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**THIS ANNOUNCEMENT AND NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION AND DOES NOT CONSTITUTE AN INVITATION OR OFFER TO ACQUIRE, PURCHASE OR SUBSCRIBE FOR UNITS OF THE EXCHANGE TRADED FUND NAMED BELOW**

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*If you are in any doubt about the contents of this Announcement and Notice or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.*

*If you have sold or transferred all your units in the Terminating Index Fund (as defined below), you should at once hand this Announcement and Notice to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.*

**IMPORTANT:** *The Stock Exchange of Hong Kong Limited (the “SEHK”), the Hong Kong Exchanges and Clearing Limited (the “HKEX”), the Hong Kong Securities and Futures Commission (the “SFC”) and the Hong Kong Securities Clearing Company Limited (the “HKSCC”) take no responsibility for the contents of this Announcement and Notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Announcement and Notice.*

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

*SFC authorisation is not a recommendation or an endorsement of the Trust (as defined below) and the Terminating Index Fund nor does it guarantee the commercial merits of the Trust and the Terminating Index Fund or their performance. It does not mean the Trust and the Terminating Index Fund are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.*

## **XIE Shares Trust II (the “Trust”)**

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

**XIE Shares CLSA GARY ETF  
(Stock Code: 3102)  
(the “Terminating Index Fund”)**

**ANNOUNCEMENT AND NOTICE OF THE PROPOSED CESSATION OF TRADING, TERMINATION, VOLUNTARY DEAUTHORISATION AND DELISTING AND WAIVER FROM STRICT COMPLIANCE WITH CERTAIN PROVISIONS OF THE CODE**

Terms not defined in this Announcement and Notice will have the meanings as are given to such terms in the prospectus dated 27 December 2017 (the “**Prospectus**”).

**IMPORTANT:** Investors are strongly advised to consider the contents of this Announcement and Notice. This Announcement and Notice is important and requires your immediate attention. It concerns the proposed cessation of trading, proposed termination, proposed delisting and proposed deauthorisation of the Terminating Index Fund and the waivers from strict compliance with certain provisions of the Code for the period from 9 October 2018 (the “Trading Cessation Date”) to the date of deauthorisation i.e. on or around 7 December 2018 (the “Deauthorisation Date”). In particular, investors should note that:

- taking into account the relevant factors, including, in particular, the relatively small net asset value (“Net Asset Value”) of the Terminating Index Fund (see details of the factors in section 1 below), the Manager has, by means of a resolution of the board of directors of the Manager dated 29 August 2018, decided to exercise its power under Clause 34.6(A) of the Trust Deed and proposed to seek termination of the Terminating Index Fund with effect from on or around 7 December 2018 (the “Termination Date”). The Manager has given written notice to Cititrust Limited (the “Trustee”) notifying the Trustee of its proposal to terminate the Terminating Index Fund pursuant to Clause 34.6(A) of the Trust Deed and the Trustee does not object to this proposal;
- the total estimated termination costs for the Terminating Index Fund is HK\$1,145,929 (inclusive of any unamortised establishment costs) and will be borne by the Terminating Index Fund and the Manager. The provision amount of HK\$742,842 (the “Provision”) (being 3% of the Net Asset Value as at 5 September 2018) will be set aside immediately after this Announcement and Notice has been published for discharging a portion of all Future Costs (as defined in section 6.3) until the Termination Date. For the avoidance of doubt, the Future Costs do not include transaction costs and any taxes relating to the realisation of assets of the Terminating Index Fund. Subject to the Provision, the Manager will bear all costs and expenses associated with the proposed termination, deauthorisation and delisting of the Terminating Index Fund (including any transaction costs and any taxes relating to the realisation of assets of the Terminating Index Fund) from the date of this Announcement and Notice up to and including the Termination Date. Where the Provision is insufficient to cover Future Costs until the Termination Date, any shortfall will be borne by the Manager and no further provision will be made. Conversely, where the Provision is in excess of the actual amount of Future Costs until the Termination Date, such excess will be refunded to the Relevant Investors (as defined in section 2.2) as part of the Final Distribution (as defined in section 1.2) and, if necessary, any further distribution of the Terminating Index Fund in proportion to the Relevant Investor’s interests in the Terminating Index Fund as at the Distribution Record Date (as defined below). The Manager is of the view that such allocation of costs to the Terminating Index Fund is fair and reasonable to all investors. The Trustee has confirmed that it has no objection to the amount of the Provision.

- as a result of the setting aside of the Provision immediately after this Announcement and Notice has been published, the Net Asset Value of the Terminating Index Fund and the Net Asset Value per Unit for the Terminating Index Fund will be reduced before the commencement of trading on the SEHK on 6 September 2018, as follows:

before setting aside Provision		after setting aside Provision	
Net Asset Value	Net Asset Value per unit	Net Asset Value	Net Asset Value per unit
HK\$24,761,387	HK\$9.9046	HK\$24,018,545	HK\$9.6074

- the Last Trading Day (as defined in section 2.3) of the units in the Terminating Index Fund (“Units”) will be 8 October 2018, i.e. the last day on which investors may buy or sell Units on the SEHK and the last day for creation and redemption of Units in accordance with the usual trading arrangements currently in place;
- the Units of the Terminating Index Fund will cease trading as from 9 October 2018 (the “Trading Cessation Date”) which means it shall not be possible for investors to buy or sell Units on the SEHK and no creation and redemption of Units will be possible from the Trading Cessation Date onwards;
- the Manager will aim to realise all of the assets of the Terminating Index Fund effective from the Trading Cessation Date. Accordingly, from the Trading Cessation Date onwards, (i) there will be no further trading of Units of the Terminating Index Fund and no further creation and redemption of Units of the Terminating Index Fund; (ii) the Manager will start to realise all the assets of the Terminating Index Fund and the Terminating Index Fund will therefore cease to track the Index and will not be able to meet its investment objective of tracking the performance of the Index; (iii) the Terminating Index Fund will no longer be marketed to the public; (iv) the Terminating Index Fund will mainly hold cash; and (v) the Terminating Index Fund will only be operated in a limited manner;
- with a view to minimising further costs, fees and expenses in managing the Terminating Index Fund following the Trading Cessation Date and in the best interest of investors, the Manager has applied to the SFC for, and has been granted, a waiver from strict compliance with the following provisions of the Code for the period from the Trading Cessation Date to the Deauthorisation Date:
  - (i) Chapter 10.7 (with regard to publishing suspension announcements);
  - (ii) paragraphs 4, 17(a) and 17(b) of Appendix I (with regard to providing estimated Net Asset Value or R.U.P.V. (as defined in the Code and section 5.3) and last closing Net Asset Value on a real time or near-real time basis); and

**(iii) Chapters 6.1 and 11.1B (with regard to updating the Prospectus and the product key facts statement (“KFS”) in respect of the Terminating Index Fund).**

**The details and the conditions on which such waiver is granted are as described in section 5 below;**

- the Manager confirms that, save for the particular provisions of the Code set out in sections 5.2 to 5.4 below, the Manager will continue to comply with all the other applicable provisions of the Code, the applicable provisions in the Trust Deed and other applicable laws and regulations until the Deauthorisation Date;**
- the Manager will, after having consulted the Trustee and the Auditor, declare a Final Distribution (as defined in section 1.2) to the investors who remain so as at 12 October 2018 (the “Distribution Record Date”), and the Final Distribution is expected to be payable on or around 5 November 2018 (the “Final Distribution Date”);**
- the Manager does not expect or anticipate there will be a further distribution after the Final Distribution. However, in the unlikely event there is a further distribution (which may include any refund of excess Provision) after the Final Distribution, the Manager will issue an announcement informing the investors by 19 November 2018 and such further distribution will be payable on or around 26 November 2018;**
- by the date the Trustee and the Manager form an opinion that the Terminating Index Fund ceases to have any outstanding contingent or actual assets or liabilities, the Trustee and the Manager will commence the completion of the termination of the Terminating Index Fund (i.e. the Termination Date);**
- during the period from the Trading Cessation Date until, at least, the Termination Date, the Manager will maintain the Terminating Index Fund’s listing status with the SEHK and the authorisation status with the SFC, although the Terminating Index Fund will be operated only in a limited manner;**
- as the establishment costs of the Terminating Index Fund have not been fully amortised, it is reflected in the Provision in its entirety. As of 5 September 2018, the unamortised establishment costs of the Terminating Index Fund is HK\$681,476;**
- the Manager expects that the delisting to take effect at or around the same time as the deauthorisation, which will be either on the Termination Date or immediately after the Termination Date (please note that any product documentation for the Terminating Index Fund previously issued to investors, including the Prospectus and the KFS in respect of the Terminating Index Fund, should be retained for personal use only and not for public circulation); and**
- investors should pay attention to the risk factors as set out in section 7.1 below (including liquidity risk, Units trading at a discount or premium and market makers’ inefficiency risk, tracking errors during**

the period from the date of this Announcement and Notice to the Last Trading Day risk, Net Asset Value downward adjustment risk, failure to track the Index risk and delay in distribution risk). Investors should exercise caution and consult their professional and financial advisers before dealings in the Units in the Terminating Index Fund or otherwise deciding on the course of actions to be taken in relation to their Units in the Terminating Index Fund.

**Stockbrokers and financial intermediaries are urged to:**

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

If investors are in doubt about the contents of this Announcement and Notice, they should contact their independent financial intermediaries or professional advisers to seek their professional advice, or direct their queries to the Manager (please refer to section 9 for further information).

The Manager will, until the Last Trading Day, issue reminder announcements on a weekly basis to investors informing and reminding them of the Last Trading Day, the Trading Cessation Date and the Distribution Record Date. Also, further announcements will be made in due course to inform the investors of the Final Distribution Date, the Termination Date, the dates for the deauthorisation and the delisting and whether there is any further distribution after the Final Distribution as and when appropriate in accordance with the applicable regulatory requirements.

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

The Manager reserves its right to terminate the Terminating Index Fund in its absolute discretion by notice in writing to the Trustee under Clause 34.6(A) of the Trust Deed if after one year from the date of establishment of the Terminating Index Fund, the aggregate Net Asset Value of all the Units in the Terminating Index Fund outstanding is less than HK\$100,000,000.

As at 29 August 2018, the Net Asset Value of all the Units outstanding in the Terminating Index Fund was less than HK\$100,000,000. The Manager therefore announces that it has, by means of a resolution of the board of directors of the Manager dated 29 August 2018, decided to terminate and voluntarily seek deauthorisation and delisting of the Terminating Index Fund. The proposed termination, deauthorisation and delisting (the “**Proposal**”) will be subject to the final

respective approvals of the SFC and the SEHK, and will only be completed after the Trustee and the Manager have formed an opinion that the Terminating Index Fund has no outstanding contingent or actual liabilities or assets.

Before the proposed termination, deauthorisation and delisting, the Units of the Terminating Index Fund will cease trading on the SEHK as from 9 October 2018, the Trading Cessation Date. Accordingly, the last day on which the Units of the Terminating Index Fund can be traded on the SEHK will be 8 October 2018, the Last Trading Day, and from the Trading Cessation Date onwards, no trading of Units of the Terminating Index Fund on the SEHK will be allowed, and no creation and redemption of Units in the Terminating Index Fund in the primary market through the Participating Dealers will be allowed.

By this Announcement and Notice, the Manager hereby provides no less than three months' notice to the investors of the proposed termination of the Terminating Index Fund, as required by Clause 34.8 of the Trust Deed. Also, as required under Chapter 11.1A of the Code, no less than one month's notice is hereby given to the investors, notifying them that the Terminating Index Fund will cease to track the Index, and cease trading, from the Trading Cessation Date.

Immediately after this Announcement and Notice has been published, a Provision will be set aside in respect of the Terminating Index Fund (please refer to section 6) for discharging a portion of all Future Costs of the Terminating Index Fund from the date of this Announcement and Notice up to and including the Termination Date. The Trustee has confirmed that it has no objection to the amount of the Provision. Where the Provision is insufficient to cover Future Costs until the Termination Date, any shortfall will be borne by the Manager and no further provision will be made. For the avoidance of doubt, the Future Costs do not include transaction costs and any taxes relating to the realisation of assets of the Terminating Index Fund. Subject to the Provision, the Manager will bear all costs and expenses associated with the Proposal of the Terminating Index Fund (including any transaction costs and any taxes relating to the realisation of assets of the Terminating Index Fund) from the date of this Announcement and Notice up to and including the Termination Date.

Regarding the costs of effecting the Proposal, please refer to section 6 below.

## **1. Proposed termination of the Terminating Index Fund, cessation of trading and realisation of assets**

### **1.1. Proposed termination of the Terminating Index Fund**

According to Clause 34.6(A) of the Trust Deed, the Terminating Index Fund may be terminated by the Manager in its absolute discretion by notice in writing if after one year from the date of establishment of the Terminating Index Fund, the aggregate Net Asset Value of all the Units in the Terminating Index Fund outstanding shall be less than HK\$100,000,000. According to the Trust Deed, Unitholders' approval shall not be required for terminating the Terminating Index Fund on the grounds set out under such Clause 34.6(A).

As at 5 September 2018, the Net Asset Value and the Net Asset Value per Unit of the Terminating Index Fund were HK\$24,761,387 and HK\$9.9046 respectively.

Having taken into account the relevant factors including interests of the investors as a whole, the current relatively small Net Asset Value of the Terminating Index

Fund, the Manager is of the view that the proposed termination of the Terminating Index Fund would be in the best interests of the investors of the Terminating Index Fund. Therefore, the Manager has decided to exercise its power under Clause 34.6(A) of the Trust Deed and has provided written notice to the Trustee as required to propose termination of the Terminating Index Fund on the date on which the Trustee and the Manager form an opinion that the Terminating Index Fund ceases to have any contingent or actual assets or liabilities. The Manager has given written notice to the Trustee notifying the Trustee of its proposal to terminate the Terminating Index Fund pursuant to Clause 34.6(A) of the Trust Deed, and the Trustee does not object to such proposal.

## **1.2. The proposed cessation of trading**

The Manager will apply to SEHK to have the Units of the Terminating Index Fund cease trading on the SEHK with effect from 9 October 2018, the Trading Cessation Date. The Manager will aim to realise all of the assets of the Terminating Index Fund effective from the Trading Cessation Date in exercise of its powers to realise investments under Clause 9.5 of the Trust Deed. The realisation of the assets of the Terminating Index Fund associated with the proposed termination, deauthorisation and delisting will not incur any additional cost on the Terminating Index Fund as compared to the costs associated with normal redemption of investments.

The Manager will then proceed with the final distribution of the assets (the “**Final Distribution**”) of the Terminating Index Fund on or around 5 November 2018 (see details in section 2.2 below). This means 8 October 2018 will be the Last Trading Day when investors may buy or sell Units in the Terminating Index Fund on the SEHK in accordance with the usual trading arrangements in place at the date of this Announcement and Notice.

If there is any change to the dates mentioned in this paragraph, the Manager will issue an announcement of the revised dates.

Creation and redemption of Units in the Terminating Index Fund by Participating Dealers will continue to be permitted until the Last Trading Day. However, investors should note that application for creation and redemption of Units can only be made by Participating Dealers and the Participating Dealers may have their own application procedures and cut-off times to the Manager which may be earlier than those set out in the Prospectus. Investors are advised to check with Participating Dealers as to the relevant timing deadlines and client acceptance procedures and requirements.

## **1.3. Impact on the proposed realisation of the assets of the Terminating Index Fund**

After realisation of all the assets of the Terminating Index Fund (as described in section 1.2 above), the Terminating Index Fund will mainly hold cash, primarily consisting of the proceeds from the realisation of the assets of the Terminating Index Fund. Following this, from the Trading Cessation Date, the Terminating Index Fund will cease to track the Index, and will not be able to meet its investment objective of tracking the performance of the Index.

## **2. What will happen after the Trading Cessation Date?**

### **2.1 Immediately from the Trading Cessation Date**

Effective from the Trading Cessation Date, the Units of the Terminating Index Fund will cease trading on the SEHK. This means investors will only be allowed to buy or sell Units of the Terminating Index Fund on the SEHK until and inclusive of the Last Trading Day, being 8 October 2018. From the Trading Cessation Date onwards, no trading of the Units of the Terminating Index Fund on the SEHK will be allowed.

### **2.2 During the period from the Trading Cessation Date until the Termination Date (as defined in section 2.3 below)**

After consulting the Trustee and the Auditor, the Manager shall declare a Final Distribution in respect of those investors who remain invested in the Terminating Index Fund as of the Distribution Record Date (the “**Relevant Investors**”). Such Final Distribution will be made on or around 5 November 2018.

On or around 7 December 2018, the date where the Manager and Trustee are of the opinion that the Terminating Index Fund ceases to have any contingent or actual assets or liabilities, the Manager and the Trustee will commence the completion of terminating the Terminating Index Fund.

During the period from the Trading Cessation Date until, at least, the Termination Date, the Terminating Index Fund will still maintain its listing status with the SEHK and its authorisation status with the SFC, although the Terminating Index Fund will be operated only in a limited manner (as described in section 4.2 below). The Manager has therefore applied to the SFC, and has been granted, waiver from strict compliance with certain provisions of the Code for the period from the Trading Cessation Date to the Deauthorisation Date. The details and the conditions on which such waiver is granted are as described in section 5 below.

The deauthorisation and delisting of the Terminating Index Fund will take place either on the Termination Date or shortly after the Termination Date, subject to the SFC’s and SEHK’s approval respectively. The Manager expects, subject to the SEHK’s approval, that the delisting will only take place at or around the same time of the deauthorisation.

The proposed termination, deauthorisation and delisting will be subject to the payment of all outstanding fees and expenses (please refer to section 6 below for further information), discharge of all other liabilities of the Terminating Index Fund, as well as the final respective approvals by the SFC and the SEHK.

Following deauthorisation, the Terminating Index Fund will no longer be regulated by the SFC and will not be available for public distribution in Hong Kong. Any product documentation for the Terminating Index Fund previously issued to investors, including the Prospectus and any KFS in respect of the Terminating Index Fund, should be retained for personal use only and not for public circulation. Stockbrokers, financial intermediaries and investors must not circulate any marketing or other product information relating to the Terminating Index Fund to the public in Hong Kong as this may be in breach of the Securities and Futures Ordinance.



## 2.3 Important dates

Subject to the SFC's and the SEHK's respective approvals for the proposed arrangements set out in this Announcement and Notice, it is anticipated that the expected important dates in respect of the Terminating Index Fund will be as follows:

Dispatch of Announcement and Notice and the setting aside of the Provision	Before commencement of trading on 6 September 2018 (Thursday)
Last day for dealings in the Units of the Terminating Index Fund on the SEHK and last day for creation and redemption of Units of the Terminating Index Fund by Participating Dealers (the " <b>Last Trading Day</b> ")	8 October 2018 (Monday)
Dealings in the Units on the SEHK cease and no further creation and redemption of Units of the Terminating Index Fund (the " <b>Trading Cessation Date</b> "), i.e. same date on which all the investments of the Terminating Index Fund will start to be realised and the Terminating Index Fund will cease to be able to track the Index	9 October 2018 (Tuesday)
Record date for determining the eligibility of entitlement for the Final Distribution and further distribution, if any, which may include any refund of excess Provision (the " <b>Distribution Record Date</b> ")	By close of business on 12 October 2018 (Friday)
Dispatch of an announcement to confirm the amount of Final Distribution per Unit	On or before 2 November 2018 (Friday)
Final Distribution, after the Manager having consulted with the Trustee and the Auditor, will be paid to the investors who are still holding Units as at the Distribution Record Date (the " <b>Final Distribution Date</b> ")	On or around 5 November 2018 (Monday)
If there is any further distribution (which may include any refund of excess Provision) after the Final Distribution, dispatch of an announcement to confirm the amount and the payment date of further distribution	On or before 19 November 2018 (Monday)
Further distribution (if any) will be paid to the investors who are still holding Units as at the Distribution Record Date	On or around 26 November 2018 (Monday)

Termination of the Terminating Index Fund (the “ <b>Termination Date</b> ”)	On or around 7 December 2018 (Friday) (i.e. three months after the date of this Announcement and Notice), which is the date on which the Manager and the Trustee form an opinion that the Terminating Index Fund ceases to have any contingent or actual assets or liabilities
Deauthorisation and delisting of the Terminating Index Fund	<p>On or around the Termination Date, which is the date which the SFC and SEHK approve the deauthorisation and delisting respectively</p> <p>The Manager expects that the deauthorisation and delisting will take place either on the Termination Date or immediately after the Termination Date</p>

The Manager will, on a weekly basis from the date of this Announcement and Notice to the Last Trading Day, issue reminder announcements informing and reminding investors of the Last Trading Day, the Trading Cessation Date and the Distribution Record Date. In addition, the Manager will issue further announcements in due course to inform the investors of the Final Distribution Date, the dates for the deauthorisation and delisting of the Terminating Index Fund, as well as the Termination Date with regard to the Terminating Index Fund, and whether there is any further distribution after the Final Distribution, as and when appropriate in accordance with the applicable regulatory requirements before the Termination Date. If there is any change to the dates mentioned in this section, the Manager will issue an announcement to inform the investors of the revised dates.

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

### **3. Potential actions to be taken by investors on or before the Last Trading Day**

#### **3.1 Trading on the SEHK on any trading day up to and including the Last Trading Day**

On any trading day up to and inclusive of the Last Trading Day, an investor may continue to buy or sell its Units in the Terminating Index Fund on the SEHK in accordance with the usual trading arrangements, during the trading hours of the SEHK and based on the prevailing market prices. The market makers of the Terminating Index Fund, CLSA Limited and Commerz Securities Hong Kong Limited (the “**Market Makers**”) will continue to perform their market making functions in accordance with the trading rules of the SEHK in respect of the Terminating Index Fund.

Investors should note that stockbrokers or other financial intermediaries may impose brokerage fees on any sale of the Units of the Terminating Index Fund on the SEHK on investors, and a transaction levy (at 0.0027% of the price of the Units of the Terminating Index Fund) and a trading fee (at 0.005% of the price of the Units of the Terminating Index Fund) will be payable by the buyer and the seller of the Units. No stamp duty will be imposed on any sale or purchase of the Units of the Terminating Index Fund on the SEHK.

The trading price of Units of the Terminating Index Fund may be below or above the Net Asset Value per Unit.

#### **3.2 Holding Units after the Last Trading Day**

For Relevant Investors who are the beneficial owner of Units which are registered in the name of HKSCC Nominees Limited and held in CCASS, after consulting the Trustee and the Auditor, the Manager will declare a Final Distribution in respect of such Relevant Investors. Each Relevant Investor will be entitled to a Final Distribution of an amount equal to the Terminating Index Fund’s then Net Asset Value in proportion to the Relevant Investor’s interests in the Terminating Index Fund as at the Distribution Record Date. The Terminating Index Fund’s then Net Asset Value will be the total value of the net proceeds from the realisation of the assets of the Terminating Index Fund as described in section 1.3 above.

The Final Distribution payable to each Relevant Investor is expected to be paid to the accounts of its financial intermediary or stockbroker maintained with CCASS on or around 5 November 2018. The Manager will issue a further announcement to inform the investors of the exact day of payment of the Final Distribution, together with the amount of Final Distribution per Unit in respect of the Terminating Index Fund, when the same are available.

The Manager does not expect or anticipate there will be a further distribution (which may include any refund of excess Provision) after the Final Distribution. However, in the unlikely event there is a further distribution after the Final Distribution, the Manager will issue an announcement informing the investors by 19 November 2018. Such further distribution (if any) will be paid to the investors on or around 26 November 2018. If there is any change to the dates mentioned in this paragraph, the Manager will issue an announcement of the revised dates.

**IMPORTANT NOTE:** Investors should pay attention to the risk factors as set out in section 7.1 below and consult their professional and financial advisers before disposing of the Units in the Terminating Index Fund. If an investor disposes of its Units in the Terminating Index Fund at any time on or before the Last Trading Day, such investor will not in any circumstances be entitled to any portion of the Final Distribution or any further distribution (if any) in respect of any Units in the Terminating Index Fund so disposed. Investors should therefore exercise caution and consult their professional and financial advisers before dealing in their Units in the Terminating Index Fund or otherwise deciding on any course of actions to be taken in relation to their Units in the Terminating Index Fund.

#### **4. Consequences of the commencement of the cessation of trading**

##### **4.1 Continued existence of the Terminating Index Fund**

The Terminating Index Fund, despite the commencement of the cessation of trading from the Trading Cessation Date, will continue to maintain its listing status on the SEHK and the Terminating Index Fund will continue to maintain its authorisation status with the SFC until completion of the proposed termination, deauthorisation and delisting. Deauthorisation and delisting will follow as soon as possible after the termination of the Terminating Index Fund.

When the Manager and Trustee form an opinion that the Terminating Index Fund ceases to have any contingent or actual assets or liabilities, the Manager and the Trustee will complete the proposed termination process of the Terminating Index Fund in accordance with the Trust Deed, and the Manager will proceed with applying to the SFC for deauthorisation, and to the SEHK to complete the delisting.

##### **4.2 Limited operation of the Terminating Index Fund**

During the period from the Trading Cessation Date up until deauthorisation, the Terminating Index Fund will only be operated in a limited manner as there will not be any trading of Units of the Terminating Index Fund and the Terminating Index Fund will have no investment activities from 9 October 2018, the Trading Cessation Date onwards.

Investors are reminded to contact their stockbrokers or financial intermediaries to check whether there will be any fees or charges including custody fees that they may need to bear with regard to their unitholding in the Terminating Index Fund during the period from the Trading Cessation Date up till the date on which they cease to hold Units.

#### **5. Waiver**

##### **5.1 Background**

As set out in section 2.2 above, while the Units in the Terminating Index Fund will cease trading effective from the Trading Cessation Date, because of certain outstanding actual or contingent assets or liabilities in relation to the Terminating Index Fund, the Terminating Index Fund will remain in existence after the Trading Cessation Date until the Termination Date. During such period, the Terminating Index Fund will maintain its SFC authorisation status, and the

Terminating Index Fund will maintain its SEHK listing status, until the completion of the proposed termination, deauthorisation and delisting.

However, from the Trading Cessation Date onwards:

- (i) there will be no further trading of Units of the Terminating Index Fund and no further creation and redemption of Units of the Terminating Index Fund;
- (ii) the Manager will start to realise all the assets of the Terminating Index Fund and the Terminating Index Fund will therefore cease to track the Index and will not be able to meet its investment objective of tracking the performance of the Index;
- (iii) the Terminating Index Fund will no longer be marketed to the public;
- (iv) the Terminating Index Fund will mainly hold cash; and
- (v) the Terminating Index Fund will only be operated in a limited manner.

Accordingly, with a view to minimising the further costs, fees and expenses in managing the Terminating Index Fund following the Trading Cessation Date and in the best interest of investors, the Manager has applied to the SFC for, and has been granted, a waiver from strict compliance with certain provisions of the Code for the period from the Trading Cessation Date to the Deauthorisation Date.

The details of the waiver granted and the conditions on which such waiver was granted are set out in this section 5.

## **5.2 Publishing of the suspension of dealing**

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

The Manager has applied to the SFC for, and has been granted, a waiver from strict compliance with the Investor Notification Requirements under Chapter 10.7 of the Code, subject to the conditions that a statement shall be posted in a prominent position of the Manager’s website from the Trading Cessation Date until the Deauthorisation Date to notify investors that the Units of the Terminating Index Fund have ceased trading on the SEHK from 9 October 2018, and draw investors’ attention to this Announcement and Notice and all other relevant announcements.

Because the Terminating Index Fund will maintain its SEHK listing status after the Last Trading Day until the Deauthorisation Date, investors may continue to access further announcements in relation to the Terminating Index Fund via the HKEX’s website and the Manager’s website during such period.

### **5.3 Provision of estimated Net Asset Value or R.U.P.V.<sup>1</sup> and last closing Net Asset Value on a real time or near real time basis**

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

From the Trading Cessation Date onwards, there will be no further trading of Units in the Terminating Index Fund on the SEHK and no further creation and redemption of Units in the Terminating Index Fund, and the Terminating Index Fund will mainly hold cash and only be operated in a limited manner. The Manager proposes with the consent of the Trustee that the Net Asset Value per Unit of the Terminating Index Fund will be updated on the Manager's website only when there is any event which causes the Net Asset Value to change. The Manager and the Trustee expect that the events which will cause the Net Asset Value per Unit of the Terminating Index Fund to change are: (i) the Final Distribution (please see further in section 3.2 above); (ii) further distribution (if any); and (iii) any change in the market value of any scrip dividend receivable by the Terminating Index Fund (if any).

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

- (A) the Net Asset Value per Unit of the Terminating Index Fund as of 8 October 2018 (i.e. the Last Trading Day), which will be the latest available Net Asset Value per Unit of the Terminating Index Fund, will be published on the Manager's website; and
- (B) the Manager shall update the latest available Net Asset Value per Unit of the Terminating Index Fund on the Manager's website as soon as practicable should there be any other change to the Net Asset Value of the Terminating Index Fund, including but not limited to changes arising from (i) the Final Distribution (please see further in section 3.2 above); (ii) further distribution (if any); and (iii) any change in the market value of any scrip dividend receivable by the Terminating Index Fund (if any).

### **5.4 Updating of the Prospectus and KFS in respect of the Terminating Index Fund**

Under Chapters 6.1 and 11.1B of the Code, the Prospectus and the KFS in respect of the Terminating Index Fund must be up-to-date and must be updated to incorporate any relevant changes to the Terminating Index Fund.

In view of the cessation of trading of Units of the Terminating Index Fund from the Trading Cessation Date, and there being no further creation or redemption of

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<sup>1</sup> R.U.P.V stands for "Reference Underlying Portfolio Value" which is updated at 15-second intervals during trading hours.

Units of the Terminating Index Fund, the Manager considers that it is not necessary to update the Prospectus and the KFS in respect of the Terminating Index Fund (which by their nature are offering documents) to reflect any future changes to the Terminating Index Fund prior to the Deauthorisation Date.

As such, the Manager has applied to the SFC for, and has been granted, a waiver from strict compliance with the above-mentioned requirements under Chapters 6.1 and 11.1B of the Code so that the Prospectus and the KFS in respect of the Terminating Index Fund need not be updated in respect of disclosure affecting the Terminating Index Fund only from the Trading Cessation Date.

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

- (A) promptly notify investors of any changes to the Terminating Index Fund or to the Prospectus or the KFS of the Terminating Index Fund by means of publishing the announcement(s) on its and the HKEX's websites (each, a "**Relevant Future Announcement**");
- (B) ensure that each Relevant Future Announcement shall include a statement to refer investors to read this Announcement and Notice together with the Prospectus, the KFS of the Terminating Index Fund, and any other Relevant Future Announcement(s); and
- (C) issue an updated Prospectus on the Deauthorisation Date to remove all references to the Terminating Index Fund.

## **5.5 Other related matters**

The Manager confirms that, save for the particular provisions of the Code set out in sections 5.2 to 5.4 above, the Manager will continue to comply with all the other applicable provisions of the Code, the applicable provisions in the Trust Deed and other applicable laws and regulations in respect of the Terminating Index Fund.

## **6. Costs**

### **6.1 Trading on the SEHK**

As indicated in section 3.1 above, stockbrokers or financial intermediaries may levy certain fees and charges for any orders to dispose of Units of the Terminating Index Fund on or before the Last Trading Day.

### **6.2 Creation and Redemption by Participating Dealers**

All creation and redemption of Units of the Terminating Index Fund by Participating Dealers will be subject to the fees and costs as set out in the Prospectus. The Participating Dealers may pass on to the relevant investors such fees and costs, and may also impose fees and charges in handling creation and redemption requests which would increase the cost of creation and redemption. Investors are advised to check with Participating Dealers as to their relevant fees, costs and charges.

Subject to the Provision, the Manager will bear all costs and expenses associated with the Proposal of the Terminating Index Fund (including any transaction costs and any taxes relating to the realisation of assets of the Terminating Index Fund) from the date of this Announcement and Notice up to and including the Termination Date.

### 6.3 Costs of termination, deauthorisation and delisting

The total estimated termination costs for the Terminating Index Fund is HK\$1,145,929 (inclusive of any unamortised establishment costs) (approximately 4.6% of the Net Asset Value as at 5 September 2018) and will be borne by the Terminating Index Fund and the Manager. Immediately after this Announcement and Notice has been published, the Provision (being 3% of the Net Asset Value as at 5 September 2018) will be set aside for the Terminating Index Fund.

This Provision is to discharge a portion of any future costs, charges, expenses, claims and demands (including but not limited to any legal costs, auditor's fees, regulatory maintenance costs, establishment cost, termination related expenses and the fees payable to any service provider to the Terminating Index Fund (including the Trustee) that the Trustee and the Manager may incur or make, in connection with or arising out of the ongoing charges and normal operating expenses, and the termination process together with the delisting and deauthorisation, during the period commencing immediately following publication of this Announcement and Notice up to and including the Termination Date ("**Future Costs**"). For the avoidance of doubt, the Future Costs do not include transaction costs and any taxes relating to the realisation of assets of the Terminating Index Fund. Subject to the Provision, the Manager will bear all costs and expenses associated with the Proposal of the Terminating Index Fund (including any transaction costs and any taxes relating to the realisation of assets of the Terminating Index Fund) from the date of this Announcement and Notice up to and including the Termination Date. The Trustee has confirmed that it has no objection to the amount of the Provision for the Terminating Index Fund.

**As a result of the setting aside of the Provision immediately after this Announcement and Notice has been published, the Net Asset Value of the Terminating Index Fund and the Net Asset Value per Unit of the Terminating Index Fund will be reduced before the commencement of trading on the SEHK on 6 September 2018, as follows:**

before setting aside Provision		after setting aside Provision	
Net Asset Value	Net Asset Value per unit	Net Asset Value	Net Asset Value per unit
HK\$24,761,387	HK\$9.9046	HK\$24,018,545	HK\$9.6074

**Please refer to "Net Asset Value downward adjustment risk" in section 7.1 below.**

Where the Provision is insufficient to cover Future Costs until the Termination Date, any shortfall will be borne by the Manager and no further provision will be made.

Conversely, where the Provision is in excess of the actual amount of Future Costs until the Termination Date, such excess will be refunded to the Relevant



Investors as part of the Final Distribution and, if necessary, any further distribution of the Terminating Index Fund in proportion to the Relevant Investor's interests in the Terminating Index Fund as at the Distribution Record Date.

For your information, the ongoing charges over a year as disclosed in the KFS of the Terminating Index Fund dated 5 September 2018 is 1.56%. The ongoing charges figure is an annualised figure based on expenses for the six-months ended 30 June 2018 of the Terminating Index Fund, expressed as a percentage of the Terminating Index Fund's average Net Asset Value over the last twelve months. It includes the amortised portion of the establishment costs applicable to the relevant period but excludes any extraordinary expenses.

The Manager will continue to charge a Management Fee up to and including the Trading Cessation Date.

The Manager does not expect that the termination of the Terminating Index Fund will impact the figures disclosed above for ongoing charges. Please note for completeness the ongoing charges figure shown above is calculated in accordance with the guidance under the relevant SFC circular, and excludes the following costs and expenses associated with the termination of the Terminating Index Fund: (i) normal operation expenses such as transaction costs and (ii) any taxes relating to the realisation of assets of the Terminating Index Fund.

Since the Terminating Index Fund is newly established, its establishment cost has not been fully amortised. The total costs of establishment of the Terminating Index Fund were HK\$1,674,157 which is amortised over the first five financial years. As of 5 September 2018, the unamortised establishment costs of the Terminating Index Fund was HK\$681,476 which is reflected in the Provision in its entirety. The Terminating Index Fund does not have any other unamortised preliminary expenses or contingent liabilities (such as outstanding litigation) as at the date of this Announcement and Notice.

## **7. Other matters**

### **7.1 Other implications of the proposed cessation of trading, the proposed termination, deauthorisation and delisting of the Terminating Index Fund**

In consequence of this Announcement and Notice and the proposed cessation of trading, the proposed termination, deauthorisation and delisting of the Terminating Index Fund, investors should note and consider the following risks:

*Liquidity risk* – Trading of Units in the Terminating Index Fund on the SEHK from the date of this Announcement and Notice may become less liquid;

*Units trading at a discount or premium and Market Makers' inefficiency risk* – Although up to (and including) the Last Trading Day, the Market Makers will continue to perform their market making functions in respect of the Terminating Index Fund in accordance with the Trading Rules of the SEHK, Units in the Terminating Index Fund may trade at a discount compared to its Net Asset Value in extreme market situations. This is because many investors may want to sell their Units in the Terminating Index Fund after the Proposal has been announced but there may not be many investors in the market who are willing to purchase such Units. On the other hand, it is also possible that the Units of the Terminating Index Fund may trade at a premium and consequently the divergence between

the supply of and demand for the Units of the Terminating Index Fund may be larger than usual. In particular, should there be a large demand for such Units before the Trading Cessation Date, the Market Makers may not be able to effectively perform their market making activities to provide liquidity of the trading of Units of the Terminating Index Fund on the SEHK in these extreme market situations. Following this, the price volatility of the Units of the Terminating Index Fund may be higher than usual from the date of this Announcement and Notice through the Last Trading Day;

*Tracking errors during the period from the date of this Announcement and Notice to the Last Trading Day risk* – The setting aside of the Provision (immediately after this Announcement and Notice has been published) will adversely affect the Net Asset Value per Unit in the Terminating Index Fund. This reduction of Net Asset Value per Unit in the Terminating Index Fund may cause the Terminating Index Fund's return to substantially deviate from the performance of the Index so that the Terminating Index Fund may not be able to properly track the performance of the Index during the period from the date of this Announcement and Notice to the Last Trading Day, and thus triggering significant tracking error. Furthermore, it is possible that the size of the Terminating Index Fund may drop drastically before the Last Trading Day. This may impair the Manager's ability to fulfil the investment objectives of the Terminating Index Funds and result in significant tracking error. In the extreme situation where the size of the Terminating Index Fund becomes so small that the Manager considers that it is not in the best interest of the Terminating Index Fund to continue to invest in the market, the Manager may decide to convert the whole or part of the investments of the Terminating Index Fund into cash or deposits in order to protect the interest of the investors of the Terminating Index Fund;

*Net Asset Value downward adjustment risk* – Changes in economic environment, consumption pattern and investors' expectations may have significant impact on the value of the investments and there may be significant drop in value of the investments. Also, the Net Asset Value of the Terminating Index Fund will be reduced as the Terminating Index Fund will set aside the Provision immediately after publication of this Announcement and Notice is published. Such market movements and the setting aside of the Provision may result in substantial downward adjustment of the Net Asset Value per Unit before the Last Trading Day;

*Failure to track the Index* – All assets of the Terminating Index Fund will be realised with effect from the Trading Cessation Date. Thereafter, the Terminating Index Fund's assets will mainly be cash and the Terminating Index Fund will operate in a limited manner. Following this, from the Trading Cessation Date, the Terminating Index Fund will cease to track the Index, and will not be able to meet its investment objective of tracking the performance of the Index; and

*Delay in distribution risk* – The Manager will aim to realise all of the assets of the Terminating Index Fund and then proceed with the Final Distribution as soon as practicable. However, the Manager may not be able to realise all the assets of the Terminating Index Fund in a timely manner during certain periods of time, for example, when the trading on the relevant stock exchanges is restricted or suspended or when the official clearing and settlement depository of the relevant market is closed. In this case, the payment of the Final Distribution or further distribution (if any) to the Relevant Investors may be delayed.

Investor attention is also drawn to the risks disclosed in the Prospectus of the Terminating Index Fund.

## **7.2 Tax implications**

Based on the Manager's understanding of the law and practice in force at the date of this Announcement and Notice, as the Terminating Index Fund is a collective investment scheme authorised under Section 104 of the Securities and Futures Ordinance (Cap. 571 Laws of Hong Kong), profits of the Terminating Index Fund derived from realisation of its assets are exempt from Hong Kong profits tax.

Notwithstanding that profits of the Terminating Index Fund derived from realisation of its assets are exempt from Hong Kong profits tax, the Terminating Index Fund may be subject to tax in certain jurisdictions where investments are made, on income or capital gains derived from such investments.

No tax is expected to be payable by investors in Hong Kong in respect of the Final Distribution or further distributions (if any) to the extent of distribution of profits and/or capital of the Terminating Index Fund. For investors carrying on a trade, profession or business in Hong Kong, profits derived in redemption or disposal of Units in the Terminating Index Fund may be subject to Hong Kong profits tax if the profits in question arise in or are derived from such trade, profession or business, sourced in Hong Kong, as well as the Units of the Terminating Index Fund are revenue assets of the investors.

Investors should consult their professional tax advisers for tax advice.

## **7.3 Connected party transaction**

Citibank N.A., which is a connected person of the Trustee, currently holds Units in the Terminating Index Fund. Citibank N.A. as Unitholder of the Terminating Index Fund may decide to dispose all or part of the Units which it holds, either by selling the Units on the SEHK or by redeeming the Units in the primary market, after being informed of the proposal of termination, deauthorisation and delisting via this Announcement and Notice. Any disposal of Units by Citibank N.A. which is beyond the control of the Manager, may significantly reduce the size of the Terminating Index Fund and result in significant tracking error. Please refer to "Tracking errors during the period from the date of this Announcement and Notice to the Last Trading Day risk" in section 7.1 above.

Subject to the above, no other connected persons of the Manager and/or the Trustee are involved in any transaction in relation to the Terminating Index Fund, nor holds any interest in the Terminating Index Fund.

## **8. Documents available for inspection**

Copies of the following documents are available for inspection free of charge at the office of the Manager at 337 New Henry House, 10 Ice House Street, Central, Hong Kong during normal business hours:

- Trust Deed;
- Registrar Agreement;

- Service Agreement(s);
- Participation Agreement(s);
- Most recent annual financial statements of the Trust and the Terminating Index Fund and the most recent interim financial statements of the Trust and the Terminating Index Fund; and
- the Prospectus and the KFS of the Terminating Index Fund.

Copies of the Trust Deed, the Registrar Agreement, the Service Agreement(s) and the Participation Agreement(s) may be obtained from the Manager at a cost of HKD150 per set upon request. The financial statements, the Prospectus and the KFS may be obtained free of charge.

## 9. **Enquiries**

If you have any questions in relation to the contents of this Announcement and Notice, please direct them to your stockbrokers or financial intermediaries or contact the Manager by calling (852) 2110 8600 during office hours (except Hong Kong statutory holidays), or visiting the Manager in person at 337 New Henry House, 10 Ice House Street, Central, Hong Kong, or visiting the Manager's website: <http://www.xieshares.com.hk><sup>2</sup>.

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

### **Enhanced Investment Products Limited**

易亞投資管理有限公司

as Manager of the Trust and the Terminating Index Fund

**6 September 2018**

*As at the date of this Announcement and Notice, the board of directors of the Manager consists of Tobias Christopher James Bland and Che Loon David Lau.*

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<sup>2</sup> The website has not been reviewed by the SFC.