

IMPORTANT: Investments involve risks, including the total loss of your investment. Investors are advised to consider their own investment objectives and circumstances in determining the suitability of an investment in the XIE Shares Chimerica FTSE N Share Daily (2x) Leveraged Product* (*This is a synthetic product) (the "Product").

The Product tracks the leveraged, two times (2x) performance of an index on a Daily basis.

The Product only targets sophisticated trading-oriented investors who constantly monitor the performance of their holding on a daily basis, and are in a financial position to assume the risks in derivatives investments. It is a high risk product designed to be used as a short term trading tool for market timing or hedging purposes and is not appropriate for long term (longer than rebalancing interval – one day) investment. The performance of each of the Product, when held overnight, may deviate from the replication index.

The Product may not be suitable for all investors. It is possible that the entire value of your investment could be lost within a short period.

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



XIE Shares Trust III

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

XIE Shares Chimerica FTSE N Share Daily (2x) Leveraged Product*

Stock Code: 07210

*(*This is a synthetic product)*

PROSPECTUS

Manager and Listing Agent

Enhanced Investment Products Limited

易亞投資管理有限公司

27 December 2017

Hong Kong Exchanges and Clearing Limited ("HKEx"), The Stock Exchange of Hong Kong Limited (the "SEHK"), Hong Kong Securities Clearing Company Limited ("HKSCC") and the Hong Kong Securities and Futures Commission (the "SFC") take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus. XIE Shares Trust III (the "Trust") and the Product have each been authorised as a collective investment scheme by the SFC. SFC authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

IMPORTANT INFORMATION

This Prospectus relates to the offer in Hong Kong of units (the “Units”) in the XIE Shares Trust III (the “Trust”), an umbrella unit trust established under Hong Kong law by a trust deed dated 4 January 2017, as amended and supplemented from time to time (the “Trust Deed”) between Enhanced Investment Products Limited 易亞投資管理有限公司 (the “Manager”) and Cititrust Limited (the “Trustee”). The Trust will have a number of sub-funds (the “Products” or individually a “Product”).

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

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

Each Product is a fund falling within Chapter 8.6, Chapter 8.8 and Appendix I of the Code. Certain Products may also be subject to additional Chapters of the Code. The Trust and each Product are authorised by the SFC in Hong Kong under Section 104 of the Securities and Futures Ordinance. The SFC takes no responsibility for the financial soundness of the Trust, the Products or for the correctness of any statements made or opinions expressed in this Prospectus. SFC authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

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

Dealings in the Units of the XIE Shares Chimerica FTSE N Share Daily (2x) Leveraged Product on The Stock Exchange of Hong Kong Limited (the “SEHK”) have already commenced. The Units of the XIE Shares Chimerica FTSE N Share Daily (2x) Leveraged Product have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“HKSCC”) for deposit, clearance and settlement in the Central Clearing and Settlement System (“CCASS”).

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

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

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

Questions and Complaints

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

DIRECTORY

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

Trustee
Cititrust Limited
50/F, Champion Tower
Three Garden Road
Central
Hong Kong

Administrator and Custodian
Citibank, N.A.
50/F, Champion Tower
Three Garden Road
Central
Hong Kong

Registrar
Computershare Hong Kong Investor Services Limited
46/F, Hopewell Centre
183 Queen's Road East
Hong Kong

Participating Dealers[#]
BNP Paribas Securities Services
21/F, PCCW Tower
Taikoo Place, 979 King's Road
Quarry Bay
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

Legal Counsel to the Manager
Simmons & Simmons
13/F, One Pacific Place
88 Queensway
Hong Kong

Market Makers[#]
CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

Bluefin HK Limited
8/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Commerz Securities Hong Kong Limited
15/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Auditors
Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Service Agent
HK Conversion Agency Services Limited
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

[#] The list of Market Makers and Participating Dealers is as of the date of this Prospectus only. Please refer to the Manager's website for the latest lists of Market Makers and Participating Dealers.

CONTENTS

PART 1 – GENERAL INFORMATION RELATING TO THE TRUST AND THE PRODUCTS	1
DEFINITIONS	2
INTRODUCTION	11
THE OFFERING PHASES	12
INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTIONS, SECURITIES LENDING AND BORROWING	17
CREATIONS AND REDEMPTIONS (PRIMARY MARKET)	27
EXCHANGE LISTING AND TRADING (SECONDARY MARKET)	40
DETERMINATION OF NET ASSET VALUE	41
FEES AND EXPENSES	44
RISK FACTORS	48
MANAGEMENT OF THE TRUST.	63
STATUTORY AND GENERAL INFORMATION	70
TAXATION	78
PART 2 – SPECIFIC INFORMATION RELATING TO EACH PRODUCT	81
APPENDIX 1: XIE SHARES CHIMERICA FTSE N SHARE DAILY (2X) LEVERAGED PRODUCT*	82

*(*This is a synthetic product)*

PART 1 – GENERAL INFORMATION RELATING TO THE TRUST AND THE PRODUCTS

Part 1 of this Prospectus includes information relevant to the Trust and the Products established under the Trust and listed on the SEHK.

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

DEFINITIONS

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

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

“CCASS Settlement Day”	means the term “Settlement Day” as defined in the General Rules of CCASS.
“Code”	means the Code on Unit Trusts and Mutual Funds issued by the SFC (as amended or replaced from time to time).
“Connected Person”	<p>has the meaning as set out in the Code which at the date of this Prospectus means in relation to a company:</p> <ul style="list-style-type: none"> (a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise directly or indirectly, 20% or more of the total votes in that company; or (b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or (c) any member of the group of which that company forms part; or (d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c).
“Creation Application”	means an application by a Participating Dealer for the creation and issue of Units in an Application Unit size in accordance with the Operating Guidelines and the Trust Deed.
“Daily”	in relation to the performance, the inverse performance or the leveraged performance of an Index or a Product, means the performance, the inverse performance or the leveraged performance of an Index or a Product (as the case may be) from the close of the relevant Market on a given Business Day until the close of the relevant Market on the subsequent Business Day.
“Dealing Day”	means each Business Day during the continuance of the relevant Product, and/or such other day or days as the Manager may from time to time determine with the consent of the Trustee.
“Dealing Deadline”	in relation to any Dealing Day or any particular place, means the time on each Dealing Day specified in the relevant Appendix of a Product or such other time or day as the Manager may from time to time with the consent of the Trustee determine.
“Default”	<p>means a failure by a Participating Dealer in respect of:</p> <ul style="list-style-type: none"> (a) a Creation Application to deliver the requisite cash amount; or (b) a Redemption Application to deliver the Units the subject of the Redemption Application and/or any relevant cash amount.

“Deposited Property”

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

“Duties and Charges”

means, in relation to any particular transaction or dealing, all stamp and other duties, taxes, government charges, brokerage, bank charges, transfer fees, registration fees, transaction levies and other duties and charges whether in connection with the constitution of the Deposited Property or the increase or decrease of the Deposited Property or the creation, issue, transfer, cancellation or redemption of Units or the acquisition or disposal of Securities or the entering into or termination of any Swaps (including any costs associated with the entering into, or unwinding or maintenance of, any hedging arrangements in respect of such Swaps and any costs associated with any collateral arrangements in respect of such Securities or Swaps) or otherwise, which may have become or may be payable in respect of, and whether prior to, upon or after the occasion of, such transaction or dealing and including but not limited to, in relation to an issue of Units or redemption of Units, a charge (if any) of such amount or at such rate as is determined by the Manager or the Trustee to be made for the purpose of compensating or reimbursing the Trust for the difference between (a) the prices used when valuing the Securities in the Trust Fund for the purpose of such issue or redemption of Units and (b) (in the case of an issue of Units) the prices which would be used when acquiring the same Securities if they were acquired by the Trust with the amount of cash received by the Trust upon such issue of Units and (in the case of a redemption of Units) the prices which would be used when selling the same Securities if they were sold by the Trust in order to realise the amount of cash required to be paid out of the Trust Fund upon such redemption of Units.

“Encumbrance”

means any mortgage, charge, pledge, lien, third party right or interest, any other encumbrance or security interest of any kind or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect other than any such encumbrance or security interest imposed by the terms of the relevant clearing system/depositary or otherwise created by the terms of the Participation Agreement, the Trust Deed or any agreement between the Manager, the Trustee and the relevant Participating Dealer.

“Extension Fee”	means the fee payable to the Trustee on each occasion the Manager, upon a Participating Dealer’s request, grants the Participation Dealer an extended settlement in respect of a Creation Application or Redemption Application.
“HKD”	means Hong Kong dollars, the lawful currency of Hong Kong.
“HKEx”	means Hong Kong Exchanges and Clearing Limited or its successors.
“HKSCC”	means the Hong Kong Securities Clearing Company Limited or its successors.
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China.
“IFRS”	means International Financial Reporting Standards.
“Income Property”	means, in respect of each Product, (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 Product (whether in cash or, without limitation, by warrant, cheque, money, credit or otherwise or the proceeds of sale or transfer of any Income Property received in a form other than cash); (b) all interest and other sums received or receivable by the Trustee in respect of (a), (c) or (d) of this definition; (c) all cash payments received or receivable by the Trustee for the account of the relevant Product in respect of an Application; (d) all Cancellation Compensation received by the Trustee for the account of the relevant Product; and (e) any payments to be received or are receivable by the Trustee under any Swap or any other contractual agreements in the nature of investments for the benefit of the relevant Product but excluding (i) other Deposited Property; (ii) any amount for the time being standing to the credit of the distribution account for the account of the relevant Product or previously distributed to Unitholders; (iii) gains for the account of the relevant Product arising from the realisation of Securities or Swaps; and (iv) any sums applied towards payment of the fees, costs and expenses payable by the Trust from the Income Property of the relevant Product.
“Index”	means, in respect of a Product, the index against which the relevant Product is benchmarked or may otherwise be referenced as set out in the relevant Appendix.
“Index Provider”	means, in respect of a Product, the person responsible for compiling the Index against which the relevant Product benchmarks its investments and who holds the right to licence the use of such Index to the relevant Product as set out in the relevant Appendix.

“Initial Issue Date”	means, in respect of a Product, the date of the first issue of Units as specified in the relevant Appendix.
“Initial Offer Period”	means, in respect of a Product, the period before the relevant Listing Date as set out in the relevant Appendix.
“Insolvency Event”	occurs in relation to a person where (i) an order has been made or an effective resolution passed for the liquidation or bankruptcy of the person; (ii) a receiver or similar officer has been appointed in respect of the person or of any of the person’s assets or the person becomes subject to an administration order; (iii) the person enters into an arrangement with one or more of its creditors or is deemed to be unable to pay its debts; (iv) the person ceases or threatens to cease to carry on its business or substantially the whole of its business or makes or threatens to make any material alteration to the nature of its business; or (v) the Manager in good faith believes that any of the above is likely to occur.
“Issue Price”	means, in respect of a Product, the price at which Units may be issued, determined in accordance with the Trust Deed.
“Listing Date”	means, in respect of a Product, the date on which the Units are first listed and from which dealings therein are permitted to take place on SEHK, the expected date of which is set out in the relevant Appendix for the Product.
“Manager”	means Enhanced Investment Products Limited 易亞投資管理有限公司 or such other person or persons for the time being duly appointed pursuant to the Trust Deed as manager or managers of the Trust in succession thereto being approved by the SFC as qualified to act as such for the purposes of the Code.
“Market”	means in any part of the world: <ul style="list-style-type: none"> (a) in relation to any Security: the SEHK or such other stock exchange from time to time determined by the Manager; (b) in relation to any futures contract: the Hong Kong Futures Exchange Limited or such other futures exchange from time to time determined by the Manager, and any over-the-counter transaction conducted in any part of the world and in relation to any Security or futures contract shall be deemed to include any bilateral agreement with a responsible firm, corporation or association in any country in any part of the world dealing in the Security or futures contract which the Manager may from time to time elect.
“Market Maker”	means a broker or dealer permitted by the SEHK to act as such by making a market for the Units in the secondary market on the SEHK.

“Net Asset Value”	means the net asset value of a Product or, as the context may require, the net asset value of a Unit calculated under the Trust Deed.
“Operating Guidelines”	means, in respect of a Product, the guidelines for the creation and redemption of Units as set out in the schedule to each Participation Agreement as amended from time to time by the Manager with the approval of the Trustee and following consultation, to the extent reasonably practicable, with the relevant Participating Dealers, including without limitation, the procedures for creation and redemption of Units, subject always, in respect of the relevant Operating Guidelines for a Participating Dealer, to any amendment being notified in writing by the Manager in advance to the Participating Dealer. Unless otherwise specified, references to the Operating Guidelines shall be to the Operating Guidelines for the relevant Product applicable at the time of the relevant Application.
“Partial Delivery Request Fee”	means the fees payable to the Trustee on each occasion the Manager, upon a Participating Dealer’s request, grants the Participation Dealer a partial settlement in respect of a Creation Application or Redemption Application.
“Participating Dealer”	means any licensed broker or dealer who is a participant of CCASS and who has entered into a Participation Agreement in form and substance acceptable to the Manager and the Trustee and includes an agent of the Participating Dealer which is a participant of CCASS.
“Participation Agreement”	means an agreement entered into between, among others, the Trustee, the Manager and a Participating Dealer (and its agent, if applicable) setting out, amongst other things, the arrangements in respect of the issue of Units and the redemption and cancellation of Units.
“PRC”	means the People’s Republic of China, excluding for the purposes of interpretation only Hong Kong, Macau and Taiwan.
“Product”	means a segregated pool of assets and liabilities into which the Trust Fund is divided, established as a separate trust pursuant to the Trust Deed as described in the relevant Appendix.
“Recognised Futures Exchange”	means an international futures exchange which is approved by the Manager.
“Recognised Stock Exchange”	means an international stock exchange which is approved by the Manager.
“Redemption Application”	means an application by a Participating Dealer for the redemption of Units in Application Unit size in accordance with the Operating Guidelines and the Trust Deed.

“Redemption Value”	means, in respect of a Unit, the price per Unit at which such Unit is redeemed, calculated in accordance with the Trust Deed.
“Registrar”	means Computershare Hong Kong Investor Services Limited or such person as may from time to time be appointed as registrar of in respect of each Product to keep the register of the Unitholders of the Product.
“Registrar Agreement”	means, in respect of a Product where applicable, the agreement entered into between the Trustee, the Manager and the Registrar appointing the Registrar as registrar in respect of such Product, as amended from time to time.
“Securities”	<p>means any shares, stocks, debentures, loan stocks, bonds, securities, commercial paper, acceptances, trade bills, warrants, participation notes, certificates, structured products, treasury bills, instruments or notes of, or issued by or under the guarantee of, any body, whether incorporated or unincorporated, and whether listed or unlisted, or of any government or local government authority or supranational body, whether paying interest or dividends or not and whether fully-paid, partly paid or nil paid and includes (without prejudice to the generality of the foregoing):</p> <ul style="list-style-type: none"> (a) any right, option or interest (howsoever described) in or in respect of any of the foregoing, including units in any Unit Trust (as defined in the Trust Deed); (b) any certificate of interest or participation in, or temporary or interim certificate for, receipt for or warrant to subscribe or purchase, any of the foregoing; (c) any instrument commonly known or recognised as a security; (d) any receipt or other certificate or document evidencing the deposit of a sum of money, or any rights or interests arising under any such receipt, certificate or document; and (e) any bill of exchange and any promissory note.
“SEHK”	means The Stock Exchange of Hong Kong Limited or its successors.
“Service Agent”	means HK Conversion Agency Services Limited or such other person as may from time to time be appointed to act as service agent in relation to the Products.

“Service Agent’s Fee”	means the fee which may be charged for the benefit of the Service Agent to each Participating Dealer on each book-entry deposit or book-entry withdrawal transaction made by the relevant Participating Dealer, the maximum level of which shall be determined by the Service Agent and set out in this Prospectus.
“Service Agreement”	means each agreement by which the Service Agent provides its services in respect of a Product entered amongst the Trustee and Registrar, the Manager, the Participating Dealer (and its agent, if applicable), the Service Agent and the Hong Kong Securities Clearing Company Limited.
“Settlement Day”	means the Business Day which is 2 Business Days after the relevant Dealing Day (or such other Business Day as is permitted in relation to such Dealing Day (including the Dealing Day itself) pursuant to the Operating Guidelines) or such other number of Business Days after the relevant Dealing Day as determined by the Manager in consultation with the Trustee from time to time and notified to the relevant Participating Dealers or as otherwise described in the relevant Appendix.
“SFC”	means the Securities and Futures Commission of Hong Kong or its successors.
“SFO”	means the Securities and Futures Ordinance (Cap. 571) of Hong Kong.
“Swap”	means a swap agreement to be entered by the Trustee on behalf of a Product which may, subject to the terms of the Trust Deed, take such form as determined or agreed by the Manager (in consultation with the Trustee), which may include the form of the International Swaps and Derivatives Association master agreement, schedules, annexes and confirmations as well as related documents.
“Swap Counterparty”	means a counterparty of the Product pursuant to a Swap.
“Transaction Fee”	means the fee, in respect of a Product, which may be charged for the benefit of the Service Agent and/or the Trustee to each Participating Dealer on each Dealing Day upon which an Application has been or Applications have been made by the relevant Participating Dealer.
“Trust”	means the umbrella Unit Trust (as defined in the Trust Deed) constituted by the Trust Deed and called “XIE Shares Trust III” or such other name as the Manager may from time to time determine upon prior notice to the Trustee.
“Trust Deed”	means the trust deed dated 4 January 2017 between the Manager and the Trustee constituting the Trust (as amended from time to time).

“Trust Fund”	means, with respect to each Product, all the property for the time being held or deemed to be held by the Trustee upon trust, including the Deposited Property and Income Property attributable to that Product and subject to the terms and provisions of the Trust Deed, except any amounts to be distributed, and where such term is used generically, “Trust Fund” means the Trust Fund attributable to all Products taken together.
“Trustee”	means Cititrust Limited or such other person or persons for the time being duly appointed as trustee or trustees hereof in succession thereto in accordance with the Trust Deed.
“Unit”	means a unit representing an undivided share in a Product.
“Unitholder”	means a person for the time being entered on the register of holders as the holder of Units including, where the context so admits, persons jointly registered.
“US” or “United States”	means the United States of America.
“USD”	means United States dollars, the lawful currency of the United States of America.
“Valuation Point”	means, in respect of each Product, the time specified in the relevant Appendix and in the absence of any such definition means the official close of trading on the Market on which the Securities constituting the Index are listed on each Dealing Day or if more than one, the official close of trading on the last relevant Market to close or such other time or times as determined by the Manager in consultation with the Trustee from time to time provided that there shall always be a Valuation Point on each Dealing Day other than where there is a suspension of the creation and redemption of Units.

INTRODUCTION

The Trust

The Trust is an umbrella unit trust created by the Trust Deed between the Manager and the Trustee made under Hong Kong law. The Trust and each Product is authorised as a collective investment scheme by the SFC under Section 104 of the SFO and each Product falls within Chapter 8.6, Chapter 8.8 and Appendix I of the Code. Certain Product(s) may also be subject to additional Chapters of the Code. SFC 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 that a Product is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

The Products

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

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

THE OFFERING PHASES

Initial Offer Period

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

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

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

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

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

After Listing

The After Listing phase commences on the Listing Date and continues until the Products are terminated.

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

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

Buying and selling of Units on the SEHK

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

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

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

Creations and Redemptions through Participating Dealers

Units will continue to be created and redeemed at the Issue Price and Redemption Value respectively through Participating Dealers in Application Unit size or multiples thereof. The Application Unit size and currency for settlement are as set out in the relevant Appendix.

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

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

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

Timetable

Initial Offer Period

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

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

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

After Listing

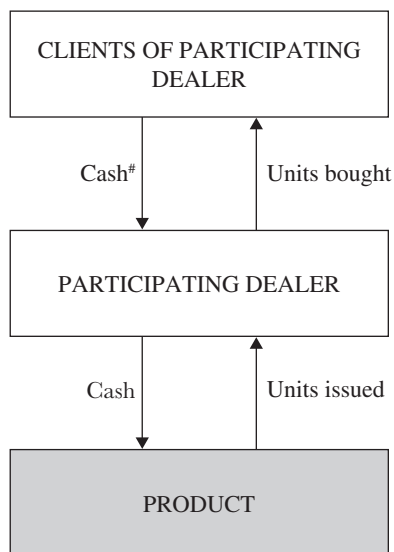
“After Listing” commences on the Listing Date and continues until the Trust is terminated.

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

Diagrammatic Illustration of Investment in a Product

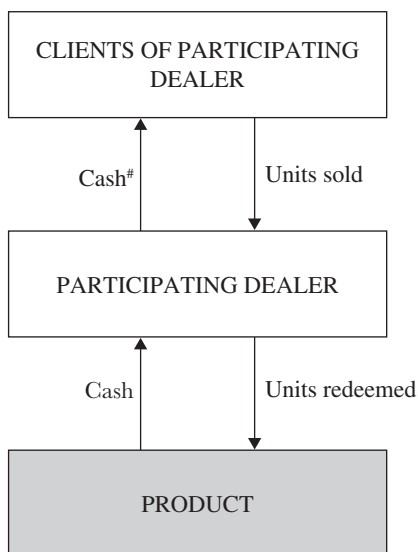
The diagrams below illustrate the creation or redemption and the buying or selling of Units:

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



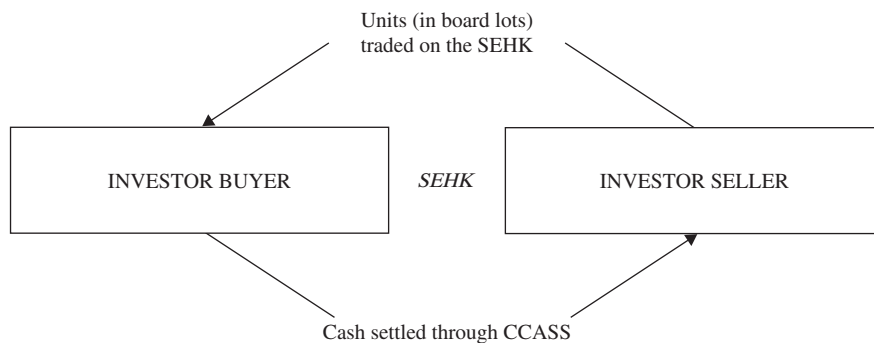
Clients of a Participating Dealer may agree with the Participating Dealer settlement in a different currency to the creation currency.

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



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

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



Summary of Offering Methods and Related Fees

Initial Offer Period

Method of Offering	Minimum Number of Units (or multiple thereof)	Channel	Available to	Consideration, Fees and Charges [#]
Cash creation	Application Unit size (see relevant Appendix)	Through Participating Dealers	Any person acceptable to the Participating Dealer as its client	(i) Cash (ii) Transaction Fee (iii) Any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it) (iv) Duties and Charges

After Listing

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

[#] *Please refer to “Fees and Expenses” for further details. The currency for payment of subscription monies is specified in the relevant Appendix.*

INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTIONS, SECURITIES LENDING AND BORROWING

Investment Objective

The investment objective of each Product is to provide investment results that, before fees and expenses, closely correspond to the performance, the inverse performance or the leveraged performance of the relevant Index unless otherwise stated in the relevant Appendix.

Investment Strategy

Synthetic Replication using Swaps

In managing a Product, the Manager will adopt a synthetic replication investment strategy, pursuant to which the relevant Product will enter into one or more unfunded swaps (each an “Unfunded Swap”), which are over-the-counter financial derivative instruments entered into with one or more counterparties (each a “Swap Counterparty”), whereby the relevant Product will receive from the Swap Counterparties an exposure to the economic gain or loss in the performance, the inverse performance or the leveraged performance (as the case may be) of the relevant Index (net of swap costs) on a Daily basis. The swap costs represent a variable spread plus the money market rate US Dollar LIBOR (usually 3-month or shorter period) which reflect the Swap Counterparties’ costs of hedging in order to provide the performance of the relevant Index on a Daily basis. The swap costs will be borne by the investors in the relevant Product. The swap costs may have a substantial adverse impact on the Net Asset Value of a Product and performance of a Product and may result in higher tracking error. In return, the relevant Product will, under the Unfunded Swaps, provide the Swap Counterparties an exposure to the economic gain or loss in the performance of a portfolio of cash, cash equivalent and/or Securities which the Product will purchase (“Invested Assets”, as described further below) with the net proceeds of any issue of its Units (net of the money market rate US Dollar LIBOR (usually 3-month or shorter period)). A Product will own the Invested Assets.

Counterparty Exposure

The Manager will manage each Product with the objective to reduce to 0% each Product’s single counterparty net exposure as at each Valuation Point (which generally refers to the official close of trading on the last market on which the constituents of the relevant Index are listed). Under an Unfunded Swap, the relevant Product will have an obligation to pay the return of the Invested Assets to the relevant Swap Counterparty and the Swap Counterparty will have an obligation to pay the economic gain or loss of the relevant Index to that Product. The movement of the relevant Index and the movement of the portfolio of Invested Assets will be marked to market Daily as at each Valuation Point, which will determine whether such Product receives or pays cash on a Daily basis. The mark-to-market of such movement will be generally carried out after the end of the trading day on the market on which the Product trades. In practice, these two cash flows are added together (or netted off if they are opposing amounts). Any net cash receivable by such Product as at a Valuation Point represents that such Product’s net counterparty exposure to the relevant Swap Counterparty has exceeded 0% on that particular trading day.

Where a Product’s net exposure to a Swap Counterparty exceeds 0% as at a Valuation Point, the Manager will give notice to the relevant Swap Counterparty requiring it to make a cash payment to the Trustee for the benefit of the relevant Product so that the net exposure of the Product to each Swap Counterparty is limited to no more than 0% of its Net Asset Value. The settlement of cash payment from a Swap Counterparty to a Product is expected to occur by the end of the next Dealing Day (T+1) (Hong Kong time) (unless otherwise specified in the relevant Appendix). The management of counterparty risk exposure in this manner, however, is subject to market risk, price movements and settlement risk. No collateral arrangement is put in place. The value of the Swaps will be marked to market by the Swap Counterparties on a Daily basis.

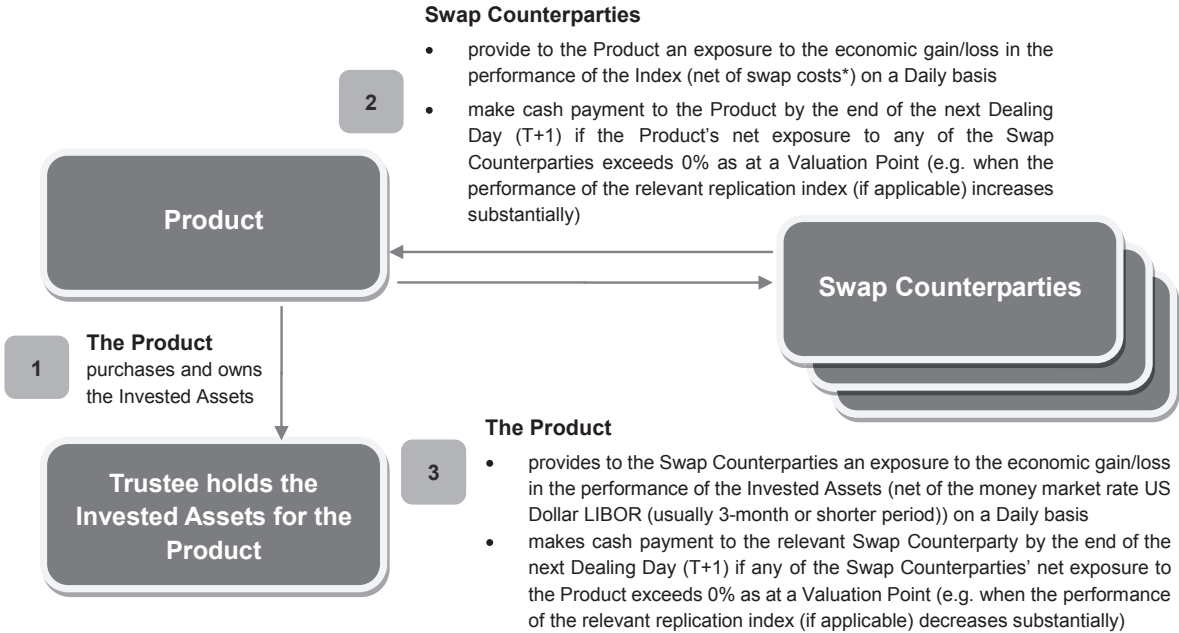
If a Swap Counterparty’s net exposure to a Product exceeds 0% as at a Valuation Point, that Product will make cash payment to the Swap Counterparty. The Manager may receive notice from the relevant Swap Counterparty requiring the Product to make a cash payment. The settlement of cash payment from the Product to the relevant Swap Counterparty is expected to occur by the end of the next Dealing Day (T+1) (Hong Kong time) following the receipt of such notification from the relevant Swap Counterparty (unless otherwise specified in the relevant Appendix).

Details of the management of counterparty risk exposure specific to each Product are set out in the relevant Appendix.

The Products will not invest in any structured products or financial derivative instruments other than the Unfunded Swap or engage in any securities lending, repurchase, reverse repurchase or other similar over-the-counter transactions.

Diagrammatic Illustration of the Investment Strategy

Please see below a diagram illustrating the operation of the investment strategy above:



* The swap costs represent a variable spread plus the money market rate US Dollar LIBOR (usually 3-month or shorter period) which reflect the Swap Counterparties’ costs of hedging in order to provide the performance of the relevant Index on a Daily basis. The swap costs will be borne by the investors in the relevant Product.

** Details of the management of counterparty risk exposure specific to each Product are set out in the relevant Appendix.

Criteria for Selection of Swap Counterparty

The Manager adopts a multiple counterparty strategy. The selection criteria for each Swap Counterparty shall be, at a minimum, as follows: (1) it must have a paid-up capital of the equivalent of at least HKD150 million; (2) it or its guarantor must be a substantial financial institution (as defined under the Code) subject to on-going prudential and regulatory supervision; and (3) it or its guarantor must have a long-term debt credit rating of at least “BBB” from Standard & Poor’s or an equivalent rating given by other reputable rating agency of similar standing at all times. The Manager may also impose such other selection criteria as it considers appropriate. Each Swap Counterparty must be independent of the Manager.

As at the date of this Prospectus, the Swap Counterparties to the Products and their guarantors (where relevant) are:

Swap Counterparty	Place of incorporation of Swap Counterparty or its guarantor (where relevant)	Standard & Poor's credit rating of Swap Counterparty or its guarantor (where relevant) as at 31 August 2017
Société Générale	France	A

The Manager will publish, inter alia, the identity of the Swap Counterparties of each Product, as well as the relevant Product's gross and net counterparty exposure in respect of each such Swap Counterparty, on the Trust's website at www.xieshares.com.hk.

Counterparty Risk Management

To mitigate counterparty risk, the Manager applies viability checks including counterparty credit analysis and evaluation, establishes exposure limits and monitors the credit quality of that counterparty and agreed limits. The Manager reviews and approves the types of transactions and limits requested by the business units on the basis of a counterparty's ability to meet its obligations. In addition, the Manager selects only counterparties with whom there is sufficient knowledge and comfort with both their operations and business practices.

Each Swap Counterparty must satisfy the selection criteria set out under "Criteria for Selection of Swap Counterparty" above. The Manager may also impose such other selection criteria as it considers appropriate. A Swap Counterparty must be independent of the Manager. If a new counterparty expresses its interest in establishing a trading relationship, the Manager will perform a comprehensive review of its financial statements, minimum capitalisation levels, business reputation, lines of business, credit enhancements (if any), earnings, management quality, external credit ratings, the scope of business operations and its risk management framework.

The Manager seeks to mitigate counterparty exposure by limiting the total amount of exposure to a single counterparty and all counterparties in aggregate, and by applying consistent standards in evaluating the risk exposure of each transaction.

Swap Transaction

Each Unfunded Swap is documented by a confirmation which supplements, forms part of and is governed by a 2002 ISDA Master Agreement with schedule thereto (together with an ISDA Credit Support Annex in respect thereof, as applicable, with the aim of reducing the relevant Product's net exposure to each Swap Counterparty to 0%), in each case, entered into by the Trustee on behalf of the relevant Product and the Swap Counterparty. ISDA documentation is published by the International Swaps and Derivatives Association, Inc.

Prior to commencing any transaction with a Swap Counterparty under an Unfunded Swap, the Manager has obtained (if such Swap Counterparty is an existing Swap Counterparty) or will obtain (if such Swap Counterparty is a new Swap Counterparty) legal opinions confirming that (i) such Swap Counterparty has the capacity and authority to enter into the relevant Unfunded Swap and (ii) the obligations expressed to be assumed by such Swap Counterparty under the relevant Unfunded Swap constitute legal, valid, binding obligations of the Swap Counterparty enforceable against it in accordance with their terms. The enforceability of the termination, bilateral close-out netting and multi-branch netting provisions in the 2002 ISDA Master Agreement in the relevant jurisdictions in which enforcement action may be brought (namely, England, the United States and the European Union Member States) is covered by standard netting opinions commissioned by ISDA. In respect of each Unfunded Swap, none of the “Events of Default” or the “Termination Events” contained in the 2002 ISDA Master Agreement has been disapplied in respect of the relevant Swap Counterparty and the Trustee (on behalf of the relevant Product) may at any time terminate the Unfunded Swap at fair value without any conditions. In the event of insolvency or such other events of default of the Swap Counterparty, the Trustee has the right to terminate the Swap at any time (such termination may take effect immediately) and without any approval from the Swap Counterparty.

Invested Assets

Each of the Products will hold a portfolio of Invested Assets consisting of cash, cash equivalents and/or a basket of Securities (equity securities and/or bonds) which may or may not be constituents of an Index. The portfolio of Invested Assets of each Product may change from time to time.

Invested Assets of each Product will be selected by the Manager having regard to the prevailing market circumstances, the terms of the relevant Unfunded Swap and the risks, yields, diversification and liquidity of such portfolio. Invested Assets shall comply with all applicable requirements under the Code, including Chapter 8.8(e) of the Code as supplemented by such other guidance from the SFC from time to time, and must meet the following requirements:

- (a) Invested Assets shall be sufficiently liquid such that Invested Assets can be sold quickly at a robust price that is close to pre-sale valuation and tradable in a deep and liquid market place with transparent pricing;
- (b) the valuation of Invested Assets shall be marked to market on a daily basis;
- (c) the portfolio of Invested Assets shall be diversified so as to avoid concentrated exposure to any single issuer and any holding of Invested Assets is subject to the restrictions set out under “Investment Restrictions” below;
- (d) the issuer of Invested Assets shall be of a high credit quality, in particular:
 - (i) for Invested Assets which are equity Securities:
 - (1) such equity Securities shall be listed stocks of “blue chip” companies, which the Manager classifies as companies that are well established and generally nationally or globally recognised, each of which:
 - (A) has relatively stable earnings;
 - (B) is a constituent of the FTSE All World Index or the MSCI All Country World Index; and
 - (C) has a total market capitalisation of at least USD4 billion;

- (2) a Product's holding of each such listed stock shall not exceed 50% of such stock's average daily trading volume over the last 30 trading days prior to the relevant trading day; and
 - (3) the average market capitalisation of all companies, the stocks of which are included in a Product's portfolio of Invested Assets, shall be at a level of not less than USD15 billion; and
- (ii) for Invested Assets which are bonds, the issuer of such bonds shall have a credit rating of at least "A" from Standard & Poor's or an equivalent credit rating given by another reputable rating agency;
- (e) correlation between the relevant Swap Counterparty and the Invested Assets must be avoided (in particular, the Manager will not invest in Securities issued by the Swap Counterparty or its affiliates);
 - (f) appropriate systems, operational capabilities and legal expertise shall be in place by the Manager for proper portfolio management;
 - (g) Invested Assets shall be held by the Trustee or the Custodian or their delegate of the relevant Product;
 - (h) Invested Assets shall be readily accessible or enforceable by the Trustee or the Custodian or their delegate of the relevant Product without further recourse to the issuer of the financial derivative instruments; and
 - (i) Invested Assets shall not be available for secondary recourse nor applied for any purpose other than the Unfunded Swaps.

Invested Assets will not include (i) structured products whose payouts rely on embedded derivative or synthetic instruments or (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities. Invested assets may be acquired from a Swap Counterparty or its affiliates.

To the extent that any Invested Asset no longer meets the above requirements, such Invested Asset shall be disposed of in an orderly manner and removed from the relevant Product's portfolio of Invested Assets as soon as reasonably practicable.

Please refer to the Trust's website at www.xieshares.com.hk for the composition of the portfolio of Invested Assets of each Product which will be updated on a weekly basis.

Change of Investment Strategy

The Manager will seek, if required, the prior approval of the SFC and provide at least one month's prior notice to Unitholders before adopting another strategy for a Product.

Investment Restrictions

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

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

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

- (a) not more than 10% of the Net Asset Value of a Product may be invested in Securities (other than Government and other public securities) issued by any single issuer (save as permitted by Chapter 8.6(h) and as varied by paragraph 11 of Appendix I (Guidelines for regulating index tracking exchange traded funds) of the Code (see the Note below));
- (b) ordinary shares of a single class (other than Government and other public securities) held for the account of a Product, when aggregated with other holdings of the same class of ordinary shares held for the account of all other sub-funds under the Trust collectively may not exceed 10% of the nominal amount of the ordinary shares issued by a single issuer;
- (c) not more than 15% of the Net Asset Value of a Product may be invested in Securities which are neither listed, quoted nor dealt in on a stock exchange, over-the-counter market or other organised securities market which is open to the international public and on which such Securities are regularly traded;
- (d) except as permitted by Chapter 8.6(i) of the Code, not more than 30% of the Net Asset Value of a Product may be invested in Government and other public securities of the same issue;
- (e) subject to paragraph (d) above or except as permitted by Chapter 8.6(i) of the Code, a Product may be fully invested in Government and other public securities in at least 6 different issues;
- (f) a Product may enter into financial futures contracts for hedging purposes;
- (g) not more than 20% of the Net Asset Value of a Product may be invested in (i) futures contracts on an unhedged basis (by reference to the net total aggregate value of contract prices, whether payable to or by the relevant Product under all outstanding futures contracts) and (ii) physical commodities (including gold, silver, platinum or other bullion) and other commodity-based investments (excluding, for this purpose, shares in companies engaged in producing, processing or trading in commodities);
- (h) the value of warrants and options held for the account of a Product, in terms of the total amount of premium paid (other than for hedging purposes), may not exceed 15% of the Net Asset Value of the relevant Product; and
- (i) where a Product invests in units or shares of other collective investment schemes (“underlying schemes”),
 - (i) the value of units or shares in underlying schemes which are neither recognised jurisdiction schemes (as determined by the SFC) nor authorised by the SFC, held for the account of the relevant Product, may not in aggregate exceed 10% of the Net Asset Value of the relevant Product; and
 - (ii) a Product may invest in one or more underlying schemes which are either recognised jurisdiction schemes or schemes authorised by the SFC, but the value of the units or shares held for the account of the relevant Product in each such underlying scheme may not exceed 30% of the Net Asset Value of the relevant Product, unless the underlying scheme is authorised by the SFC and its name and key investment information are disclosed in the offering document of the relevant Product,

provided that:

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

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

A Product shall not:

- (a) invest in a Security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5% of the total nominal amount of all the issued securities of that class or the directors and officers of the Manager collectively own more than 5% of those securities;
- (b) invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in real estate investment trusts (REITs));
- (c) make short sales if as a result the Product would be required to deliver Securities exceeding 10% of the Net Asset Value of the Product (and for this purpose Securities sold short must be actively traded on a market where short selling is permitted);
- (d) write uncovered options;
- (e) write a call option on portfolio investments of a Product if the aggregate of the exercise prices of all such call options written in respect of the relevant Product would exceed 25% of the Net Asset Value of the relevant Product;
- (f) lend or make a loan out of the assets of a Product without the prior written consent of the Trustee except to the extent that the acquisition of bonds or the making of a deposit (within the applicable investment restrictions) might constitute a loan;
- (g) assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person without the prior written consent of the Trustee;
- (h) enter into any obligation in respect of a Product or acquire any asset for the account of a Product which involves the assumption of any liability which is unlimited; or
- (i) apply any part of a Product in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call is due to be made for any sum unpaid on such investments unless such call could be met in full out of cash or near cash forming part of a Product which has not been appropriated and set aside for any other purposes (including in respect of any writing of call options).

Note: The investment restrictions set out above apply to each Product, subject to the following: A collective investment scheme authorised by the SFC under the Code is usually restricted from making investments which would result in the value of that collective investment scheme's holdings of the Securities of any single issuer exceeding 10% of the collective investment scheme's total net asset value. Given the investment objective of the Products and nature of the Index, the Products may, where appropriate, be allowed under Chapter 8.6(h) of the Code to hold (directly or indirectly) investments in Securities of any single issuer exceeding 10% of the relevant Product's latest available Net Asset Value if such constituent Securities account for more than 10% of the weighting of the Index and the relevant Product's holding of any such constituent Securities does not exceed their respective weightings in the Index, except where the weightings are exceeded as a result of changes in the composition of the Index and the excess is only transitional and temporary in nature, or otherwise approved by the SFC.

Securities Lending

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

Borrowing

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

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

Business Contingency Plan

The Manager has put in place a business contingency plan in respect of the Trust and the Products, which will be activated whenever there is a credit event (as described below) of the Swap Counterparty of the relevant Unfunded Swap, or whenever the Manager shall assess that the risk of the occurrence of a credit event is materially high. Should a bankruptcy event that affects the Swap Counterparty of the relevant Unfunded Swap occur, the Product employing synthetic replication may lose an amount equal to the marked-to-market value of the relevant Unfunded Swap. The following is an overview of such contingency plan.

The Manager will trigger this business contingency plan under the following events:

- (a) event of default affecting the Swap Counterparty(ies) of the relevant Unfunded Swap(s);
- (b) downgrading of the long term debt credit rating(s) of the relevant Swap Counterparty(ies) granted by at least two credit rating agencies among Moody's, Standard & Poor's and Fitch's to a level which is strictly below BBB for Standard & Poor's, BBB for Fitch's and Baa2 for Moody's;
- (c) the spread of 5 years credit default swap in respect of the relevant Swap Counterparty is traded or quoted on the relevant Market at 5% or above;

- (d) any other event (including, without limitation, licence suspension, significant litigation linked to the activities of the Swap Counterparty in the derivatives business, reputation, etc.) which would materially affect the Swap Counterparty's fitness and properness to act as the counterparty of the relevant Product under the relevant Unfunded Swap, or any material risk of occurrence of such event; or
- (e) if, in the actual knowledge of the Manager, the relevant Swap Counterparty ceases to be a substantial financial institution (as defined under the Code).

Upon the occurrence of any of the above situations, to the extent permitted under applicable law and regulation, the Manager would then opt for one or more of the following remedial actions, depending on the nature of the above situation, and other factors including the size of the exposure to the relevant Swap Counterparty(ies) and surrounding circumstances such as timing and market factors:

- (a) The Manager may unwind the affected Unfunded Swap(s) immediately or in a measured manner and readjust the relevant Product's exposure with other Swap Counterparty(ies), having regard to the best interest of the relevant Unitholders.
- (b) The Manager may decide to replace the Swap Counterparty(ies) and select, as soon as possible and on a best effort basis, a new counterparty(ies) in accordance with the investment strategy of the relevant Product, and will enter into a new Unfunded Swap(s) with similar terms as the relevant Unfunded Swap(s) with such newly selected counterparty. The new counterparty(ies) would be selected using criteria including, but not limited to, execution prices, total direct and indirect transaction costs, probability and promptness of execution and delivery (if applicable), as well as other specific criteria which may be relevant by reference to the composition of the Securities and/or Swaps held by the relevant Product at the relevant time. In such cases, the relevant Product will enter into the new Unfunded Swap(s) as soon as possible with the new counterparty(ies). The Manager would then inform the SFC of the selection of the new counterparty(ies) and the entering into of the new Unfunded Swap(s) with the new counterparty(ies). Alternatively, the Manager may also propose a restructuring of the relevant Product by using other instruments similar to the relevant Unfunded Swap(s), in the case where no suitable new counterparty(ies) is/are available. Such restructuring would then be subject to review and approval by the relevant authorities, including the SFC. The Prospectus would then be amended accordingly for the purpose providing the updated information to the relevant Unitholders.
- (c) The Manager may also consider asking the Swap Counterparty(ies) to settle any unrealised gain or loss (if any) on an Unfunded Swap(s) in cash payment, where the market value of the Unfunded Swap(s) will be nil immediately after such payment. If an amount is payable by the Swap Counterparty(ies) to a Product and the relevant Swap Counterparty(ies) is insolvent or otherwise unable to pay the amount in full, the relevant Product will account for the loss, if any. To mitigate such a loss, the Manager intends to adopt a multiple counterparty arrangement where a Product will enter into Unfunded Swap(s) with more than one Swap Counterparties to the extent practical and on a best effort basis.
- (d) If the view of the Manager is that, in the best interest of the relevant Unitholders, it is not advisable to terminate the relevant Product, then the Manager may, subject to applicable regulatory approvals (including those of the SFC), use other investment strategies such as full replication or representative sampling strategy to meet the investment objective.

- (e) Eventually, if there is no new counterparty acceptable to the Manager and/or as a result of one or more Swap Counterparty(ies) becoming subject to resolution pursuant to an applicable recovery and resolution regime preventing or limiting the exercise of the other remedial actions provided above and if, as a result, the Manager is of the view that the relevant Product is not able to achieve its investment objective, which is to track the movements in the relevant Index, the Manager may decide to terminate the relevant Product.

In addition to such business contingency plan arrangements and announcements, the Manager will also notify the SFC immediately where it becomes aware of any of the events which may trigger this business contingency plan.

If this business contingency plan is triggered, the Manager will issue an announcement through the SEHK (unless otherwise permitted by SFC) and/or any other media as soon as practicable, which may, in some cases, be after this business contingency plan has been triggered.

Investors should note that the Manager's business contingency plans are subject to changes by the Manager from time to time as the circumstances may justify. In any case, the Manager will ensure that the interests of the Unitholders will not be adversely affected. The Manager will issue an announcement through the website of the SEHK or any other media as the Manager thinks fit, in respect of any change(s) to this business contingency plan as soon as practicable, which may, in some cases, be after the relevant change(s) has/have been implemented.

EXCHANGE LISTING AND TRADING (SECONDARY MARKET)

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

The market price of a Unit listed or traded on the SEHK may differ from the Net Asset Value per Unit. Any transactions in the Units on the SEHK will be subject to the customary brokerage commissions and/or transfer taxes associated with the trading and settlement through the SEHK. There can be no guarantee that once the Units are listed on the SEHK they will remain listed.

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

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

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

Dealings in the Units of the XIE Shares Chimerica FTSE N Share Daily (2x) Leveraged Product on the SEHK have already commenced. The Units of the XIE Shares Chimerica FTSE N Share Daily (2x) Leveraged Product have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS. Settlement of transactions between participants of the SEHK is required to take place in CCASS on the second CCASS Settlement Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

Units are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Units of any Product on one or more other stock exchanges.

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

DETERMINATION OF NET ASSET VALUE

Calculation of Net Asset Value

The Net Asset Value of each Product will be determined by the Manager or its delegate (including the Administrator) in HKD as at each Valuation Point applicable to the relevant Product by valuing the assets of the relevant Product and deducting the liabilities of the relevant Product, in accordance with the terms of the Trust Deed.

Set out below is a summary of how various properties held by the relevant Product are valued:

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

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

The value of the Unfunded Swaps invested by a Product, which is not listed or quoted on a recognised market, will be determined on each Dealing Day by the Swap Counterparty, which, in doing so, will be acting as the calculating agent of the relevant Unfunded Swap based on the marked-to-market value of such Unfunded Swap (excluding any fees, commissions and other expenses in connection with the entry or negotiation of the Unfunded Swap, and initial margin or deposits). The Manager will carry out an independent verification of this valuation on a daily basis. In addition, the Trustee or its delegates will carry out an independent verification of the value of the Unfunded Swap in accordance with its internal policy and the terms of the Unfunded Swaps. The Manager may adjust the value of an Unfunded Swap where it (after consultation with the Trustee) considers that such adjustment is required to reflect the fair value of the Unfunded Swap.

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

Suspension of Determination of Net Asset Value

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

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

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

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

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

Issue Price and Redemption Value

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

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

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

The benefit of any rounding adjustments will be retained by the relevant Product.

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

Neither the Issue Price nor the Redemption Value takes into account Duties and Charges, Transaction Fees or fees payable by a Participating Dealer. The redemption proceeds may be less than the Redemption Value when the Duties and Charges are adversely impacted by the costs associated with unwinding of the Swaps in the case of market disruption events, under exceptional market conditions. Such costs may vary significantly depending on market conditions.

FEES AND EXPENSES

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

Fees and expenses payable by Participating Dealers on creations and redemptions (as applicable) of Units (applicable both during the Initial Offer Period and After Listing)	Amount
Transaction Fee (cash creation/redemption) ¹	HKD7,500 or USD1,000 as applicable per Application for the benefit of the Trustee Plus Service Agent's Fee ²
Application cancellation fee	HKD10,000 or USD1,300 as applicable ³ per Application
Extension Fee	HKD10,000 or USD1,300 as applicable ⁴ per Application
Partial Delivery Request Fee	HKD10,000 or USD1,300 as applicable ⁵ per Application
Stamp duty	Nil
All other Duties and Charges incurred by the Trustee or the Manager in connection with the creation or redemption	As applicable

Fees and expenses payable by investors	Amount
(i) Fees payable by clients of the Participating Dealers in respect of creations and redemptions (as applicable) via the Participating Dealer (applicable both during the Initial Offer Period and After Listing)	
Fees and charges imposed by the Participating Dealer ⁶	Such amounts as determined by the relevant Participating Dealer

¹ The Transaction Fee comprises two components: (a) HKD7,500 or USD1,000 as applicable per Application for cash creations/redemptions; and (b) a Service Agent's Fee (see Note 2). The Transaction Fee is payable in HKD unless specified as payable in USD in the relevant Appendix. A Participating Dealer may pass on to the relevant investor such Transaction Fee.

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

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

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

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

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

Fees and expenses payable by investors	Amount
(ii) Fees payable by all investors in respect of dealings in the Units on SEHK (applicable After Listing)	
Brokerage	Market rates
Transaction levy	0.0027% ⁷ of the trading price
SEHK trading fee	0.005% ⁸ of the trading price
Stamp duty	Nil

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

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

Fees and Expenses Payable by the Product

Management Fee

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

The Manager may pay a distribution fee to any distributor or sub-distributors of the Products out of the Management Fee it receives from such Products. A distributor may re-allocate an amount of the distribution fee to the sub-distributors.

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

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

⁹ Accrued daily and payable monthly or quarterly (as stated in the relevant Appendix) in arrears.

Ongoing Charges and Annual Average Daily Ongoing Charges

The estimated ongoing charges (where a Product is newly established) or actual ongoing charges of a Product where applicable, which are the sum of anticipated ongoing expenses of the relevant Product expressed as a percentage of the estimated average Net Asset Value of the relevant Product, as well as the estimated annual average daily ongoing charges (where a Product is newly established) or actual average daily ongoing charges where applicable, which are equal to the estimated or actual (as the case may be) ongoing charges divided by the number of Dealing Days of the relevant Product during the first year of listing/the year, are set out in the relevant Appendix. Where a Product is newly established the Manager will make a best estimate of the ongoing charges and keep such estimate under review. The establishment costs of a Product will also be included in the ongoing charges calculation. Ongoing expenses are generally payments deducted from the assets of a Product where these are permitted by the Trust Deed, the Code and the law. These include all types of cost borne by a Product, whether incurred in its operation or the remuneration of any party. The estimated or actual ongoing charges do not represent the estimated or actual tracking error, and the estimated or actual annual average daily ongoing charges do not represent the estimated or actual annual average daily tracking error.

Promotional Expenses

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

Swap Costs borne by the Product

Apart from the ongoing fees payable by a Product, there may be swap costs charged by the Swap Counterparties which are not deducted directly from the assets of a Product but reflected in the value of an Unfunded Swap, which forms part of the assets of a Product. The swap costs may have a substantial adverse impact on the Net Asset Value of a Product and the performance of a Product and may result in higher tracking error. The cost associated with unwinding of the Swaps may potentially be significant higher than the cost of trading the underlying securities, particularly during times of high market volatility, although no unwinding fees will be charged for unwinding a swap under normal market conditions. The Duties and Charges in relation to the calculation of the redemption proceeds may be adversely affected in the event of early unwinding of the Swaps prior to the maturity, in the case of market disruption events and under exceptional market conditions.

Other Expenses

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

Establishment Costs

The cost of establishing the Trust and the initial Product (namely XIE Shares Chimerica FTSE N Share Daily (2x) Leveraged Product* (*This is a synthetic product)) including the preparation of the initial issue of this Prospectus, inception fees, the costs of seeking and obtaining the listing and authorisation by the SFC and all initial legal and printing costs was approximately HKD2 million. Such establishment costs will be borne by the initial Product and is being amortised over the first 5 accounting periods of the initial Product (or such other period as determined by the Manager after consultation with the auditors).

The costs of establishing subsequent Products and the relevant amortisation policy in respect of such costs will be set out in the relevant Appendix of each Product. The attention of investors is drawn to the risk factor entitled “Valuation and Accounting Risk”.

Increase in Fees

The Management Fee in respect of each Product payable to the Manager and the Trustee as described above may be increased on one month’s notice to Unitholders, subject to the maximum rate of Management Fee set out in the Trust Deed. In the event that such fees are to be increased beyond the maximum rates set out in the Trust Deed, such increase will be subject to the Unitholders’ and the SFC’s approval.

RISK FACTORS

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

Risks Associated with Investment in Any Product

Investment Objective Risk

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

Market Risk

The Net Asset Value of each Product will change with changes in the market value of the Securities it holds and/or Swaps it enters into. 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 Product are based on the capital appreciation and income on the Securities it holds and/or Swaps it enters into, less expenses incurred. A Product's return may fluctuate in response to changes in such capital appreciation or income. Furthermore, each Product may experience volatility and decline in responses to changes in the relevant Index. Investors in the Products are exposed to the same risks that investors who invest directly in the underlying Securities would face. These risks include, for example, interest rate risks (risks of falling portfolio values in a rising interest rate market); income risks (risks of falling incomes from a portfolio in a falling interest rate market); and credit risk (risk of a default by the underlying issuer of a Security that forms part of the Index).

Asset Class Risk

Although the Manager is responsible for the continuous supervision of the investment portfolio of each Product, the returns from the types of Securities in which the Product invests (either directly or indirectly) and/or Swaps it enters into may underperform or outperform returns from other Securities markets or from investment in other assets. Different types of Securities tend to go through cycles of out-performance and underperformance when compared with other general Securities markets.

Issuer Risk

Investment performance depends on the performance of the individual Securities and/or Swaps in which each Product (either directly or indirectly) invests or enters into. Changes to the financial condition or credit rating of an issuer of those Securities or Swaps may cause the value of the Securities or Swaps (as the case may be) to decline.

Passive Investment Risk

The Products are not actively managed. Accordingly, the Products may be affected by changes in the market segments relating to the relevant Index or Indices. The Manager does not attempt to take defensive positions when the relevant Index value moves in an unfavourable direction. In such circumstances, investors may lose a significant part of their respective investments if the Index falls. Each Product invests (either directly or indirectly) in the Securities included in or representative of the relevant Index regardless of their investment merit. Investors should note that the lack of discretion on the part of the Manager to adapt to market changes due to the inherent investment nature of the Products will mean that falls in an Index in the case of a Product tracking the performance or the leveraged performance of the Index, or increases in an Index in the case of a Product tracking the inverse performance of the Index, are expected to result in corresponding falls in the Net Asset Value of the relevant Product, and investors may lose substantially all of their investment.

Possible Business Failure Risk

Global markets may experience very high level of volatility and an increased risk of corporate failures. The insolvency or other corporate failures of any one or more of the constituents of the Index may have an adverse effect on the performance of the Index and therefore the performance of a Product tracking the performance or the leveraged performance of the Index. You may lose money by investing in the Products.

Management Risk

Because there is no guarantee or assurance of exact or identical replication of the performance, the inverse performance or the leveraged performance (as the case may be) of the relevant Index by a Product at any time, a Product is subject to management risk. This is the risk that the Manager's strategy, the implementation of which is subject to a number of constraints, may not produce the intended results.

Concentration Risk

A Product may be subject to concentration risk as a result of tracking the performance, the inverse performance or the leveraged performance (as the case may be) of a single geographical region and the Index may be comprised of a limited number of stocks. Such a Product is likely to be more volatile than a broad-based fund, such as a global or regional equity fund, as it is more susceptible to fluctuations in value of the Index.

Tracking Error and Correlation Risks

Due to factors such as fees and expenses of a Product, transaction costs, costs of using financial derivatives, a temporary lack of liquidity in the markets for the Securities held by a Product, changes in the constituents of the relevant Index, rounding of Security prices, changes to the Indices, regulatory policies and the investment strategy adopted by the Manager, a Product's return may deviate from the performance, the leveraged performance or the inverse performance (as the case may be) of the relevant Index which the Product seeks to track, and the correlation between the performance of the relevant Product and the performance, leveraged performance or inverse performance (as the case may be) of the relevant Index may be reduced. Furthermore, derivatives do not always perfectly or even highly correlate or track the value of the securities, rates or indices they are designed to track. Consequently, a Product's use of Swaps or any other permitted derivative techniques may not always be an effective means of achieving its investment objective.

The Manager will monitor and seek to manage such risk in minimising tracking error. There can be no assurance of exact or identical replication at any time of the performance, the leveraged performance or the inverse performance (as the case may be) of the relevant Index.

Tracking Error arising from Invested Assets Risk

To the extent that the Invested Assets are not constituents of an Index and may be illiquid, a Product's tracking error risk will be significantly increased if an Unfunded Swap is terminated and as a result, the Product is required to liquidate its portfolio of Invested Assets in order to acquire alternative index exposure.

Trading Risk

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

Loss of Capital Risk

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

No Trading Market in the Units Risk

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

Indemnity Risk

Under the Trust Deed, the Trustee and the Manager have the right to be indemnified against any liability for breach of trust or any liability which by virtue of any rule of law would otherwise attach to them in performing their respective duties except for any liability to Unitholders for breaches of trust through fraud or negligence or any liability to Unitholders imposed by virtue of any Hong Kong law. Any reliance by the Trustee or the Manager on the right of indemnity would reduce the assets of the Products and the value of the Units.

Distributions May Not be Paid Risk

Whether a Product will pay distributions on Units is subject to the Manager's distribution policy (as described in the "Distribution Policy" section and in the relevant Appendix). If a Product intends to pay distributions, its ability to do so mainly depends on dividends declared and paid in respect of Securities held by the Product (if any). In addition, dividends received by a Product may be applied towards meeting the costs and expenses of that Product. Dividend payment rates in respect of such Securities will depend on factors beyond the control of the Manager or Trustee including, general economic conditions, and the financial position and dividend policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions.

Early Termination Risk

A Product may be terminated early under certain circumstances, including but not limited to if (i) after one year from the date of establishment of the Product, the aggregate Net Asset Value of all the Units in the relevant Product outstanding is less than HKD150 million, or (ii) any law or regulation is passed or amended or regulatory directive or order is imposed which renders it illegal or in the good faith opinion of the Manager, makes it impracticable or inadvisable to continue the relevant Product, or (iii) within a reasonable time and using commercially reasonable endeavours, the Manager is unable to find a person acceptable to act as the new trustee after deciding to remove the Trustee in accordance with the Trust Deed, or (iv) the relevant Index is no longer available for benchmarking or otherwise referencing or if the Units are no longer listed on the SEHK or any such other stock exchange from time to time determined by the Manager, or (v) at any time, the relevant Product ceases to have any Participating Dealer, or (vi) at any time, the relevant Product ceases to have any Market Maker; or (vii) the Manager is unable to implement its investment strategy in respect of the relevant Product, including where the relevant Product needs to enter into Swaps (or other financial derivative instruments or contracts) in order to pursue its investment strategy the relevant Product is unable to enter into or continue to maintain such Swap (or such other financial derivative instruments or contracts). Upon a Product being terminated, the Trustee will distribute the net cash proceeds (if any) derived from the realisation of the investments comprised in the relevant Product to the Unitholders in accordance with the Trust Deed. Investors may suffer a loss where a Product is terminated because any such amount distributed may be more or less than the capital invested by the Unitholder.

Foreign Exchange Risk

An investment in the Units of a Product may directly or indirectly involve exchange rate risk. The constituent Securities of an Index may be denominated in currencies other than the Base Currency of the Product. Fluctuations in the exchange rates between such currency and the Base Currency may have an adverse impact on the performance of the Product.

Risks Associated with Investing in Swaps

Limited Availability of Swaps Risk

The Manager's ability to manage a Product in accordance with its stated investment objective will depend upon the willingness and ability of potential Swap Counterparties to engage in Swaps with the Product linked to the performance of the underlying Securities of the relevant Index. A Swap Counterparty's ability to continue to enter into Swaps or other derivative transactions with a Product may be reduced or eliminated, which could have a material adverse effect on the relevant Product. Furthermore, Swaps are of limited duration and there is no guarantee that Swaps entered into with a Swap Counterparty will continue indefinitely. Accordingly, the duration of a Swap depends on, among other factors, the ability of the relevant Product to renew the expiration period of the relevant Swap at agreed upon terms. If a Product is unable to obtain sufficient exposure to the performance, the inverse performance or the leveraged performance (as the case may be) of the Index because of the limited availability of Swaps linked to the performance, the inverse performance or the leveraged performance (as the case may be) of the underlying Securities of the relevant Index, the Product could, among other alternatives, as a defensive measure, suspend creations until the Manager determines that the requisite swap exposure is obtainable. During the period that creations are suspended, the relevant Product could trade at a significant premium or discount to the Net Asset Value and could experience substantial redemptions. To the extent that such events result in a termination event under the Product's Swaps, the risks related to the limited availability of Swaps would be compounded and the Product may be adversely affected.

Potential Conflicts of Interest

A Connected Person of the Trustee may act as a Swap Counterparty, custodian and/or sub-custodian to the Trust or a Product. Connected Persons of the Trustee may also undertake activities which may give rise to potential conflicts of interest including, but not limited to, financing or banking transactions with the Trust or a Product or investing and dealing in Securities or assets (including sales to and purchases from the Trust or a Product) of the kind included in the Product's Invested Assets or Index. In addition, both the Trustee and a Swap Counterparty may belong to the Trustee's group (i.e. Citigroup Inc. and its subsidiaries) and such Swap Counterparty may also act as the Swap calculation agent. These may also give rise to potential conflicts of interest. The compliance procedures of the Trustee's group require effective segregation of duties and responsibilities between the relevant divisions within the Trustee's group. If any conflicts of interest arise in respect of any Product, the Trustee and the Manager, having regard to their respective obligations and duties, will vigorously manage any such conflict in the best interest of investors. Please also refer to "Calculation of Net Asset Value" to see the measures adopted by the Manager to mitigate the potential conflicts of interest which may arise from having the same party acting as the Swap Counterparty and the Swap calculation agent.

Counterparty Risk

Because a Swap is an obligation of the Swap Counterparty rather than a direct investment in the underlying index constituents, a Product may suffer losses potentially equal to, or greater than, the full value of the Swap if the Swap Counterparty fails to perform its obligations under the Swap as a result of bankruptcy or otherwise. Any loss would result in a reduction in the Net Asset Value of the relevant Product and will likely impair the Product's ability to achieve its investment objective. The counterparty risk associated with a Product's investments is expected to be greater than that may be encountered by most other funds because the Product expects to use Swaps as the principal means to gain exposure to the relevant Index. Despite the counterparty risk management measures in place, the management of each Product's net exposure to each Swap Counterparty to 0% is subject to settlement risks arising from settlement failures and market risks (including price movements prior to the

required cash payment by the Swap Counterparty to the Product). A Product's net exposure to each Swap Counterparty may exceed 0% if any such risks eventuate. The extent of a Product's potential loss arising in this regard is likely to be the amount of the Product's net counterparty exposure.

Counterparty to the Executing Broker Risk

Institutions, such as brokerage firms, banks, and broker-dealers, may enter into transactions with the Trust or a Product in relation to the sale and purchase of assets or Securities. Bankruptcy, fraud, regulatory sanction or a refusal to complete a transaction at one of these institutions could significantly impair the operational capabilities or the capital position of the Trust or a particular Product. The Trust intends to attempt to limit its investment transactions to well-capitalised and established banks and brokerage firms in an effort to mitigate such risks. There can be no guarantee that transactions between such counterparties will always be completed in the manner contemplated by, and favourable to, the Trust. Furthermore, the Trust is permitted to borrow in order to carry out its functions under the Trust Deed. Borrowings may be secured by the Securities or other assets of the Trust that are pledged to counterparties as collateral. If any exchange or clearing house becomes bankrupt or insolvent, the Trust could experience a loss of funds deposited through its broker as margin with the exchange or clearing house, a loss of any profits on its open positions on the exchange, and the loss of unrealised profits on its closed positions on the exchange.

Counterparty to the Custodian Risk

A Product will be exposed to the credit risk of any custodian or any depository used by the custodian where cash is held by the custodian or other depositories. In the event of the insolvency of the custodian or other depositories, a Product will be treated as a general creditor of the custodian or other depositories in relation to cash holdings of the relevant Product. The relevant Product's Securities are however maintained by the custodian or other depositories in segregated accounts and should be protected in the event of insolvency of the custodian or other depositories.

Liquidity Risk

Swaps may be subject to liquidity risk, which exists when a particular Swap is difficult to purchase or sell. If a Swap transaction is particularly large or if the relevant market is illiquid, it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price, which may result in significant losses to the relevant Product. In addition, a Swap may be subject to the Product's limitation on investments in illiquid Securities. Swaps may be subject to pricing risk, which exists when a particular Swap becomes extraordinarily expensive (or inexpensive) relative to historical prices or the prices of corresponding cash market instruments. The swaps market is largely unregulated. It is possible that developments in the swaps market, including potential government regulation, could adversely affect a Product's ability to terminate existing Swaps or to realise amounts to be received under such agreements.

Liquidity in relation to Market Disruption Events Risk

An exchange or market may close or issue trading halts on specific Securities, or the ability to buy or sell certain Securities or financial instruments may be restricted, which may result in a Product being unable to buy or sell certain Securities or financial instruments. In such circumstances, the relevant Product may be unable to (i) unwind its derivatives positions prior to maturity and/or (ii) rebalance its portfolio. It is possible that the occurrence of market disruption events could lead to substantial trading losses to a Product.

Valuation Risk

A Product's assets, in particular Swaps entered into by the relevant Product, involve derivative techniques that may be complex and specialised in nature. Valuations for such assets will only usually be available from a limited number of market professionals which frequently act as counterparties to the transactions to be valued. Such valuations are often subjective and there may be substantial differences between any available valuations. However the Manager will carry out an independent verification of this valuation on a daily basis as described under the section "Determination of Net Asset Value".

Unwinding of Swaps Risk

The Swaps entered into by a Product are securities issued by counterparties which are designed to synthetically replicate the performance of the relevant Index. Due to their synthetic nature, these Swaps may have costs associated with their early unwind that are potentially significantly higher than the costs of trading the underlying shares, particularly during times of high market volatility. These costs can also vary significantly through time. Factors influencing this cost differential include stock market volatility and costs associated with unwinding the Swaps prior to maturity, such as the cost of unwinding the hedging positions associated with the Swaps. Such costs may vary depending on market conditions and are beyond the control of the Manager. Hence, (i) in case of any market disruption event, under exceptional market conditions, a Product may trade at a significant premium or discount to its Net Asset Value; (ii) in the event of cash redemption by Participating Dealers, the redemption proceeds payable to investors may deviate significantly from the value of the underlying shares due to such costs, especially in the case of any market disruption events such as a market wide circuit breaker or other arrangements which cause the relevant market to close before the scheduled closing time, leading to a loss to investors; and (iii) in the event of termination of a Product, the amount of net cash proceeds (if any) derived from the realisation of the Swaps investments comprised in the Product paid to investors may be significantly below the value of the underlying shares, leading to a loss to investors.

Derivative Instruments Risk

The Manager may invest a Product in constituents of the relevant Index through derivative instruments. A derivative instrument is a financial contract or instrument the value of which depends on, or is derived from, the value of an underlying asset such as a Security or an index and so has a high degree of price variability and is subject to occasional rapid and substantial changes. Compared to conventional Securities, derivative instruments can be more sensitive to changes in interest rates or to sudden fluctuations in market prices due to both the low margin deposits required, and the extremely high degree of leverage involved in their pricing. As a result, a relatively small price movement in a derivative instrument may result in immediate and substantial loss (or gain) to the relevant Product. The relevant Product's losses may be greater if it invests in derivative instruments than if it invests only in conventional Securities.

There may also be no active market in derivative instruments and therefore investment in derivative instruments can be illiquid. In order to meet redemption requests, the relevant Product may rely upon the issuer of the derivative instruments to quote a price to unwind any part of the derivative instruments that will reflect the market liquidity conditions and the size of the transaction.

In addition, many derivative instruments are not traded on exchanges. As a result, if the relevant Product engages in transactions involving derivative instruments, it will be subject to the risk of the inability or refusal to perform such contracts by the counterparties with which the relevant Product trades, and as such the relevant Product may suffer a total loss of the relevant Product's interest in the derivative instrument. This risk is also aggregated by the fact that over-the-counter derivatives markets are generally not regulated by government authorities and participants in these markets are not required to make continuous markets in the contracts they trade.

An investment in the derivative instruments does not entitle the derivative instruments holder to the beneficial interest in the shares nor to make any claim against the company issuing the shares. There can be no assurance that the price of the derivative instruments will equal the underlying value of the company or securities market that it may seek to replicate.

The exposure of a Product to derivative instruments is also subject to the applicable investment restrictions set out in this Prospectus and the relevant Appendix.

Legal Risk

The characterisation of a transaction or a party's legal capacity to enter into the Swaps could render the relevant Swaps unenforceable. The insolvency or bankruptcy of the Swap Counterparty(ies) may also affect the enforceability of contractual rights.

Risks Associated with Market Trading

Absence of Active Market and Liquidity Risks

Although Units of each Product are listed for trading on the SEHK, there can be no assurance that an active trading market for such Units will develop or be maintained. In addition, if the underlying Securities which comprise the Products 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 Units at the desired price. If an investor needs to sell Units at a time when no active market for them exists, the price received for the Units – assuming an investor is able to sell them – is likely to be lower than the price received if an active market did exist.

Suspension of Trading Risk

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

Effect of Redemptions Risk

If significant redemptions of Units are requested by the Participating Dealers, it may not be possible to liquidate the relevant Product'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 Product then in issue (or such higher percentage as the Manager may determine) may be deferred.

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

Units May Trade at Prices Other than Net Asset Value Risk

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

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. In order to minimise the bid/ask spread, the Manager will ensure that there is at all times at least one Market Maker for the Units, whose obligations will include quoting bid and offer prices on the SEHK with the intention of providing liquidity and facilitating efficient trading.

Restrictions on Creation and Redemption of Units Risk

Investors should note that a Product 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 Product may only be created and redeemed in Application Unit sizes directly by a Participating Dealer (either on its own account or on behalf of an investor through a stockbroker which has opened an account with the Participating Dealer). Other investors may only make a request (and if such investor is a retail investor, through a stockbroker which has opened an account with a Participating Dealer) to create or redeem Units in Application Unit sizes through a Participating Dealer which reserves the right to refuse to accept a request from an investor to create or redeem Units under certain circumstances. Alternatively, investors may realise the value of their Units by selling their Units through an intermediary such as a stockbroker on the SEHK, although there is a risk that dealings on the SEHK may be suspended. Please refer to the section headed "Creations and Redemptions (Primary Market)" for details in relation to the circumstances under which creation and redemption applications can be rejected.

Borrowing Risks

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

Cost of Trading Units Risk

As investors will pay certain charges (e.g. trading fees and brokerage fees) to buy or sell Units on the SEHK, investors may pay more than the Net Asset Value per Unit when buying Units on the SEHK, and may receive less than the Net Asset Value per Unit when selling Units on the SEHK. In addition, investors on the secondary market will also incur the cost of the trading spread, being the difference between what investors are willing to pay for the Units (bid price) and the price at which they are willing to sell Units (ask price).

No Right to Control the Product's Operation Risk

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

Secondary Market Trading Risk

Units in a Product may trade on the SEHK when the relevant Product 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 relevant Product accepts subscription and redemption orders.

Reliance on the Manager Risk

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

Reliance on Market Makers Risk

Although it is a requirement that the Manager ensures that at least one Market Maker will maintain a market for the Units of each Product, it should be noted that a Product may be required by the SFC to be terminated if there is no Market Maker for the Units of the relevant Product. The Manager will seek to mitigate this risk by ensuring at least one Market Maker for the Units of each Product gives not less than 3 months' notice prior to terminating market making under the relevant market making agreement(s). It is possible that there is only one SEHK Market Maker to a Product 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. There is also a risk that the Market Makers may only offer a relatively wide spread on a swap-based Product that tracks the inverse or leveraged performance of an index.

Reliance on Participating Dealers Risk

The creation and redemption of Units may only be effected through Participating Dealers. A Participating Dealer may charge a fee for providing this service. Participating Dealers will not be able to create or redeem Units during any period when, amongst other things, dealings on the SEHK are restricted or suspended, settlement or clearing of Securities through CCASS is disrupted or the Index is not compiled or published. In addition, Participating Dealers will not be able to issue or redeem Units if some other event occurs that impedes the calculation of the Net Asset Value of the relevant Product or disposal of the relevant Product's Securities cannot be effected. Since the number of Participating Dealers at any given time will be limited, and there may even be only one Participating Dealer at any given time, there is a risk that investors may not always be able to create or redeem Units freely. Where a Participating Dealer appoints an agent or delegate (who is a CCASS participant) to perform certain CCASS-related functions, if the appointment is terminated and the Participating Dealer fails to appoint an alternative agent or delegate, or if the agent or delegate ceases to be a CCASS participant, the creation or realisation of Units by such Participating Dealer may also be affected.

Trading Time Differences Risk

As a stock exchange or futures exchange may be open when Units are not priced, the value of any Security which comprises the Index may change when investors may not be able to buy or sell Units. Further the price of Securities may not be available during part of the SEHK trading day due to trading hour differences which may result in the trading price of Units deviating from the Net Asset Value per Unit.

Risks Associated with the Indices

Fluctuations Risk

The performance of Units should, before fees and expenses, correspond closely with the performance, the inverse performance or the leveraged performance (as the case may be) of the relevant Index. If the relevant Index experiences volatility, the price of the Units will vary and may decline accordingly.

Licence to Use Index May Be Terminated Risk

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

Compilation of Index Risk

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

Composition of an Index May Change Risk

The Securities constituting an Index will change as the Securities of the Index are delisted, or as the Securities mature or are redeemed or as new Securities are included in the Index or where the methodology of the Index is changed by the Index Provider. When this happens the weightings or composition of the Securities owned by the Products (either directly or indirectly) will change as considered appropriate by the Manager to achieve the investment objective. Thus, an investment in Units will generally reflect the performance, the leveraged performance or the inverse performance (as the case may be) of the relevant Index as its constituents change, and not necessarily the way the relevant Index is comprised at the time of an investment in Units.

Difficulties in Valuation of Investments Risk

Securities acquired on behalf of a Product 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 Product's portfolio Securities is available (for example, when the secondary markets on which a Security is traded have become illiquid) the Manager may apply valuation methods to ascertain the fair value of such Securities, pursuant to the Trust Deed.

Risks Associated with Regulation

Withdrawal of SFC Authorisation Risk

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

General Legal and Regulatory Risk

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

Units May be Delisted from the SEHK Risk

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

Taxation Risk

Investing in a Product 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.

Legal and Compliance Risk

Domestic and/or international laws or regulations may change in a way that adversely affects the Trust and/or the Products. Differences in laws between jurisdictions (e.g. Hong Kong and the United States) may make it difficult for the Trustee or Manager to enforce legal agreements entered into in respect of the Products. The Trustee and the Manager reserve the right to take steps to limit or prevent any adverse effects from changes to laws or their interpretation, including altering investments of or restructuring the Products.

FATCA Related Risks

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

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

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

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

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

Valuation and Accounting Risk

The Manager intends to adopt IFRS in drawing up the annual financial accounts of the Products. However, the calculation of the Net Asset Value in the manner described under the section on “Determination of Net Asset Value” will not necessarily be in compliance with generally accepted accounting principles, that is, IFRS. Investors should note that under IFRS, establishment costs should be expensed as incurred and that amortisation of the expenses of establishing sub-funds is not in accordance with IFRS; however, the Manager has considered the impact of such non-compliance and has considered that it will not have a material impact on the financial statements of Products. To the extent that the basis adopted by a Product for subscription and redemption purposes deviates from IFRS, the Manager may make necessary adjustments in the annual financial accounts for the financial accounts to be in compliance with IFRS. Any such adjustments will be disclosed in the annual financial accounts, including a reconciliation.

Contagion Across Products Risk

The Trust Deed allows the Trustee and the Manager to issue Units in separate Products as separate trusts. The Trust Deed provides for the manner in which the liabilities are to be attributed across the various Products under the Trust (liabilities are to be attributed to the specific Product 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 Product (in the absence of the Trustee granting that person a security interest). However, the Trustee will have a right of reimbursement and indemnity out of the assets of the Trust as a whole or any part thereof, against any action, costs, claims, damages, expenses or demands relating to the Trust as a whole, which may result in Unitholders of one Product being compelled to bear the liabilities incurred in respect of another Product in which such Unitholders do not themselves own Units, if there are insufficient assets in that other Product to satisfy the amount due to the Trustee or the Manager (as the case may be). Accordingly, there is a risk that liabilities of one Product may not be limited to that particular Product and may be required to be paid out of one or more other Products.

Non-Recognition of Product Segregation Risk

The assets and liabilities of each of the Products under the Trust will be tracked, for book keeping purposes, separately from the assets and liabilities of any other Products, and the Trust Deed provides that the assets of each of the Products should be segregated as separate trusts from each other. There is no guarantee that the courts of any jurisdiction outside Hong Kong will respect the limitations on liability and that the assets of any particular Product will not be used to satisfy the liabilities of any other Product.

MANAGEMENT OF THE TRUST

The Manager and Listing Agent

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

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

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

In addition to the first Product, namely XIE Shares Chimerica FTSE N Share Daily (2x) Leveraged Product* (*This is a synthetic product), the Manager is also the management company of the XIE Shares Trust II and its 3 sub-funds, which are physical ETFs listed on the SEHK: XIE Shares FTSE Chimerica ETF, XIE Shares CLSA GARY ETF and XIE Shares FTSE Gold Miners ETF.

The Directors of the Manager are:

(a) BLAND, Tobias Christopher James

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

(b) LAU, Che Loon David

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

The Trustee

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

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

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

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

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

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

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

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

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

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

The Administrator and Custodian

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

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

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

The Registrar

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

The Service Agent

HK Conversion Agency Services Limited acts as Service Agent under the terms of the Service Agreement entered into among the Manager, the Trustee, the Registrar, the Participating Dealer, the Service Agent and HKSCC. The Service Agent performs, through HKSCC, certain of its services in connection with the creation and redemption of Units in the Product by Participating Dealers.

The Auditor

The Manager has appointed Ernst & Young to act as the auditor of the Trust and the Products (the “Auditor”). The Auditor is independent of the Manager and the Trustee.

The Participating Dealers

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

The Market Makers

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

Subject to applicable regulatory requirements, the Manager will ensure that there is at all times at least one Market Maker for Units. If the SEHK withdraws its permit to the existing Market Maker(s), the Manager will endeavour to ensure that there is at least one other Market Maker per Product to facilitate the efficient trading of Units. The Manager will seek to ensure that at least one Market Maker per Product gives not less than 3 months' notice prior to terminating market making under the relevant market making agreement. The latest list of Market Makers for each Product is available at www.hkex.com.hk and www.xieshares.com.hk (the contents of which and of any other website referred to in this Prospectus have not been reviewed by the SFC). Please refer to the section on "Website Information" for the warning and the disclaimer regarding information contained in such website.

Conflicts of Interest and Soft Dollars

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

In addition:

- (a) The Manager or any of its Connected Persons may purchase and sell investments for the account of a Product as agent for the Product.
- (b) The Trustee, the Manager and any of their Connected Persons may contract or enter into any financial, banking or other transaction with one another or with any Unitholder or any company or body any of whose shares or securities form part of the relevant Product's assets.
- (c) The Trustee or the Manager or any of their Connected Persons may become the owner of Units and hold, dispose or otherwise deal with them with the same rights which it would have had if it had not been the Trustee or the Manager or any of their Connected Persons.
- (d) The Trustee, the Manager and any of their Connected Persons may buy, hold and deal in any securities, commodities or other property for their own account or for the account of their other customers notwithstanding that similar securities, commodities or other property may be held by the relevant Product.

- (e) Any arrangements for the borrowing or deposit of any monies for the account of a Product may be made with any of the Trustee, the Manager, any investment adviser or any of their Connected Persons being a banker or other financial institution provided that such person shall charge or pay (as the case may be) interest or fees at a rate or amount no higher (in the case of a borrowing) or lower (in the case of a deposit) than the prevailing commercial rates or amounts for transactions of a similar size and duration, in the same currency and with institutions of similar standing.
- (f) Neither the Trustee nor the Manager nor any of their Connected Persons shall be liable to account to each other or to any Product or to the Unitholders for any profits or benefits made or derived from or in connection with any such transaction mentioned above.

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

Subject to applicable rules and regulations, the Manager, its delegate or any of its Connected Persons may enter into portfolio transactions for or with a Product as agent in accordance with normal market practice, provided that commissions charged to the Product in these circumstances do not exceed customary full service brokerage rates. If a broker does not provide research or other lawful services in addition to brokerage execution, such broker will generally charge a brokerage commission that is discounted from customary full service brokerage rates. Where the Manager invests a Product in shares or units of a collective investment scheme managed by the Manager, its delegates or any of its Connected Persons, the manager of the scheme in which the investment is being made by the Product must waive any preliminary or initial charge which it is entitled to charge for its own account in relation to the acquisition of shares or units and there must be no increase in the overall total of annual management fees (or other costs and charges payable to the Manager or any of its Connected Persons) borne by the relevant Product.

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

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

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

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

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

STATUTORY AND GENERAL INFORMATION

Reports and Accounts

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

The first audited annual accounts and the first half-yearly unaudited reports for the Trust will be for the period ending 31 December 2017 and half year ending 30 June 2017 respectively. Only an English version of the audited annual accounts and the half-yearly unaudited reports of the Products will be available. Printed copies may be requested free of charge from the Manager by contacting it, as described below under "Notices".

The accounts and reports provide details of the assets of each Product and the Manager's statement on transactions during the period under review (including a list of any constituent Securities of the relevant Index, if any, that each accounts for more than 10% of the weighting of the relevant Index as at the end of the relevant period and their respective weighting showing any limits adopted by the relevant Product have been complied with). The accounts and reports shall also provide a comparison of each Product's performance and the actual relevant Index performance over the relevant period and such other information as is required under the Code. Unitholders will be given at least one month's prior notice of any change to the mode of delivery of the Trust's audited annual accounts and half-yearly unaudited reports.

Trust Deed

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

Indemnities of the Trustee and Manager

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

Modification of the Trust Deed

The Trustee and the Manager may agree to modify, alter or add to the provisions of the Trust Deed by supplemental deed provided that in the opinion of the Trustee and the Manager such modification, alteration or addition (i) does not materially prejudice the interests of Unitholders, does not operate to release to any material extent the Trustee or the Manager or any other person from any responsibility to the Unitholders and (with the exception of the costs incurred in connection with the relevant supplemental deed) does not increase the costs and charges payable out of the assets of the Products or (ii) is necessary in order to make possible compliance with any fiscal, statutory or official requirement (whether or not having the force of law) or (iii) is made to correct a manifest error. In all other cases, modifications, alterations and additions require the sanction of an extraordinary resolution of the Unitholders affected. The SFC must (where such approval is required) also give its prior approval to the amendments to the Trust Deed.

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

Meetings of Unitholders

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

Voting Rights

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

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

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

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

Termination

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

The Manager may terminate the Trust if: (i) after one year from the date of the Trust Deed, the aggregate Net Asset Value of all the Units in each Product outstanding is less than HKD150 million; (ii) any law or regulation is passed or amended or any regulatory directive or order is imposed that affects the Trust and which renders the Trust illegal or in the good faith opinion of the Manager, makes it impracticable or inadvisable to continue the Trust; or (iii) within a reasonable time and using commercially reasonable endeavours, the Manager is unable to find a person acceptable to act as the new trustee after deciding to remove the Trustee in accordance with the Trust Deed.

The Manager may, in its absolute discretion, by notice in writing to the Trustee, terminate a Product if: (i) after one year from the date of establishment of the Product, the aggregate Net Asset Value of all the Units in the relevant Product outstanding is less than HKD150 million; (ii) any law or regulation is passed or amended or any regulatory directive or order is imposed that affects the relevant Product and which renders the relevant Product illegal or in the good faith opinion of the Manager makes it impracticable or inadvisable to continue that Product; (iii) within a reasonable time and using commercially reasonable endeavours, the Manager is unable to find a person acceptable to act as the new trustee after deciding to remove the Trustee in accordance with the Trust Deed; (iv) its Index is no longer available for benchmarking or otherwise referencing or if the Units of the relevant Product are no longer listed on the SEHK or any such other stock exchange from time to time determined by the Manager; (v) at any time, the relevant Product ceases to have any Participating Dealer; (vi) the Manager is unable to implement its investment strategy in respect of the relevant Product; or (vii) at any time, the relevant Product ceases to have any Market Maker. Further, the Unitholders may at any time authorise termination of the Trust or the relevant Products by extraordinary resolution.

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

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

Distribution Policy

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

Inspection of Documents

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

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

Part XV of the SFO

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

Anti-money Laundering Regulations

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

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

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

Automatic Exchange of Financial Account Information

The Inland Revenue (Amendment) (No.3) Ordinance (the “Ordinance”) came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information (“AEOI”). The AEOI requires financial institutions (“FIs”) in Hong Kong to collect certain required information relating to non-Hong Kong tax residents holding financial accounts with the FIs, and report such information to the Hong Kong Inland Revenue Department (“IRD”) for the purpose of AEOI exchange. Generally, the information will be reported and automatically exchanged in respect of account holders that are tax residents in an AEOI partner jurisdiction(s) with which Hong Kong has a Competent Authority Agreement (“CAA”) in force; however, a Product and/or its agents may further collect information relating to residents of other jurisdictions.

The Trust is a collective investment scheme within the definition set out in the SFO that is resident in Hong Kong, and is accordingly an investment entity with obligations to report as a financial institution in accordance with the Ordinance. This means that the Trust and/or its agents shall collect and provide to the IRD the required information relating to Unitholders and prospective investors.

The Ordinance requires the Trust to, amongst other things: (i) register the Trust as a “Reporting Financial Institution” with the IRD; (ii) conduct due diligence on its accounts (i.e. Unitholders) to identify whether any such accounts are considered “Reportable Accounts” under the Ordinance; and (iii) report to the IRD the required information on such Reportable Accounts. The IRD is expected on an annual basis to transmit the required information reported to it to the government authorities of the jurisdictions with which Hong Kong has a CAA in force. Broadly, AEOI contemplates that Hong Kong FIs should report on: (i) individuals or entities that are tax residents in a jurisdiction with which Hong Kong has a CAA in force; and (ii) certain entities controlled by individuals who are tax residents in such jurisdictions. Under the Ordinance, details of Unitholders, including but not limited to their name, place of birth, address, tax residence, tax identification number (if any), account number, account balance/value, and income or sale or realisation proceeds, may be reported to the IRD and subsequently exchanged with government authorities in the relevant jurisdictions.

By investing in a Product and/or continuing to invest in a Product, Unitholders acknowledge that they may be required to provide additional information to the Trust, the Manager and/or its agents in order for the Trust to comply with the Ordinance. The Unitholder’s information (and information on controlling persons including beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such Unitholders that are passive non-financial entities), may be transmitted by the IRD to authorities in other jurisdictions. The failure of a Unitholder to provide any requested information, may result in the Trust, the Manager and/or other agents of the Trust taking any action and/or pursue remedies at their disposal including, without limitation, mandatory redemption or withdrawal of the Unitholder concerned in accordance with applicable laws and regulations, exercised by the Manager acting in good faith and on reasonable grounds.

Each Unitholder and prospective investor should consult its own professional advisor(s) on the administrative and substantive implications of AEOI on its current or proposed investment in the Product(s).

Liquidity Risk Management

The Manager has established a liquidity management policy which enables it to identify, monitor and manage the liquidity risks of the Products and to ensure that the liquidity profile of the investments of the relevant Product will facilitate compliance with such Product’s obligation to meet redemption requests. Such policy, combined with the liquidity management tools of the Manager, also seeks to achieve fair treatment of Unitholders and safeguard the interests of remaining Unitholders in case of sizeable redemptions.

The Manager's liquidity policy takes into account the investment strategy, the liquidity profile, the redemption policy, the dealing frequency, the ability to enforce redemption limitations and the fair valuation policies of the Products. These measures seek to ensure fair treatment and transparency for all investors.

The liquidity management policy involves monitoring the profile of investments held by each Product on an on-going basis to ensure that such investments are appropriate to the redemption policy as stated under the section headed "Redemption of Units through Participating Dealers", and will facilitate compliance with each Product's obligation to meet redemption requests. Further, the liquidity management policy includes details on periodic stress testing carried out by the Manager to manage the liquidity risk of the Products under normal and exceptional market conditions.

As a liquidity risk management tool, the Manager may limit the number of Units of a Product redeemed on any Dealing Day to Units representing 10% (or such higher percentage as the Manager may determine in respect of the Product) of the total number of Units in such a Product then in issue (subject to the conditions under the section headed "Deferred Redemption").

Material Changes to an Index

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

Replacement of an Index

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

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

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

Information Available on the Internet

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

- (a) this Prospectus including the product key facts statements (as revised from time to time) in respect of the Products;
- (b) the latest annual audited accounts and interim half yearly unaudited report in respect of the Trust and each Product (in English only);
- (c) the last closing Net Asset Value of each Product and the last closing Net Asset Value per Unit of each Product in HKD;
- (d) the near real time estimated Net Asset Value per Unit of each Product (updated every 15 seconds throughout each Dealing Day in HKD);
- (e) the latest list of the Participating Dealers and Market Makers;
- (f) any notices relating to material changes to any Product which may have an impact on its investors such as material alterations or additions to this Prospectus or the constitutive documents of the Trust and/or a Product;
- (g) any public announcements made by the Manager in respect of each Product, including information with regard to a Product, its Index and (if applicable) the relevant Replication Index (as defined in the relevant Appendix), and notice of the suspension of creations and redemptions of its Units, the suspension of the calculation of its Net Asset Value, changes in its fees and the suspension and resumption of trading in its Units;
- (h) the ongoing charges figures and the past performance information of each Product;
- (i) the actual daily tracking difference, actual average daily tracking difference and tracking error of each Product;
- (j) the last closing level of the relevant Index and (if applicable) the relevant Replication Index (as defined in the relevant Appendix) of each Product;
- (k) a "performance simulator" of each Product which allows investors to select a historical time period and simulate the performance of the relevant Product during that period based on historical data; and
- (l) in respect of each Product:
 - (i) a list of Swap Counterparties and their guarantors (if applicable), including hyperlinks to their websites (updated on a weekly basis);
 - (ii) the gross and net counterparty exposures to each Swap Counterparty (updated on a daily basis);
 - (iii) overall total Invested Assets expressed as a percentage of the Product's Net Asset Value (updated on a daily basis);
 - (iv) the top 10 holdings (including the name, percentage of the Product's Net Asset Value, type, primary listing (if applicable) and country of issuer of each holding) in the Invested Assets held by the Product (updated on a weekly basis);

- (v) composition of the Invested Assets (updated on a daily basis); and
- (vi) pictorial presentation of Invested Assets information by way of pie charts showing the following (updated on a weekly basis):
 - (1) a breakdown by asset type (e.g. equity, bond, and cash and cash equivalents);
 - (2) for equities, a further breakdown by primary listing, index constituents and sector; and
 - (3) for bonds, a further breakdown by type of bonds, country of issuer/guarantor and credit rating.

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

Notices

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

Manager

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

Trustee

Cititrust Limited
 50/F, Champion Tower
 Three Garden Road
 Central
 Hong Kong

Website Information

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

TAXATION

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

Taxation of the Trust and Products

Profits Tax

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

Taxation of the Unitholders

Profits Tax

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

Distributions by the Trust/Products should generally not be subject to Hong Kong profits tax in the hands of the Unitholders according to the practice of the IRD (as at the date of this Prospectus).

Stamp Duty

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

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

Stamp duty payable in respect of any contract notes or instruments of transfer relating to transactions in the shares or units of an exchange traded fund (as defined in Part 1 to Schedule 8 of the Stamp Duty Ordinance (Cap. 117) of Hong Kong) on the SEHK is not payable. Accordingly transfers of Units in any Product will not attract stamp duty and no stamp duty is payable by Unitholders on any transfer of Units in any Product.

FATCA and Compliance with US Withholding Requirements

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

FATCA withholding applies to (i) payments of US source income, including US source dividends and interest, made after 30 June 2014; and (ii) payments of gross proceeds of sale or other disposal of property that can produce US source income after 31 December 2018. The 30% withholding may also apply to payments otherwise attributable to US source income (also known as “foreign passthru payments”) from 1 January 2019 at the earliest and is subject to further regulations. Withholding agents (which includes participating FFIs) will generally be required to begin withholding on withholdable payments made after 30 June 2014.

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

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

The Trust and the initial Product (namely the XIE Shares Chimerica FTSE N Share Daily (2x) Leveraged Product* (*This is a synthetic product)) have each been registered with the IRS as a Reporting Model 2 FFI. The Trust's Global Intermediary Identification Number is GCGBMM.99999.SL.344 and XIE Shares Chimerica FTSE N Share Daily (2x) Leveraged Product*'s Global Intermediary Identification Number is 8PZG9T.99999.SL.344.

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

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

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

PART 2 – SPECIFIC INFORMATION RELATING TO EACH PRODUCT

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

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

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

APPENDIX 1: XIE SHARES CHIMERICA FTSE N SHARE DAILY (2X) LEVERAGED PRODUCT*

*(*This is a synthetic product)*

Key Information

Set out below is a summary of key information in respect of the XIE Shares Chimerica FTSE N Share Daily (2x) Leveraged Product* (*This is a synthetic product) (the “Product”) which should be read together with the full text of this Appendix and the Prospectus.

Investment Objective	To provide investment results that, before fees and expenses, closely correspond to the performance of the FTSE N Share 2x Daily Leveraged Index (the “Index”), which aims to reflect the leveraged, two times (2x) Daily performance of the FTSE China N Shares All Cap Capped Net Tax Index (the “Replication Index”).
Index	FTSE N Share 2x Daily Leveraged Index (with the intra-day reset mechanism and procedure####)
Replication Index	FTSE China N Shares All Cap Capped Net Tax Index
Listing Date (SEHK)	8 February 2017
Exchange Listing	SEHK – Main Board
Stock Code	07210
Short Stock Name	XL2 XIE CHIMER
Trading Board Lot Size	200 Units
Base Currency	HKD
Trading Currency	HKD
Distribution Policy	The Manager does not intend to distribute to Unitholders
Creation/Redemption Policy	Cash (HKD or USD) only
Application Unit Size for Creation and Redemption (only by or through Participating Dealers)	Minimum 250,000 Units (or multiples thereof)
Dealing Deadline for Creation and Redemption	3:00 p.m. on the relevant Dealing Day, or such other time as the Manager (with the approval of the Trustee) may determine

Ongoing Charges Over a Year (including the Management Fee)[#] (Annual Average Daily Ongoing Charges^{##})	Estimated to be 1.88% (0.00752%)
Estimated Annual Average Daily Tracking Difference^{###}	Estimated to be -0.01%
Management Fee	Currently 0.88% per year of the Net Asset Value
Investment Strategy	Synthetic replication strategy
Financial Year End	31 December
Website	www.xieshares.com.hk/li

This is an estimate only because the Product is newly established. It represents estimated ongoing expenses chargeable to the Product as a percentage of estimated average Net Asset Value of the Product. The actual figure may be different from the estimated figure and may vary from year to year. The estimated ongoing charges do not represent the estimated tracking error. It does not include any swap costs. Please refer to the section headed “Swap costs borne by the Product” in Part 1 of this Prospectus for details.

This is an estimate only because the Product is newly established. It represents the estimated ongoing expenses divided by the anticipated number of dealing days during the first year of listing as a percentage of the estimated average Net Asset Value of the Product. The actual figure may be different from the estimated figure and may vary from year to year. The estimated annual average daily ongoing charges do not represent the estimated tracking error. It does not include any swap costs borne by the Product and reflected in the value of the swap transaction. Please refer to the section headed “Swap costs borne by the Product” in Part 1 of this Prospectus for details.

This is an estimated annual average daily tracking difference. Investors should refer to the Product’s website for information on the actual daily tracking difference and the actual average daily tracking difference.

Please refer to the section headed “Daily Reset and Intra-Day Reset Mechanism and Procedure” for details.

What is the Investment Objective?

The investment objective of the Product is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index, which aims to reflect twice (2x) the Daily performance of the Replication Index less financing cost and liquidity spread. There can be no assurance that the Product will achieve its investment objective. **The Product does not seek to achieve its stated investment objective over a period of time greater than one day.**

What is the Investment Strategy?

The Manager intends to adopt a synthetic replication swap-based investment strategy and use an Unfunded Swap structure to achieve the investment objective of the Product. Please refer to the section “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus for an explanation on this strategy.

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

The Manager will manage the Product with the objective to reduce to 0% the Product's single counterparty net exposure as at each Valuation Point, on the basis that where the Product's net exposure to a Swap Counterparty exceed 0% as at a Valuation Point, the Manager will give notice to the relevant Swap Counterparty, generally given before 12:00 noon of the next Dealing Day (T+1) (Hong Kong time), requiring it to make a cash payment to the Trustee for the benefit of the Product so that the net exposure of the Product to each Swap Counterparty is limited to no more than 0% of its Net Asset Value. If a Swap Counterparty's net exposure to the Product exceeds 0% as at a Valuation Point, the Manager may receive notice before 12:00 noon of the next Dealing Day (T+1) (Hong Kong time) from the relevant Swap Counterparty requiring the Product to make a cash payment. In either case, the settlement of cash payment is expected to occur by the end of the same Dealing Day (T+1) (Hong Kong time) following the receipt of notification from the Manager or the relevant Swap Counterparty, as the case may be. In the event that any relevant market of the settlement currency is not open (such as on a public holiday of the relevant market), settlement is deferred until the next Dealing Day (Hong Kong time) when such relevant market is open. The management of counterparty risk exposure in this manner, however, is subject to market risk, price movements and settlement risk.

The Manager will publish, inter alia, the latest list of the identity of the Swap Counterparty of the Product, as well as the Product's gross and net exposure to each such Swap Counterparty, on the Trust's website at www.xieshares.com.hk/li.

Distribution Policy

The Manager does not intend to distribute to Unitholders.

The Index

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

General Information on the Index

The FTSE N Share 2x Daily Leveraged Index (the "Index") is a leveraged index which aims to reflect twice (2x) the Daily performance of the FTSE China N Shares All Cap Capped Net Tax Index (the "Replication Index") after incorporating leverage financing costs and liquidity spread, as described below. The Index is reset daily and is calculated in real time every 15 seconds based on the Replication Index. The Index applies stop losses to limit downside risk during extreme market conditions. The Index was launched on 11 July 2016 with a base level of 10,000 on 15 October 2010. The Index is denominated in USD.

The Replication Index was launched on 1 December 2014 with a base level of 1,000 on 15 December 2006, and is denominated in USD. It is an index of the FTSE China Index Series and is derived from the FTSE Global Equity Index Series methodology. The Replication Index captures PRC related companies (which are companies incorporated outside the PRC but controlled by PRC entities, companies or individuals and a majority of whose revenue or assets are derived in the PRC) listed on the New York Stock Exchange (the “NYSE”), the NASDAQ exchange or the NYSE MKT that rank within the top 98% by full market capitalisation of the North America region universe (United States and Canada).

The Replication Index is a total net return index, meaning that the performance of the index constituents is calculated on the basis that any dividends and distributions are reinvested after withholding tax deductions. It is a free float adjusted market capitalisation index with a capping of 10% applied to a constituent’s weighting in the Replication Index. Individual constituent weights are capped on a quarterly basis when the Replication Index is rebalanced (and so between rebalances, a constituent’s weighting in the Replication Index may exceed 10% of the Replication Index). As at 18 December 2017, the Replication Index comprised 30 constituents with a total market capitalisation of approximately USD145,794 million.

Index Provider

FTSE International Limited is the Index Provider of the Index and the Replication Index. The Manager (and each of its Connected Persons) is independent of the Index Provider.

Index Methodology and Calculation

The Index is a leveraged index which aims to reflect twice (2x) the daily percentage change in the level of the Replication Index less an implied amount reflecting the financing cost to invest in the index portfolio and liquidity spread. The Index is calculated in real time every 15 seconds between 9:30 a.m. and 4:10 p.m. (US Eastern Time) based on the Replication Index. The rebalancing of the Index takes places daily.

Corporate actions and dividends are reflected as they occur in the Replication Index. Dividends used in the index total return calculations are those declared by the company and applied on the ex-dividend date.

The Index is calculated in 3 steps as follows:

1. calculate 2 times the return of the Replication Index;
2. minus the leverage financing costs, based on the annualised overnight unsecured lending rate (Federal Funds Effective Rate); and
3. minus the spread between the long term 12-month interest rate (12-month USD LIBOR) and the overnight interest rates (USD Overnight Indexed Swap (OIS) rate) to reflect the cost of long term financing.

The Index value is calculated as 1 plus the Index return since the start of the current calculation session multiplied by the previous session Index closing value, by the following formula:

$$LIDX_t = LIDX_s \times (1+r)$$

Where:

- LIDX_s = previous session Index value
- LIDX_t = current session Index value
- r = session return

The current session return consists of the leveraged return of the Replication Index less the financing costs and liquidity spread, and is calculated by the following formula:

$$r=(LIR_t - FC_{t,t-1} - LS_{t,t-1})$$

Where:

- LIR_t = current session Leveraged Index Return
- FC_{t,t-1} = financing cost
- LS_{t,t-1} = liquidity spread

The Leveraged Index Return is a multiple of 2 of the Replication Index return. The Leveraged Index Return is calculated relative to the previous day's closing Replication Index value.

$$LIR_t = \left[K * \left(\frac{TRN_t}{TRN_s} - 1 \right) \times 100\% \right]$$

Where:

- K = leverage factor, which is 2
- TRN_s = previous session Replication Index level
- TRN_t = most recent Replication Index level

The financing cost arises as a result of raising capital to undertake the required levels of leverage. The financing cost for the relevant number of calendar days is calculated by the following formula:

$$FC_{t,t-1} = \left[(K-1) \times \left(\frac{R_{t-1}}{\text{DayCountBasis}} \right) \times D_{t,t-1} \right]$$

Where:

- K = leverage factor, which is 2
- R_{t-1} = Federal Funds Effective Rate at t-1
- DayCountBasis = day count convention for the interest rates
number of calendar days between current session and previous calculation
- D_{t,t-1} = date

The liquidity spread is the difference between the 12-month interbank interest rate (12-month USD LIBOR) and the 12-month overnight indexed swap rate (USD Overnight Indexed Swap (OIS) rate). The liquidity spread for relevant calendar days is calculated by the following formula:

$$LS_{t,t-1} = (K-1) \times \left(\frac{SPRD}{DayCountBasis} \right) \times D_{t,t-1}$$

Where:

- K = leverage factor, which is 2
- SPRD = spread reflecting difference between the 12-month interbank rate (12-month USD LIBOR) and the 12-month overnight indexed swap rate (USD Overnight Indexed Swap (OIS) rate)
- DayCountBasis = day count convention for the liquidity spread
- D_{t,t-1} = number of calendar days between current session and previous calculation date

The SPRD is updated monthly and implemented after the close on the third Friday of the month and is effective from the next business day. The SPRD is calculated by FTSE Russell. Liquidity spread values can be found on www.ftserussell.com.

Illustration of Index Calculation

The following example illustrates the calculation of session return as at 30 March 2016 based on the information below:

- Leverage factor (K) = 2;
- Federal Funds Effective Rate as at 29 March 2016 (R_{t-1}) = 0.37%;
- DayCountBasis = 360;
- Spread (SPRD) = 0.659% (per FTSE Russell announcement as at 16 March 2016);
- Replication Index level as at 30 March 2016 (TRN_t) = 2132.15;
- Replication Index level as at 29 March 2016 (TRN_s) = 2106.77; and
- Number of calendar days between current session and previous calculation date (D_{t,t-1}) = 1

Steps	Calculation	Outcomes
Step 1: Calculate 2 times the return of the Replication Index	(a) Replication Index return: $= (2132.15/2106.77 - 1) \times 100\%$	(a) 1.2047%
	(b) Leveraged Index Return: $= 2 \times 1.2047\%$	(b) 2.4094%
Step 2: Minus the leverage financing costs, based on the annualised overnight unsecured lending rate (Federal Funds Effective Rate)	$(2-1) \times (0.37\%/360) \times 1$	0.0010%
Step 3: Minus the spread between overnight interest rates (USD Overnight Indexed Swap (OIS) rate) and the longer term 12-month interest rate (12-month USD LIBOR) to reflect the cost of long term financing	$(2-1) \times (0.659\%/360) \times 1$	0.0018%
Session return	$2.4094\% - 0.0010\% - 0.0018\%$	<u>2.4066%</u>

The above information is for illustration purpose only and is only relevant at the time specified above. The outcome in each step is rounded up to 4 decimal places and the rounded figure is used in the subsequent steps of the calculation as the case maybe.

In the event of overnight interest rate (Federal Funds Effective Rate) turning negative, the financing cost is set to zero. No additional financing cost is applied after an intra-day reset occurs.

Daily Reset and Intra-Day Reset Mechanism and Procedure

The Index is normally reset on a daily basis. Nonetheless, in order to mitigate the risk of total loss due to extreme market movements, an intra-day reset is triggered when (i) the decline in the Replication Index is greater than or equal to the predefined trigger level of 25%, and (ii) the time to the end of the day is greater than 17 minutes. To determine whether an intra-day reset is triggered, the most recent value of the Replication Index is compared to the previous session's final level. The previous session's final level is normally the previous trading day's closing level, but in the case of an intra-day reset being triggered, it is the minimum Replication Index value observed during the 15-minute Observation Period (as defined in (a) below).

If the intra-day reset procedure is invoked, the following process is followed:

- (a) The Index calculation is temporarily suspended for the duration of a 15-minute observation period (the "Observation Period").
- (b) The value of the Replication Index at the beginning of the Observation Period and all values of the Replication Index during the Observation Period are recorded.

- (c) The minimum value of the Replication Index recorded during the Observation Period determines the session’s closing value, denoted as “TRN_s”. The session’s closing value of the Replication Index (TRN_s) is then published.
- (d) The Index calculation is temporarily suspended for a further 2 minutes to allow the reset process to complete. The Index status is set to “R” and the Index continues to publish values based on the TRN_s.

The intra-day reset is carried out by simulating the beginning of a new business day. However no additional financing or liquidity costs are included. From the reset point onwards, the return on the Index is the leveraged return on the Replication Index less any rebalance costs associated with Index transaction costs.

The following example illustrates the calculation of the Index returns in the event the intra-day reset procedure is triggered at 10:30 a.m. during periods of extreme market movements where the decline in the Replication Index is greater than or equal to the predefined trigger level of 25%, based on the assumptions below:

- Previous session’s closing value of the Replication Index: 10,000
- Previous session’s closing value of the Index: 20,000
- Index calculation is temporarily suspended for the duration of a 15-minute Observation Period from 10:30 to 10:45
- Values of the Replication Index are recorded during the Observation Period and the minimum value recorded is 7,200
- Published session’s closing value of the Replication Index: 7,200
- Index value published upon completion of the intra-day reset procedure: $20,000 \times 1 + (2 \times (7,200/10,000 - 1) \times 100\%) = \mathbf{8,800}$

What happens if the Replication Index continues to <i>fall for another 10%</i> after the intra-day reset procedure is triggered?	
<p>With the intra-day reset mechanism:</p> <p>Closing value of the Replication Index: $= 10,000 \times (1 - 28\%) \times (1 - 10\%) = 6,480$</p> <p>Replication Index day return: $= 6,480/10,000 - 100\% = - 35.2\%$</p> <p>Upon completion of the intra-day reset procedure, the Index value is updated to 8,800.</p> <p>Closing Index level: $= 8,800 \times (1 + (2 \times -10\%)) = 7,040$</p> <p>Index day return: $= 7,040/20,000 - 100\% = - \mathbf{64.8\%}$</p>	<p>Without the intra-day reset mechanism:</p> <p>Closing value of the Replication Index: $= 10,000 \times (1 - 28\%) \times (1 - 10\%) = 6,480$</p> <p>Replication Index day return: $= 6,480/10,000 - 100\% = -35.2\%$</p> <p>The Index value would not be updated in the absence of the intra-day reset mechanism and remains at 20,000.</p> <p>Closing Index level: $= 20,000 \times (1 + (2 \times -35.2\%)) = 5,920$</p> <p>Index day return: $= 5,920/20,000 - 100\% = - \mathbf{70.4\%}$</p>

What happens if the Replication Index *bounces back by 10%* after the intra-day reset procedure is triggered?

<p>With the intra-day reset mechanism:</p> <p>Closing value of the Replication Index: $= 10,000 \times (1 - 28\%) \times (1 + 10\%) = 7,920$</p> <p>Replication Index day return: $= 7,920/10,000 - 100\% = -20.8\%$</p> <p>Upon completion of the intra-day reset procedure, the Index value is updated to 8,800.</p> <p>Closing Index level: $= 8,800 \times (1 + (2 \times 10\%)) = 10,560$</p> <p>Index day return: $= 10,560/20,000 - 100\% = \underline{\underline{-47.2\%}}$</p>	<p>Without the intra-day reset mechanism:</p> <p>Closing value of the Replication Index: $= 10,000 \times (1 - 28\%) \times (1 + 10\%) = 7,920$</p> <p>Replication Index day return: $= 7,920/10,000 - 100\% = -20.8\%$</p> <p>The Index value would not be updated in the absence of the intra-day reset mechanism and remains at 20,000.</p> <p>Closing Index level: $= 20,000 \times (1 + (2 \times -20.8\%)) = 11,680$</p> <p>Index day return: $= 11,680/20,000 - 100\% = \underline{\underline{-41.6\%}}$</p>
---	---

The above Index return calculation is for illustration purpose only and does not incorporate financing costs and liquidity spreads for simplicity.

Investors should refer to the risk factor “Intra-Day Reset Risk” in this Appendix below.

In the event that subsequent movements of the Replication Index after an intra-day reset result in a further breach of the trigger levels, a further intra-day reset will be invoked.

Reverse Split

If the Index closes below the level of 100, a reverse split (consolidation) in the ratio of 100:1 will be implemented. A technical notice will be issued to the market giving 2 business days’ notice of the implementation of the reverse split. During this 2-day period, the Index will be calculated normally and if an intra-day reset is triggered the Observation Period procedure will apply as outlined above. The reverse split will be effective from the open on the third business day after the reverse split was triggered. The rebased Index level resulting from the reverse split is determined by the closing Index level 2 business days after the trigger event scaled by 100. For example, if the closing Index level on the trigger day was 99.55 and the closing level 2 business days later was 87.50, the new rebased Index level will be 8,750.

If during the 2-day period between the trigger event and the Index rebasing, the Index level recovers to a level above the trigger level, the reverse split will still be applied. If during the 2-day period between the trigger event and the Index rebasing, the Index continues to fall and becomes negative, the Index will be set to zero and its calculation and publication discontinued, and no reverse split will be applied.

Cessation of Index Calculation

In the event of the Index value becoming negative or an overnight change of the Replication Index resulting in an opening value of the Index of zero (or below), the Index value will be set to zero and its calculation and publication discontinued.

Replication Index Constituents Selection Criteria

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

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

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

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

Replication Index Constituents Eligibility

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

- (a) A non-constituent must satisfy the following criteria at the time of index entry in order to be considered as N Share: (i) over 55% of the revenue or assets of the company are derived from the PRC; and (ii) the company is controlled by a PRC entity, company or individual. If the shareholder background cannot be determined with public information, the Index Provider will assess the N Share status of a company with the help of other criteria including, if (i) the establishment and origin of the company was in the PRC; and (ii) the company’s headquarters is in the PRC.
- (b) An existing N Share constituent which fails one or more of the following criteria will cease to be classified as a N Share at the time of the next review if (i) the company is no longer incorporated outside the PRC; or (ii) the company is no longer listed on any of the NYSE, the NASDAQ exchange or the NYSE MKT; or (iii) the percentages of revenue and assets derived from the PRC have both fallen below 45%; or (iv) the company is no longer controlled by a PRC entity, company or individual.

- (c) N Share companies also need to satisfy the following criteria in order to be eligible to the Replication Index: (i) the listing of the company did not result from a reverse merger; and (ii) American Depository Receipts are included where the underlying issue of shares is not listed.

Periodical Review of the Replication Index

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

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

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

Adjustments Applied to Eligible Constituents

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

(a) Investability Weightings

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

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

(b) Multiple Lines

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

Liquidity

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

Top 10 Constituents of the Replication Index

As at 18 December 2017, the 10 largest constituents of the Replication Index (which accounted in aggregate for approximately 75.74% of the Replication Index) were as follows:

	Company name	Sector	Weighting%
1	NetEase	Information Technology	10.72
2	JD.com ADS	Consumer Discretionary	10.40
3	Ctrip.com International Ltd	Consumer Discretionary	9.82
4	Baidu ADS	Information Technology	9.74
5	Alibaba Group Holding	Information Technology	9.26
6	New Oriental Education & Technology Group	Consumer Discretionary	8.42
7	TAL Education Group	Consumer Discretionary	5.77
8	SINA	Information Technology	4.38
9	58.com ADS	Information Technology	4.24
10	YY ADS	Information Technology	2.99

Further information on the Index and the Replication Index is available at the following websites of the FTSE International Limited:

	Websites
Index:	www.ftse.com/products/indices/Short-and-Leveraged
Replication Index:	www.ftse.com/products/indices/china

Index Codes

	Bloomberg Codes
Index:	FCNACL2X
Replication Index:	CHIMERIR

Comparison between the Replication Index and the Leveraged Performance of the Replication Index for a Period Longer than One Day (i.e. Comparison of the Point-to-Point Performance)

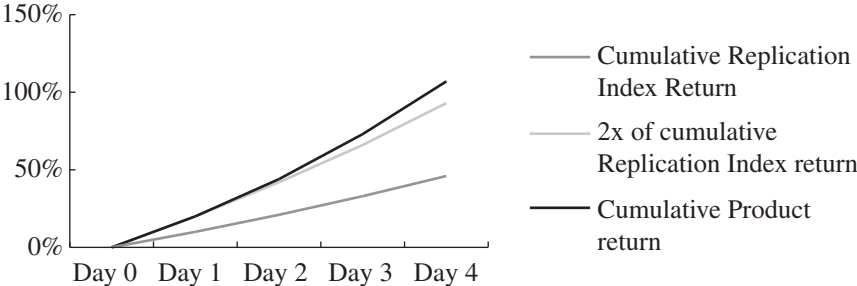
The Product’s objective is to track, before deduction of fees and expenses, the performance of the Index, which in turn aims to provide returns which are of a predetermined leverage factor (2x) of the Daily performance of the Replication Index. As such, the Product’s performance may not track twice (2x) the cumulative Replication Index return over a period greater than 1 Business Day. This means that the return of the Replication Index over a period of time greater than a single day multiplied by 200% generally will not equal the Product’s performance over that same period. It is also expected that the Product will underperform the return of 200% of the Replication Index in a trendless or flat market. This is caused by compounding, which is the cumulative effect of previous earnings generating earning or losses in addition to the principal amount, and will be amplified by the volatility of the market and the holding period of the Product. In addition, the effects of volatility are magnified in the Product due to leverage. The following scenarios illustrate how the Product’s performance may deviate from that of the cumulative Replication Index return (2x) over a longer period of time in various market conditions. All the scenarios are based on a hypothetical HKD10 investment in the Product, and have not taken into account any intra-day reset or incorporated any financing cost, liquidity spread, swap cost or any other related cost for simplicity.

Scenario I: Continuous upward trend

In a continuous upward trend, where the Replication Index rises steadily for more than 1 Business Day, the Product’s accumulated return will be greater than twice (2x) the cumulative Replication Index gain. As illustrated in the scenario below, where an investor has invested in the Product on day 0 and the Replication Index grows by 10% daily for 4 Business Days, by day 4 the Product would have an accumulated gain of 107%, compared with a 93% gain which is twice (2x) the cumulative Replication Index return.

	Replication Index daily return	Replication Index level	Replication Index cumulative return	Product daily return	Product Net Asset Value	Cumulative performance – Product	Cumulative performance – 2x of Replication Index
Day 0		100.00	0%		HKD10.00	0%	0%
Day 1	10%	110.00	10%	20%	HKD12.00	20%	20%
Day 2	10%	121.00	21%	20%	HKD14.40	44%	42%
Day 3	10%	133.10	33%	20%	HKD17.28	73%	66%
Day 4	10%	146.41	46%	20%	HKD20.74	107%	93%

The chart below further illustrates the difference between the Product’s performance versus twice (2x) the cumulative Replication Index return in a continuous upward market trend over a period greater than 1 Business Day.

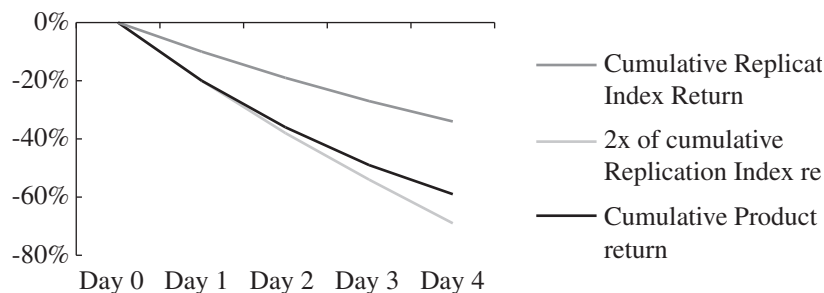


Scenario II: Continuous downward trend

In a continuous downward trend, where the Replication Index falls steadily for more than 1 Business Day, the Product's accumulated loss will be less than twice (2x) the cumulative Replication Index loss. As illustrated in the scenario below, where an investor invested in the Product on day 0 and the Replication Index falls by 10% daily for 4 Business Days, by day 4 the Product would have an accumulated loss of 59%, compared with a 69% loss which is twice (2x) the cumulative Replication Index return.

	Replication Index daily return	Replication Index level	Replication Index cumulative return	Product daily return	Product Net Asset Value	Cumulative performance – Product	Cumulative performance – 2x of Replication Index
Day 0		100.00	0%		HKD10.00	0%	0%
Day 1	-10%	90.00	-10%	-20%	HKD8.00	-20%	-20%
Day 2	-10%	81.00	-19%	-20%	HKD6.40	-36%	-38%
Day 3	-10%	72.90	-27%	-20%	HKD5.12	-49%	-54%
Day 4	-10%	65.61	-34%	-20%	HKD4.10	-59%	-69%

The chart below further illustrates the difference between the Product's performance versus twice (2x) the cumulative Replication Index return in a continuous downward market trend over a period greater than 1 Business Day.

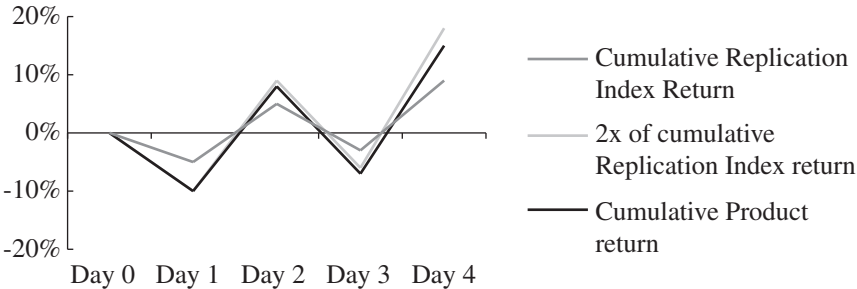


Scenario III: Volatile upward trend

In a volatile upward trend, where the Replication Index generally moves upward over a period longer than 1 Business Day but with daily volatility, the Product's performance may be adversely affected in that the Product's performance may fall short of twice (2x) the cumulative Replication Index return. As illustrated in the scenario below, where the Replication Index grows by 9% over 5 Business Days but with daily volatility, the Product would have an accumulated gain of 15%, compared with a 18% gain which is twice (2x) the cumulative Replication Index return.

	Replication Index daily return	Replication Index level	Replication Index cumulative return	Product daily return	Product Net Asset Value	Cumulative performance – Product	Cumulative performance – 2x of Replication Index
Day 0		100.00	0%		HKD10.00	0%	0%
Day 1	-5%	95.00	-5%	-10%	HKD9.00	-10%	-10%
Day 2	10%	104.50	5%	20%	HKD10.80	8%	9%
Day 3	-7%	97.19	-3%	-14%	HKD9.29	-7%	-6%
Day 4	12%	108.85	9%	24%	HKD11.52	15%	18%

The chart below further illustrates the difference between the Product’s performance versus twice (2x) the Replication Index accumulated return in a volatile upward market trend over a period greater than 1 Business Day.

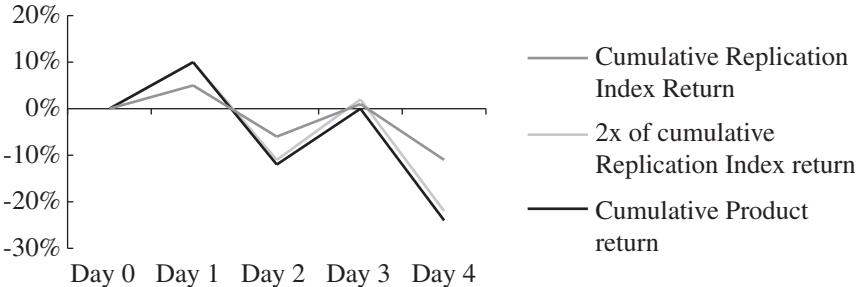


Scenario IV: Volatile downward trend

In a volatile downward trend, where the Replication Index generally moves downward over a period longer than 1 Business Day but with daily volatility, the Product’s performance may be adversely affected in that the Product’s performance may fall short of twice (2x) the cumulative Replication Index return. As illustrated in the scenario below, where the Replication Index falls by 11% over 5 Business Days but with daily volatility, the Product would have an accumulated loss of 24%, compared with a 22% loss which is twice (2x) the cumulative Replication Index return.

	Replication Index daily return	Replication Index level	Replication Index cumulative return	Product daily return	Product Net Asset Value	Cumulative performance – Product	Cumulative performance – 2x of Replication Index
Day 0		100.00	0%		HKD10.00	0%	0%
Day 1	5%	105.00	5%	10%	HKD11.00	10%	10%
Day 2	-10%	94.50	-6%	-20%	HKD8.80	-12%	-11%
Day 3	7%	101.12	1%	14%	HKD10.03	0%	2%
Day 4	-12%	88.98	-11%	-24%	HKD7.62	-24%	-22%

The chart below further illustrates the difference between the Product’s performance versus twice (2x) the cumulative Replication Index return in a volatile downward market trend over a period greater than 1 Business Day.

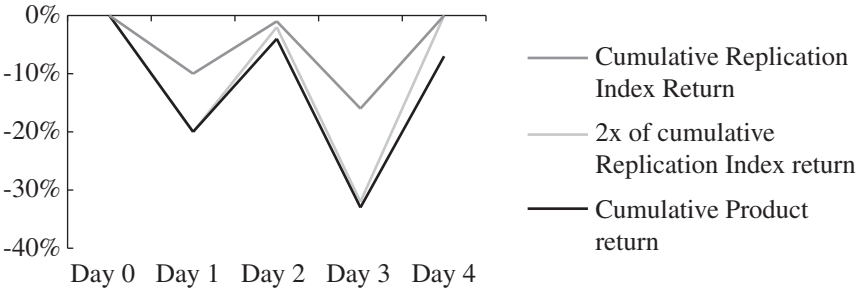


Scenario V: Volatile market with flat index performance

In a volatile market with flat index performance, the aforementioned compounding can have an adverse effect on the performance of the Product. As illustrated below, even if the Replication Index has returned to its previous level, the Product may lose value.

	Replication Index daily return	Replication Index level	Replication Index cumulative return	Product daily return	Product Net Asset Value	Cumulative performance – Product	Cumulative performance – 2x of Replication Index
Day 0		100.00	0%		HKD10.00	0%	0%
Day 1	-10%	90.00	-10%	-20%	HKD8.00	-20%	-20%
Day 2	10%	99.00	-1%	20%	HKD9.60	-4%	-2%
Day 3	-15%	84.15	-16%	-30%	HKD6.72	-33%	-32%
Day 4	19%	100.00	0%	38%	HKD9.25	-7%	0%

The chart below further illustrates the difference between the Product’s performance versus twice (2x) the cumulative Replication Index return in a volatile market with flat index performance over a period greater than 1 Business Day.



As illustrated in the graphs and the tables, the cumulative performance of the Product before deduction of fees and expenses is not equal to twice (2x) the performance of the Replication Index over a period longer than 1 Business Day.

Investors should note that due to the effect of “path dependency” (as explained below) and compounding of the Daily returns of the Replication Index, the performance of the Index (and as a result the performance of the Product before deduction of fees and expenses) for periods longer than a single day, especially in periods of market volatility which has a negative impact on the cumulative return of the Product, may not be twice (2x) the return of the Replication Index and may be completely uncorrelated to the extent of change of the Replication Index over the same period.

For further illustration of the Product’s performance under different market conditions, investors may access the ‘performance simulator’ on the Product’s website at www.xieshares.com.hk/li (which has not been reviewed or approved by the SFC), which will show the Product’s historical performance data during a selected time period since the launch of the Product.

Explanation on Path Dependency

As explained above, the Index (and therefore the Product before fees and charges) aims to track the leveraged (2x) Daily performance of the Replication Index. However, due to path dependency of the Replication Index and the leveraged (2x) Daily performance of the Replication Index, when comparing the Replication Index and the leveraged (2x) performance of the Replication Index for a period longer than one day (i.e. comparison of the point-to-point performance), the historical leveraged (2x) performance of the Replication Index less related costs will not be equal to the simple leveraged (2x) performance of the Replication Index over the same period of time.

Below is an example which illustrates the “path dependency” of the Replication Index and the leveraged (2x) Daily performance of the Replication Index. Please note that figures used are for illustration purposes only and are not indicative of the actual return likely to be achieved.

	Replication Index		Product (Replication Index with a leverage factor of two)	
	Daily movement (in %)	Closing level	Daily movement (in %)	Closing Net Asset Value
Day 1		100.00		100.00
Day 2	+10.00%	110.00	+20.00%	120.00
Day 3	-9.09%	<u>100.00</u>	-18.18%	<u>98.18</u>

Assuming the Product tracks twice (2x) the performance of the Replication Index perfectly on a Daily basis, the absolute percentage change in the Daily movement of the Product will be twice (2x) that of the Replication Index. That is, the Net Asset Value of the Product will rise by 20.00% if the Replication Index rises by 10.00%, and the Net Asset Value of the Product will fall by 18.18% if the Replication Index falls by 9.09%. On the basis of such Daily movements, the closing level of the Replication Index and the closing Net Asset Value of the Product will be as set out in the example above.

On day 3, the closing level of the Replication Index is 100 which is the same as its closing level on day 1 but the closing Net Asset Value of the Product is 98.18 which is lower than its closing Net Asset Value on day 1. Hence, when comparing the performance of the Replication Index and the performance of the Product from day 1 to day 3, it is clear that the performance of the Product is not a simple performance of the Replication Index multiplied by two.

Index Licence Agreement

The initial term of the licence of the Index commenced on 13 June 2016 and will initially continue for 2 years. After the expiration of the initial 2 year term, the licence should be automatically and continually renewed for successive terms of 1 year unless either party to the licence agreement gives at least 3 months’ notice of termination prior to the end of the then current term to the other party. The licence agreement may otherwise be terminated in accordance with the provisions of the licence agreement.

Index Disclaimer

The Product is not in any way sponsored, endorsed, sold or promoted by FTSE International Limited (“FTSE”) or by the London Stock Exchange Group companies (the “Exchange”) (together the “Licensor Parties”) and none of the Licensor Parties makes any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to (i) the results to be obtained from the use of the Index (upon which the Product is based), (ii) the figure at which the Index is said to stand at any particular time on any particular day or otherwise, or (iii) the suitability of the Index for the purpose to which it is being put in connection with the Product. None of the Licensor Parties has provided or will provide any financial or investment advice or recommendation in relation to the Index to the Manager or to its clients. The Index is calculated by FTSE or its agent. None of the Licensor Parties shall be (a) liable (whether in negligence or otherwise) to any person for any error in the Index or (b) under any obligation to advise any person of any error therein.

All rights in the Index vest in FTSE. “FTSE®” is a trade mark of the Exchange and is used by FTSE under licence.

Stamp Duty

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

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

Unitholders: Stamp duty payable in respect of any contract notes or instruments of transfer relating to transactions in the shares or units of an exchange traded fund (as defined in Part 1 to Schedule 8 of the Stamp Duty Ordinance (Cap. 117) of Hong Kong) on the SEHK is not payable. Accordingly transfers of Units do not attract stamp duty and no stamp duty is payable by Unitholders on any transfer.

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

Fees and Charges

Management Fee: The Management Fee in respect of the Product is 0.88% per year of the Net Asset Value and is accrued daily and calculated as at each Dealing Day. It is payable out of the Product monthly in arrears in HKD. The Trustee’s, Administrator’s and Custodian’s fees and expenses are paid by the Manager out of the Management Fee. Please refer to the section “Fees and Expenses” in Part 1 of this Prospectus for more detail.

Registrar’s Fee: The Registrar’s fee in respect of the Product is HKD54,000 per annum payable out of the Product monthly in arrears.

Estimated Ongoing Charges: The estimated ongoing charges of the Product (being newly established), which is the sum of anticipated expenses of the Product expressed as a percentage of the estimated average Net Asset Value of the Product, is estimated to be 1.88% per annum. Because the Product is newly established this is the Manager's best estimate of the ongoing charges. The actual figure may be different from the estimated figure and may vary from year to year. The establishment costs of the Product are also included in the ongoing charges calculation. Ongoing expenses are generally payments deducted from the assets of the Product where these are permitted by the Trust Deed, the Code and the law. These include all types of cost borne by the Product, whether incurred in its operation or the remuneration of any party. The ongoing charges do not represent the estimated tracking error.

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

Establishment Costs

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

PRC Taxation of Investments

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

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

Accordingly, after consultation with professional and independent tax advisor, the Manager does not anticipate that the performance of the Index or the Replication Index will be affected by any CIT on dividends nor that the Product will be subject to CIT on disposal gains.

Risk Factors Specific to the Product

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

New Product Risk

The Product is a listed leveraged product which aims to provide investment results that, before fees and expenses, closely correspond to the performance of the Index, which in turn aims to reflect the leveraged (2x) Daily performance of the Replication Index. The novelty and untested nature of such a listed leveraged product makes the Product riskier than traditional exchange traded funds (“ETFs”) which track the “long” performance rather than the leveraged (2x) Daily performance of an index.

Long Term Holding Risk

The Product is not intended for holding longer than one day as the performance of the Product over a period longer than one day will very likely differ in amount and possibly direction from the leveraged (2x) performance of the Replication Index over that same period (e.g. the loss may be more than twice (2x) the fall in the Replication Index). The effect of compounding becomes more pronounced on the Product’s performance as the Replication Index experiences volatility. With higher Replication Index volatility, the deviation of the Product’s performance from the leveraged (2x) Daily performance of the Replication Index will increase, and the performance of the Product will generally be adversely affected. As a result of Daily rebalancing activities, the Replication Index’s volatility and the effects of compounding of each day’s return over time, it is even possible that the Product will lose money over time while the Replication Index’s performance increases or is flat.

Leverage Risk

The Product will utilise leverage, through tracking the Index, to achieve a daily return equivalent to twice (2x) the return of the Replication Index. Both gains and losses will be magnified. The risk of loss resulting from an investment in the Product in certain circumstances including a bear market will be substantially more than a fund that does not employ leverage.

Intra-day Investment Risk

The Product normally receives an exposure to the performance of the Index and thereby twice (2x) the performance of the Replication Index at the end of the Business Day except where an intra-day reset is triggered. As such, return for investors that invest for a period less than a full trading day will generally be greater than or less than two times (2x) the leveraged investment exposure to the Replication Index, depending upon the movement of the Replication Index from the end of one trading day until the time of purchase.

Intra-Day Reset Risk

When the intra-day reset procedure of the Index is triggered on a given day, the Product may not be able to deliver a return equivalent to the leveraged (2x) Daily performance of the Replication Index. The leveraged factor would be smaller in absolute terms than when no intra-day reset procedure is triggered. If the Replication Index rises during the remaining of the day after an intra-day reset, then Unitholders of the Product will not benefit from the reversal of the Replication Index return to the same extent that they might have if the intra-day rebalancing had not occurred. Please refer to the illustrative example under the section headed “Daily Reset and Intra-Day Reset Mechanism and Procedure” above for details.

Path Dependency Risk

The objective of the Product is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index, which in turn aims to reflect to twice (2x) the performance of the Replication Index on a daily basis only. Therefore the Product should not be equated with seeking a leveraged position for periods longer than a day. Investors in the Product should note that the point-to-point accumulated performance of the historical daily performance of the Index or the Product over a certain period may not be twice (2x) the point-to-point accumulated performance of the Replication Index over the same period of time due to the effect of “path dependency” and compounding of the daily returns of the Replication Index. Please refer to the section “Explanation on Path Dependency” above.

United States Markets Risk

The recent financial crisis and/or economic recession, decreasing United States imports, new trade regulations, changes in the USD exchange rates, and increasing public debt pose concerns on the development of the United States economy. This may have an adverse impact on the performance of the Replication Index which is comprised of United States Securities and therefore the performance of the Product.

Investment Related to the PRC Risk

The investment objective of the Product is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index, which in turn aims to reflect to the leveraged (2x) Daily performance of the Replication Index. Since the Replication Index is comprised of the approximately 21 of the largest PRC related companies (which are incorporated outside the PRC) listed in the United States, investment in the Product will be subject to the general risks relating to the PRC.

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

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

Although the majority of productive assets in the PRC are still owned by the PRC government at various levels, in recent years, the PRC government has implemented economic reform measures emphasising utilisation of market forces in the development of the economy of the PRC and a high level of management autonomy. The economy of the PRC has experienced significant growth in the past 25 years, but growth has been uneven both geographically and among various sectors of the economy. Economic growth has also been accompanied by periods of high inflation. The PRC government has implemented various measures from time to time to control inflation and restrain the rate of economic growth.

For more than 25 years, the PRC government has carried out economic reforms to achieve decentralisation and utilisation of market forces to develop the economy of the PRC. These reforms have resulted in significant economic growth and social progress. There can, however, be no assurance that the PRC government will continue to pursue such economic policies or, if it does, that those policies will continue to be successful. Any such adjustment and modification of those economic policies may have an adverse impact on markets in the PRC as well as the underlying investments of the Product. Further, the PRC government may from time to time adopt corrective measures to control the growth of the PRC economy which may also have an adverse impact on the capital growth and performance of the Product.

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

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

Various of the PRC related companies (which are incorporated outside the PRC) which are constituents of the Replication Index derive their revenues in Renminbi Yuan (“RMB”), the currency of the PRC, but have requirements to make payment in a foreign currency, including for the import of materials, debt service on foreign currency denominated debt, purchases of imported equipment and payment of any cash dividends declared in respect of N Shares. RMB is not currently freely convertible and is subject to exchange controls and restrictions.

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

Foreign exchange transactions under the capital account, including principal payments in respect of foreign currency-denominated obligations, currently continue to be subject to significant foreign exchange controls and require the approval of the State Administration for Foreign Exchange. The Manager cannot predict nor give any assurance of any future stability of the exchange rate of the RMB to other currencies. Fluctuations in exchange rates may adversely affect the values of the Index and the Replication Index, and therefore the Product’s Net Asset Value.

PRC Laws and Regulations Risk

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

Legal System of the PRC Risk

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

Government Intervention and Restrictions Risks

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

Accounting and Reporting Standards Risk

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

Taxation in the PRC Risk

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

Differences in Trading Times Risk

As the NYSE and other United States stock exchanges on which constituent Securities are traded may be open when Units are not priced, the Product's exposure may change on days when investors will not be able to purchase or sell Units.

Large Capitalisation Companies Risk

Returns on investments in Securities of large companies could be less than the returns on investments in Securities of small-sized and mid-sized companies. Since the Replication Index consists of Securities of the approximately 21 largest PRC related entities by full market capitalisation listed on the NYSE, the NASDAQ exchange or the NYSE MKT, the Product's returns may be less than the returns of funds that focus their investments in Securities of small-sized and mid-sized companies.

War or Terrorist Attacks Risk

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

Appendix updated 20 December 2017