the trading price of the Units, payable by the buyer and the seller, has been suspended pursuant to the exemption notice published by the Commission on 11 November 2005.
8. The transaction levy and trading fee will be paid by intermediaries to HKEx in Hong Kong dollars and calculated based on an exchange rate as determined by the Hong Kong Monetary Authority on the date of the trade which will be published on the HKEx's website by 11:00 a.m. on each trading day.  
Investors should consult their own intermediaries as to how and in what currency the trading related fees and charges should be paid by the investors.
9. HKSCC will charge each CCASS participant a fee of HKD 5 per instruction for effecting an inter-counter transfer of Units of the CSI Consumer Staples ETF from one counter to another counter. Investors should check with their brokers regarding any additional fees.

#### **12.3 Total Expense Ratio**

The TER of the CSI Consumer Staples ETF is estimated to be 0.8% per annum. TER is the sum of anticipated charges to the CSI Consumer Staples ETF (including the fees of the Manager, the Trustee and the Custodian and other charges) expressed as a percentage of the Net Asset Value of the CSI Consumer Staples ETF but it does not represent the estimated tracking error.

### 13. **ADDITIONAL DOCUMENTS AVAILABLE FOR INSPECTION**

The material contracts in respect of the CSI Consumer Staples ETF are set out below:

- (a) RQFII Custody Agreement; and
- (b) RQFII Participation Agreement.

The above material contracts are available for inspection free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the offices of the Manager. Copies of the above documents can be purchased from the Manager on payment of a reasonable fee. Please refer to section “*Directory*” in Part 1 of this Prospectus for the address of the Manager.

Please refer to section “*14.11 Documents Available for Inspection*” in Part 1 of this Prospectus for the list of the other documents that are available for inspection.

### 13A. **PUBLICATION OF INFORMATION RELATING TO CSI CONSUMER STAPLES ETF**

The following information relating to CSI Consumer Staples ETF will be published on the Manager’s website [www.99fund.com.hk](http://www.99fund.com.hk):

- the near real-time estimated Net Asset Value per Unit of the CSI Consumer Staples ETF in RMB and HKD during normal trading hours of the SEHK on each Dealing Day; and
- the last closing Net Asset Value of CSI Consumer Staples ETF on each Dealing Day in RMB only and the last closing Net Asset Value per Unit of the CSI Consumer Staples ETF on each Dealing Day in RMB and HKD.

The near real-time estimated Net Asset Value per Unit in HKD of CSI Consumer Staples ETF and the last closing Net Asset Value per Unit in HKD are indicative and for reference only. The near real-time estimated Net Asset Value per Unit in HKD is updated during SEHK trading hours. The near real-time estimated Net Asset Value per Unit in HKD does not use a real-time HKD:RMB foreign exchange rate for calculation, it is calculated using the estimated Net Asset Value per Unit in RMB multiplied by an assumed foreign exchange rate using the Tokyo Composite 3:00 pm Tokyo time (2:00 pm Hong Kong time) mid rate quoted for offshore RMB by Bloomberg on the previous Dealing Day on which SEHK is opened for trading. Since the estimated Net Asset Value per Unit in RMB will not be updated when the underlying A shares market is closed, any change in the estimated Net Asset Value per Unit in HKD during such period is solely due to the change in the assumed foreign exchange rate.

The last closing Net Asset Value per Unit in HKD is calculated using the last closing Net Asset Value per Unit in RMB multiplied by the assumed foreign exchange rate using the Tokyo Composite 3:00 pm Tokyo time (2:00 pm Hong Kong time) mid rate for offshore RMB quoted by Bloomberg as of the same Dealing Day. The official last closing Net Asset Value per Unit in RMB and the indicative last closing Net Asset Value per Unit in HKD will not be updated when the underlying A shares market is closed.

Please refer to the section headed “*14.14 Publication of Information Relating to the Sub-Funds*” in Part 1 of this Prospectus for other information that will be published on the Manager’s website [www.99fund.com.hk](http://www.99fund.com.hk).

### 14. **INDEX LICENCE AGREEMENT**

The Manager has been granted a non-exclusive, non transferable licence pursuant to index licence agreement dated 20 February 2014 (the “**Licence Agreement**”) entered into between the Manager and CSI, to use the Underlying Index (i.e. CSI Consumer Staples Index) in connection with the issue, operation, marketing, promotion and distribution of the CSI Consumer Staples ETF.

The Licence Agreement has an initial term of 3 years, and thereafter automatically renewed for successive 2-year period unless terminated pursuant to the agreement. A summary of the circumstances which the Licence Agreement may be terminated include but are not limited to the below:

- (a) CSI may terminate the Licence Agreement if:
  1. the Manager does not list the CSI Consumer Staples ETF within 12 months from the effective date of the Licence Agreement on 1 March 2014;
  2. the Manager has stopped the development or management of the CSI Consumer Staples ETF;
  3. the Manager’s appointment to manage the CSI Consumer Staples ETF is terminated;
  4. the CSRC, Shanghai Stock Exchange or the Shenzhen Stock Exchange requests CSI to terminate the Licence Agreement;
  5. the Commission or The Hong Kong Stock Exchange requests the Manager to stop the development of the CSI Consumer Staples ETF or its management;

6. the Manager is found to be in material breach of any applicable laws, regulations or rules;
  7. the CSI Consumer Staples ETF is the subject of a regulatory investigation as a result of major litigation or breach of laws, regulations or rules; or
  8. other circumstances stipulated by laws and regulations.
- (b) Either party may terminate the Licence Agreement if:
1. the Licence Agreement cannot be performed as a result of force majeure;
  2. CSI loses the rights and interests of the CSI Consumer Staples Index, or either party has terminated its operations, or has been revoked, dissolved or declared bankrupt;
  3. the Manager is unable to list the CSI Consumer Staples ETF within 12 months from the effective date of the Licence Agreement on 1 March 2014; or
  4. the other party commits any material breach of its obligations and fails to remedy the breach within 30 days of receipt of written notice requiring the same.

## 15. **MATERIAL CHANGES TO THE INDEX**

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

## 16. **REPLACEMENT OF UNDERLYING INDEX**

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

- (a) the Underlying Index ceasing to exist;
- (b) the licence to use the Underlying Index being terminated;
- (c) a new index becoming available that supersedes the existing Underlying 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 Underlying Index;
- (e) investing in the Index Securities comprised within the Underlying 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 Underlying Index having in the opinion of the Manager, deteriorated;
- (h) a significant modification of the formula or calculation method of the Underlying 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 CSI Consumer Staples ETF if the Underlying Index changes or for any other reasons including if licence to use the Underlying Index is terminated. Any change to (i) the use by CSI Consumer Staples ETF of the Underlying Index and/or (ii) the name of CSI Consumer Staples ETF will be notified to investors.

## 17. **THE UNDERLYING INDEX**

This section is a brief overview of the Underlying Index. It contains a summary of the principal features of the Underlying Index and is not a complete description of the Underlying Index. As of the date of this Prospectus, the summary of the Underlying Index in this section is accurate and consistent with the complete description of the Underlying Index. Complete information on the Underlying 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.

### 17.1 ***General***

The Underlying Index is a consumer staples sector index under the CSI 800 Index (“**Parent Reference Index**”) which is composed by the constituents of the CSI 500 Index and CSI 300 Index.

The Underlying Index is a free float adjusted, category-weighted index which measures the performance of China A-Shares of companies classified under the consumer staples sector and traded on the Shanghai Stock Exchange or the Shenzhen Stock Exchange. The Underlying Index consists of all the stocks of listed companies classified under the consumer staples sector under the Parent Reference Index. The Underlying Index is calculated and disseminated in RMB



on a real-time basis and is maintained by China Securities Index Co., Ltd. (“CSI” or the “**Index Provider**”). The Index is quoted in RMB.

The Underlying Index is a price return index which means that it does not include the reinvestment of dividends from the Index Securities (such dividends being net of withholding tax).

The Underlying Index was launched on 31 December 2004 and had a base level of 1,000.

As of 31 March 2014, the Underlying Index had a total float market capitalisation of RMB 487.12 billion and 62 constituents.

## **17.2 Index Methodology**

### *Index Universe*

The selection universe of the Underlying Index (the “**Index Universe**”) includes all the China A-Shares constituting the Parent Reference Index (each a “**Stock**”) listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange satisfying the conditions below.

- (a) The Stock has been listed for more than three months at the time it is considered for inclusion in the Underlying Index. If it has been listed for less than 3 months, it will be considered for inclusion in the Index Universe if its daily average total market value since its initial listing has ranked within the top 30 companies in all the China A-Shares; and
- (b) The Stock is not designated for special treatment or potential delisting by any of the CSRC, the Shanghai Stock Exchange or the Shenzhen Stock Exchange as a result of continuous financial losses.

### *Selection criteria*

Index constituents of the Underlying Index are comprised of all Stocks of companies classified under the consumer staples sector under the Parent Reference Index.

Index constituents of CSI 300 Index are selected as follows and the candidate constituents should have good performance without serious financial problems or laws and regulations breaking events and with no large price volatility that shows strong evidence of manipulation. CSI:

- (a) Calculates the China A-Share daily average trading value and China A-Share daily average total market value during the most recent year for stocks in the index universe, or in case of a new issue, during the fourth trading day that it was a public company;
- (b) Ranks the Stocks in the universe by China A-Share daily average trading value of the most recent year in descending order and delete the bottom ranked 50% stocks;
- (c) Ranks the remaining stocks by China A-Share daily average market value of the most recent year in descending order, those who rank top 300 are selected as constituents of the CSI 300 Index.

The selection criteria of constituents of CSI 500 Index are selected as follows:

- (a) Delete the constituents of CSI 300 Index and top ranked 300 stocks by daily average market cap of the most recent year from the index universe;
- (b) Rank the remaining stocks in (a) by daily average trading value of the most recent year in descending order, or in case of a new issue, during the time that it was a public company and delete the stocks ranked bottom 20%;
- (c) Rank the remaining stocks (b) in by daily average market cap in descending order. Those that are ranked top 500 are selected as constituents of the CSI 500 Index.

The selected securities under the CSI 300 Index and the CSI 500 Index will constitute the index constituents of the Parent Reference Index. The index constituents of the Parent Reference Index will then be classified into different sectors. All the Stocks which are classified under the consumer staples sector will constitute the constituent stocks for the Underlying Index. The classification into each industry sector is based on international prevailing industry classification standards.

### *Index calculation*

The Underlying Index is calculated and disseminated in RMB on a real-time basis and is maintained by the Index Provider, a joint-venture established on 25 August 2005 between the Shanghai Stock Exchange and the Shenzhen Stock Exchange, which specialises in the management of securities indices and the provision of related services. The Index Provider has confirmed that it has all necessary rights to use and to grant the licence on the use of the Underlying Index.

The Manager (and each of its Connected Persons) is independent of CSI.

### Index calculation method

The Underlying Index is weighted by adjusted capital stock and calculated using the Paasche Weighted Composite Price Index Formula. The adjusted capital stock is obtained using the classification and rounding off method, as shown in the following table:

Free-float proportion (%)	≤ 10	(10, 20]	(20, 30]	(30, 40]	(40, 50]	(50, 60]	(60, 70]	(70, 80]	> 80
Weighted proportion (%)	Free-float proportion	20	30	40	50	60	70	80	100

Examples: If the free-float proportion of a certain stock is 7%, which is less than 10%, the free-float proportion of the capital stock will be used as the weight. If the free-float proportion of a certain stock is 35%, which falls in the (30, 40] range, the weight will be 40% of the total capital stock.

Note: The term “free-float proportion” means the proportion of capital stock remaining after excluding the following non-negotiable shares from the total capital stock: (1) shares held on a long-term basis by the company’s founders, family members and senior management; (2) state-owned shares; (3) shares held by strategic investors; (4) frozen shares; (5) restricted employee shares; (6) cross-holdings, etc.

### Calculation formula

$$\text{Index for a given reporting period} = \frac{\text{adjusted market cap of constituents during reporting period}}{\text{base period}} \times 1000$$

Where: adjusted market cap =  $\sum$  (market price x adjusted number of shares x weight cap factor)

The calculation of adjusted number of shares is the same as the Parent Reference Index. Weight cap factor is between 0 and 1.

If the number of constituents of the Underlying Index is between 10 and 49, the weight of each constituent is capped at 15%. If the number of constituents of the Underlying Index is between 50 and 99, the weight of each constituent is capped at 10%. Otherwise, no weight capping is adopted.

### 17.3 Index Maintenance

The Underlying Index is maintained using the “divisor adjustment methodology”. In the event of a change in the list of constituents or in a constituent’s equity structure, or a change in the adjusted market capitalisation of a constituent stock due to non-trading factors, the old divisor is adjusted by means of the divisor adjustment methodology, in order to maintain the continuity of the Underlying Index. The adjustment formula is as follows:

$$\frac{\text{adjusted market cap before divisor adjustment}}{\text{old divisor}} = \frac{\text{adjusted market cap after divisor adjustment}}{\text{new divisor}}$$

Where: “adjusted market cap after divisor adjustment” = adjusted market cap before divisor adjustment + increase (decrease) in adjusted market capitalisation. The new divisor (i.e. the adjusted divisor, also known as the new base period) is obtained from this formula and is used to calculate the Underlying Index.

Circumstances under which maintenance of the Underlying Index is required include the following:

- ex-right: whenever bonus shares or rights are issued for a constituent stock, the Underlying Index is adjusted the day before the issuance; adjusted market cap after divisor adjustment = ex-right quote x number of shares of capital stock after the stock started to trade ex-right + adjusted market cap before divisor adjustment (excluding ex-right shares);
- suspension of trading: if a constituent stock is suspended from trading, its last trading price is used to calculate the Underlying Index, until trading is resumed;
- delisted: the Underlying Index is adjusted the day before the constituent is delisted;

- other corporate events such as second offering or exercise of warrants:
  - (i) if the cumulative change of constituent shares is more than 5%, the Underlying Index is adjusted immediately;
  - (ii) if the cumulative change of constituent shares is less than 5%, the Underlying Index is adjusted in the next regular review; and
- when there is a periodic adjustment or an ad hoc adjustment of the list of constituent stocks of the Underlying Index, the Underlying Index is adjusted prior to the date of the change.

#### 17.4 ***Index Advisory Committee***

CSI has established an index advisory committee (the “**Index Advisory Committee**”), which is responsible for the evaluation, consulting and examination of CSI index methodologies.

#### 17.5 ***Index Adjustments***

##### *Periodical Review*

When CSI 300 Index and CSI 500 Index constituents change, the Parent Reference Index would be adjusted accordingly.

If the industry classification of the constituent of CSI 800 Index changes due to a particular event, the Underlying Index will adjust its constituent accordingly.

Periodical reviews of the constituents of the CSI 300 Index and the CSI 500 Index are conducted every six months by the Index Advisory Committee. Meetings of the Index Advisory Committee are usually held at the end of May and November every year and constituents adjustments are implemented on the next trading day after the close of the second Friday in June and December each year.

##### *Temporary Adjustments*

Necessary adjustments are made by CSI when some corporate events happen so as to maintain the representativeness and investability of the Underlying Index. Such events include without limitation the bankruptcy, restructuring, merger, acquisition and spin-off, of an index constituent issuer and the delisting, temporary suspension from trading and re-issuance, of an index constituent.

In general, CSI will publish index constituent adjustments lists as soon as practicable after the adjustments are decided and before their implementation.

##### *The Adjustment of Weight Cap Factor*

The weight cap factor is the factor that limits the maximum weighting for a constituent in calculating the Underlying Index. The weight cap factor is adjusted accordingly to maintain the stability of the Underlying Index.

The weight cap factor is adjusted semi-annually together with constituents periodical review, which is usually held at the end of May and November every year. The adjustment will be implemented on the next trading day after the close of the second Friday in June and December each year. The adjusted market cap of the last trading day before the review is the basis for the calculation of the weight cap factor. The weight cap factor will also be adjusted when constituents are temporarily adjusted. Temporary adjustments are usually carried out including but not limited to when corporate events such as initial public offering, merger and acquisition, spin-off, suspension and bankruptcy of the constituents occur. If the share structure of a constituent changes dramatically or its weight changes notably, CSI will submit the changes to the Index Advisory Committee to decide whether to adjust the weight cap factor.

#### 17.6 ***Top 10 Constituents***

As at 31 March 2014, the 10 largest constituent securities of the Underlying Index, as listed below, represented about 50.37% of the market capitalisation of the Underlying Index based on total shares in issue.

<b>Rank</b>	<b>Constituent Name</b>	<b>Weighting (%)</b>
1.	Kweichow Moutai Co Ltd	12.36%*
2.	Inner Mongolia Yili Industrial Group Co Ltd	9.95%
3.	Wuliangye Yibin Co Ltd	6.47%
4.	Henan Shuanghui Investment & Development Co Ltd	5.14%
5.	Jiangsu Yanghe Brewery Joint-Stock Co Ltd	3.28%
6.	Shanghai Jahwa United Co Ltd	3.20%

7.	Tsingtao Brewery Co Ltd	2.73%
8.	Shanghai Pharmaceuticals Co Ltd	2.63%
9.	Luzhou Lao Jiao Co Ltd	2.47%
10.	Gansu Yasheng Industrial (Group) Co Ltd	2.22%

*\*The share price of Kweichow Moutai Co Ltd rose from RMB124.46 to 154.7 per share from 31 December 2013 to 31 March 2014. Share price appreciation accounts for the increase of weighting over 10%. CSI will adjust the weighting in the coming index rebalance session.*

The list of constituent stocks of the Underlying Index may be updated from time to time and the complete list of constituent stocks of the Underlying Index and additional information of the Underlying Index (including Underlying Index fact sheets, methodology, end of day levels of the Underlying Index and Underlying Index performance) is available on the following website of CSI: [http://www.csindex.com.cn/sseportal\\_en/csiportal/zs/jbxx/report.do?code=000932&&subdir=1](http://www.csindex.com.cn/sseportal_en/csiportal/zs/jbxx/report.do?code=000932&&subdir=1). This website has not been reviewed or authorized by the Commission.

The Underlying Index is available in real-time through Bloomberg and Reuters.

#### **17.7 Index Codes**

Shanghai Stock Exchange Quote System Code: 000932

Shenzhen Stock Exchange Quote System Code: 399932

Bloomberg Code: SH000932

Reuters Code: .CSICS

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

The Underlying Index is compiled and calculated by CSI. CSI will apply all necessary means to ensure the accuracy of the Underlying Index. However, neither CSI nor the Shanghai Stock Exchange nor the Shenzhen Stock Exchange shall be liable (whether in negligence or otherwise) to any person for any error in the Underlying Index and neither CSI nor the Shanghai Stock Exchange nor the Shenzhen Stock Exchange shall be under any obligation to advise any person of any error therein. All copyright in the Underlying Index values and constituent list vests in CSI. However, neither CSI nor Shanghai Stock Exchange nor the Shenzhen Stock Exchange will guarantee to instantaneity, completeness and accuracy of the content of the Underlying Index, and shall not be liable for any fault or loss suffered by the CSI Consumer Staples ETF as a result of any delay, omission, error or other faults in the content of the Underlying Index.

This page is left blank intentionally.