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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 professional adviser.*

*If you have sold or transferred all your units in E Fund FTSE Chinese Government Bond 5-10 Years Index ETF, you should at once hand this Announcement and Notice to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.*

**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.*

*E Fund Management (Hong Kong) Co., 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 Sub-Fund (as defined below) nor does it guarantee the commercial merits of the Trust and the Terminating Sub-Fund or their performance. It does not mean the Trust and the Terminating Sub-Fund are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.*

### **E Fund ETFs Trust (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)*

**E Fund FTSE Chinese Government Bond 5-10 Years Index ETF**  
**(RMB Counter Stock Code: 82808)**  
**(HKD Counter Stock Code: 02808)**  
**(the “Terminating Sub-Fund”)**

## **ANNOUNCEMENT AND NOTICE OF THE PROPOSED CESSATION OF TRADING, TERMINATION, VOLUNTARY DEAUTHORISATION AND DELISTING AND WAIVERS 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 31 July 2018 (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 deauthorisation and proposed delisting of E Fund FTSE Chinese Government Bond 5-10 Years Index ETF (the “Terminating Sub-Fund”) and the waivers from strict compliance of certain provisions of the Code for the period from 28 December 2018 (the “Trading Cessation Date”) to the date of deauthorisation (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 Sub-Fund (see details of the factors in section 1 below), the Manager has decided to exercise its power under Clause 35.7(A) of the Trust Deed and proposed to seek termination of the Terminating Sub-Fund with effect from the Termination Date (as defined below). The Manager has given written notice to HSBC Institutional Trust Services (Asia) Limited (the “Trustee”) notifying the Trustee of its proposal to terminate the Terminating Sub-Fund pursuant to Clause 35.7(A) of the Trust Deed and the Trustee does not object to this proposal;
- the Last Trading Day (as defined in section 2.4) of the units in the Terminating Sub-Fund (“Units”) will be 27 December 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 Sub-Fund will cease trading as from 28 December 2018 (the “Trading Cessation Date”); that means no further buying or selling of 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 Sub-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 Sub-Fund and no further creation and redemption of Units of the Terminating Sub-Fund; (ii) the Manager will start to realise all the assets of the Terminating Sub-Fund and the Terminating Sub-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 Sub-Fund will no longer be marketed to the public; (iv) the Terminating Sub-Fund will mainly hold cash; and (v) the Terminating Sub-Fund will only be operated in a limited manner;
- with a view to minimising further costs, fees and expenses in managing the Terminating Sub-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:
  - Chapter 10.7 (with regard to publishing suspension announcements);
  - 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);

- Chapters 6.1 and 11.1B (with regard to updating the Prospectus and the product key facts statement (“KFS”) in respect of the Terminating Sub-Fund); and
- Chapter 11.6 (with regard to publication of annual report and accounts).

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, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and other applicable laws and regulations until the Deauthorisation Date;
- the Manager will, after having consulted the Trustee and the Terminating Sub-Fund’s auditors and PRC tax advisers, declare a Distribution (as defined in section 1.2) to the investors who remain so as at 7 January 2019 (the “Distribution Record Date”), and the Distribution is expected to be payable on or shortly after 24 January 2019 (the “Distribution Date”). The amount of Distribution will equal the total assets of the Terminating Sub-Fund as at the Distribution Date, excluding the amount of PRC tax payable as determined by the Manager in accordance with the Terminating Sub-Fund’s current tax provisioning policy and in consultation with the PRC tax advisers (the final amount is subject to the discretion of the PRC tax authorities);
- after the Trading Cessation Date, the Manager will, in consultation with PRC tax advisers, complete the relevant PRC tax filings and seek PRC tax clearance. The Manager expects to obtain PRC tax clearance in around April 2019. Upon obtaining PRC tax clearance, should the final PRC tax amount be lower than that as determined by the Manager in consultation with the PRC tax advisers, the surplus will be paid to Relevant Investors in around April 2019 (the “Further Distribution”). The Manager will make a further announcement by 15 April 2019 to inform investors whether or not a Further Distribution is payable and, if so, the date and amount per Unit of Further Distribution, or alternatively provide further update.
- if the amount of PRC tax as determined by the Manager is higher than the final PRC tax amount, in consultation with the PRC tax advisers, investors who redeem their Units before the Last Trading Day may be disadvantaged. If the final amount of PRC tax is higher than that as determined by the Manager, the shortfall will be borne by the Manager;
- the Manager does not expect or anticipate there will be a further distribution after the Further Distribution (if any). However, in the unlikely event there is a further distribution after the Further Distribution, the Manager will issue an announcement informing the Relevant Investors;
- investors should note that the termination and deauthorisation of the Terminating Sub-Fund is subject to PRC tax clearance;
- by the date the Trustee and the Manager form an opinion that the Terminating Sub-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 Sub-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 Sub-Fund's SFC authorisation status and SEHK listed status, and, subject to the SEHK's approval, expects the delisting to take effect at or around the same time as the deauthorisation;
- as at the date of this Announcement and Notice, the Terminating Sub-Fund has unamortised preliminary expenses. The unamortised preliminary expenses will be borne by the Manager;
- as the Terminating Sub-Fund will cease to track the Index from the Trading Cessation Date, the Manager will waive its entitlement to management fee from the Trading Cessation Date until the Termination Date;
- the ongoing charges over a year for the Terminating Sub-Fund, as disclosed in the KFS, is 0.45%. The ongoing charges figure is based on the expenses for the year ended 29 December 2017 and represents the sum of the ongoing expenses chargeable to the Terminating Sub-Fund expressed as a percentage of the Terminating Sub-Fund's average Net Asset Value over the same period. The Terminating Sub-Fund will continue to pay the Ongoing Charges (as defined in section 6.5) at a maximum level of 0.45% of the Net Asset Value of the Terminating Sub-Fund over a year until the Trading Cessation Date;
- the costs related to termination, deauthorisation and delisting of the Terminating Sub-Fund is estimated to be approximately RMB1,202,340.41. Part of these costs will be included in the Provision (as described below) and be borne by the Terminating Sub-Fund, and the remaining will be borne by the Manager;
- immediately after this Announcement and Notice has been published, a Provision in the amount of RMB779,700.63 (approximately 2.26% of the Net Asset Value as at 28 November 2018) will be set aside, to discharge part of the costs and expenses associated with the termination of the Terminating Sub-Fund. The total amount of Provision and Ongoing Charges (as defined in section 6.5) will amount to 3% per annum or below of the Terminating Sub-Fund's average Net Asset Value over a year, and will be capped at this level. Where the Provision, together with the Ongoing Charges, is insufficient to cover Future Costs (as defined in section 6.5) until the Termination Date, any shortfall will be borne by the Manager. Where the Provision, together with the Ongoing Charges, is in excess 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 Distribution or Further Distribution (if any) and, if necessary, any further distribution of the Terminating Sub-Fund in proportion to the Relevant Investor's interests in the Terminating Sub-Fund as at the Distribution Record 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 Sub-Fund. 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 and Net Asset Value per Unit of the Terminating Sub-Fund will be reduced before the commencement of trading on the SEHK on 28 November 2018, as follows:

before setting aside Provision	after setting aside Provision
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NAV	NAV per Unit	NAV	NAV per Unit
RMB34,560,472.6	RMB115.2016	RMB33,780,771.97	RMB112.6026

- 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 shortly after the Termination Date (please note that any product documentation for the Terminating Sub-Fund previously issued to investors, including the Prospectus and the KFS in respect of the Terminating Sub-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 maker's 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 dealing in the Units in the Terminating Sub-Fund or otherwise deciding on the course of actions to be taken in relation to their Units in the Terminating Sub-Fund.

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

- forward a copy of this Announcement and Notice to their clients holding Units in the Terminating Sub-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 Sub-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 Sub-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 as and when appropriate in accordance with the applicable regulatory requirements, including announcements: (i) in due course to inform the investors of the Distribution Date, the Further Distribution Date (if any), the Termination Date, the dates for the deauthorisation and the delisting, and (ii) whether there is any further distribution after the Distribution or Further Distribution (as the case may be).

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 Sub-Fund in its absolute discretion by notice in writing to the Trustee under Clause 35.7(A) of the Trust Deed if, after one year from

the date of the establishment of the Terminating Sub-Fund, the aggregate Net Asset Value of all the Units in the Terminating Sub-Fund outstanding shall be less than RMB100,000,000.

As at 27 November 2018, the Net Asset Value of all the Units outstanding in the Terminating Sub-Fund was less than RMB100,000,000. The Manager therefore announces that it has decided to terminate the Terminating Sub-Fund and voluntarily seek deauthorisation and delisting. The proposed termination, deauthorisation and delisting (the “**Proposal**”) will be subject to the final respective approval of the SFC and the SEHK, and will only be completed after the Trustee and the Manager have formed an opinion that the Terminating Sub-Fund have no outstanding contingent or actual liabilities or assets.

Before the proposed termination, deauthorisation and delisting, the Units of the Terminating Sub-Fund will cease trading on the SEHK as from 28 December 2018, the Trading Cessation Date. Accordingly, the last day on which the Units of the Terminating Sub-Fund can be traded on the SEHK will be 27 December 2018, the Last Trading Day, and from the Trading Cessation Date onwards, no trading of Units on the SEHK will be allowed, and no creation and redemption of Units in the Terminating Sub-Fund in the primary market through a Participating Dealer will be allowed.

As required under Clause 35.9 of the Trust Deed, no less than three months’ notice is hereby given to the investors, notifying them of the proposed termination of the Terminating Sub-Fund. 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 Sub-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 (please refer to section 6.5) to discharge part of the costs and expenses associated with the termination of the Terminating Sub-Fund. The Trustee has confirmed that it has no objection to the amount of the Provision. Where the Provision, together with the Ongoing Charges (please refer to section 6.5) is insufficient to cover Future Costs (please refer to section 6.5), any shortfall will be borne by the Manager. For the avoidance of doubt, the Future Costs and Ongoing Charges do not include transaction costs and any taxes relating to the realisation of assets of the Terminating Sub-Fund.

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

### **1.1 Proposed termination of the Terminating Sub-Fund**

According to Clause 35.7(A) of the Trust Deed, the Terminating Sub-Fund may be terminated by the Manager in its absolute discretion by notice in writing in the event that, after one year from the date of the establishment of the Terminating Sub-Fund, the aggregate Net Asset Value of all the Units in the Terminating Sub-Fund outstanding shall be less than RMB100,000,000. The Trust Deed does not require investors’ approval for terminating the Terminating Sub-Fund on the ground set out in Clause 35.7(A) of the Trust Deed.

As at 28 November 2018, the Net Asset Value and the Net Asset Value per Unit of the Terminating Sub-Fund were RMB34,560,472.6 and RMB115.2016 respectively.

Having taken into account the relevant factors including the interests of the investors as a whole, the current relatively small Net Asset Value of the Terminating Sub-Fund, the Manager is of the view that the proposed termination of the Terminating Sub-Fund would be in the best interests of the investors of the Terminating Sub-Fund. Therefore, the Manager has decided to exercise its power under Clause 35.7 of the Trust Deed to terminate the Terminating Sub-Fund on the date on which the Trustee and the Manager form an

opinion that the Terminating Sub-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 Sub-Fund pursuant to Clause 35.7(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 Sub-Fund cease trading on the SEHK with effect from 28 December 2018, the Trading Cessation Date. The Manager will aim to realise all of the assets of the Terminating Sub-Fund effective from the Trading Cessation Date in exercise of its investment powers under Clause 9.5 of the Trust Deed.

The realisation of assets of the Terminating Sub-Fund associated with the proposed termination, deauthorisation and delisting will not incur any additional cost on the Terminating Sub-Fund as compared to the costs associated with normal realisation of investments.

This means 27 December 2018 will be the Last Trading Day when investors may buy or sell Units in the Terminating Sub-Fund on the SEHK in accordance with the usual trading arrangements currently in place.

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 Sub-Fund by Participating Dealers will continue to be permitted until the Last Trading Day. Creations of Units will be limited to the creation of Units by Participating Dealers for market making activities of market makers to provide liquidity of the trading of the Units on the SEHK. There will be no creation of Units for other purposes from the date after this Announcement (i.e. 28 November 2018).

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

## **1.3 Impacts on the proposed realisation of the assets of the Terminating Sub-Fund**

After the realisation of the assets of the Terminating Sub-Fund (as described in section 1.2 above), the Terminating Sub-Fund will mainly hold cash (primarily consisting of the proceeds from the realisation of the assets of the Terminating Sub-Fund). It therefore follows that, from the Trading Cessation Date, the Terminating Sub-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 Sub-Fund will cease trading on the SEHK and there will be no further creation and redemption of Units in the primary market. This means investors will only be allowed to buy or sell Units of the

Terminating Sub-Fund on the SEHK until (and including) the Last Trading Day, which is 27 December 2018 and will not be allowed to do so from the Trading Cessation Date onwards.

## 2.2 Distribution and Further Distribution

The Manager will, after consulting the Trustee, the Terminating Sub-Fund's auditors and PRC tax advisers, declare a distribution (the "**Distribution**") in respect of those investors who remain invested in the Terminating Sub-Fund as of the Distribution Record Date (the "**Relevant Investors**"). Such Distribution is expected to be announced on or around 24 January 2019 and be made on or shortly after such date.

The amount of Distribution will equal the total assets of the Terminating Sub-Fund as at 24 January 2019 (the "**Distribution Date**"), which, for the avoidance of doubt, does not include the amount of PRC tax payable as determined by the Manager in accordance with the Terminating Sub-Fund's current tax provisioning policy and in consultation with the PRC tax advisers (the final amount is subject to the discretion of the PRC tax authorities).

After the Trading Cessation Date, the Manager will, in consultation with PRC tax advisers, complete the relevant PRC tax filings and seek PRC tax clearance. The Manager expects to obtain PRC tax clearance in around April 2019. Upon obtaining PRC tax clearance, should the final PRC tax amount be lower than that as determined by the Manager in consultation with the PRC tax advisers, the surplus will be paid to Relevant Investors in around April 2019 (the "**Further Distribution**"). The Manager will make a further announcement by 15 April 2019:

- (i) if a Further Distribution is payable, to inform investors of the amount of Further Distribution per Unit;
- (ii) if no Further Distribution is payable, to inform investors of this fact; or
- (iii) if PRC tax clearance is not obtained by such date, to inform investors of this fact and to provide an estimated time of PRC tax clearance.

If the final PRC tax amount is higher than that as determined by the Manager in consultation with the PRC tax advisers, the shortfall will be borne by the Manager. Investors should note that the termination and deauthorisation of the Terminating Sub-Fund is subject to PRC tax clearance.

The Manager does not expect or anticipate there will be a further distribution after the Distribution or Further Distribution (if any). However, in the unlikely event there is a further distribution after the Distribution or Further Distribution, the Manager will issue an announcement informing the Relevant Investors.

## 2.3 During the period from the Trading Cessation Date until the Termination Date

On the Termination Date, which is the date on which the Manager and the Trustee are of the opinion that the Terminating Sub-Fund ceases to have any contingent or actual assets or liabilities, the Manager and the Trustee will commence the completion of terminating the Terminating Sub-Fund.

During the period from the Trading Cessation Date until, at least, the Termination Date, the Terminating Sub-Fund will continue to have listing status on the SEHK and will remain authorised by the SFC, although the Terminating Sub-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, waivers from strict compliance of 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 Sub-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 outstanding liabilities of the Terminating Sub-Fund, as well as the final respective approvals by the SFC and the SEHK.

Following deauthorisation, the Terminating Sub-Fund will no longer be subject to regulation by the SFC and will not be available for public distribution in Hong Kong. Any product documentation for the Terminating Sub-Fund previously issued to investors, including the Prospectus and any KFS in respect of the Terminating Sub-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 Sub-Fund to the public in Hong Kong as this may be in breach of the Securities and Futures Ordinance.

## 2.4 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 Sub-Fund will be as follows:

Dispatch of this Announcement and Notice and setting aside of the Provision immediately thereafter	28 November 2018 (Wednesday)
Last day for dealings in the Units of the Terminating Sub-Fund on the SEHK and last day for creation and redemption of Units of the Terminating Sub-Fund (the " <b>Last Trading Day</b> ")	27 December 2018 (Thursday)
Dealings in the Units of the Terminating Sub-Fund on the SEHK cease and no further creation or redemption of Units of the Terminating Sub-Fund (the " <b>Trading Cessation Date</b> "), i.e. same date on which the Manager will start to realise all the investments of the Terminating Sub-Fund and the Terminating Sub-Fund will cease to be able to track the Index	28 December 2018 (Friday)
The date as at which an investor needs to be recorded by HKSCC as the beneficial owner of Units which are registered in the name of HKSCC Nominees Limited and held in CCASS to be entitled to the Distribution and Further distribution, if any (the " <b>Distribution Record Date</b> ")	By close of business on 7 January 2019 (Monday)
Dispatch of announcement of the Distribution  Distribution, after the Manager having consulted the Trustee, the Terminating Sub-Fund's auditors and PRC tax advisers, will be paid to the investors who	On or around 24 January 2019 (Thursday)  The Distribution will be made on or shortly after the date of

are still holding Units as at the Distribution Record Date (the “ <b>Distribution Date</b> ”)	dispatch of the announcement of Distribution.
Dispatch of announcement on (i) upon PRC tax clearance, whether a Further Distribution will be paid (and the amount per Unit and date if applicable), or (ii) an update on PRC tax clearance if this is not obtained by such date. This announcement will be published prior to the Further Distribution Date (if applicable).	By 15 April 2019 (Monday)
Further Distribution (if any) (the “ <b>Further Distribution Date</b> ”)	On or around 18 April 2019 (Thursday)
Termination of the Terminating Sub-Fund (the “ <b>Termination Date</b> ”)	On or around 23 April 2019 (Tuesday), when the Manager and Trustee form an opinion that the Terminating Sub-Fund ceases to have any contingent or actual assets or liabilities.
Deauthorisation and delisting of the Terminating Sub-Fund	On or around the Termination Date, which is the date on which the SFC and SEHK approve the deauthorisation and delisting respectively.  The Manager expects that the deauthorisation and delisting will take place either on or immediately after the Termination Date.

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 Distribution Date, the Further Distribution Date (if any), the dates for the Deauthorisation and Delisting, as well as the Termination Date, and whether there is any further distribution after the Distribution or Further Distribution (if any) with regard to the Terminating Sub-Fund, as and when appropriate in accordance with the applicable regulatory requirements. If there is any change to the dates mentioned in this section, the Manager will issue an announcement informing the Relevant 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 Sub-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 including) the Last Trading Day, an investor may continue to buy or sell its Units in the Terminating Sub-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. Haitong International Securities Company Limited, the market maker of the Terminating Sub-Fund (the “**Market Maker**”) will continue to perform its market making functions in accordance with the Trading Rules of the SEHK.

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

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

The trading price of Units of the Terminating Sub-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 still holding Units in the Terminating Sub-Fund after the Last Trading Day, the Manager will, after having consulted the Trustee and the Terminating Sub-Fund’s auditors and PRC tax advisers, declare the Distribution in respect of such Relevant Investors. Each beneficial owner of Units which are registered in the name of HKSCC Nominees Limited and held in CCASS will be entitled to a Distribution of an amount equal to the Terminating Sub-Fund’s then Net Asset Value in proportion to such beneficial owner’s interests in the Terminating Sub-Fund as at the Distribution Record Date. The Terminating Sub-Fund’s then Net Asset Value will be the total value of the net proceeds from the realisation of the assets of the Terminating Sub-Fund as described in section 1.3 above, which, for the avoidance of doubt, does not include the amount of PRC tax payable as determined by the Manager in accordance with the Terminating Sub-Fund’s current tax provisioning policy and in consultation with the PRC tax advisers (the final amount is subject to the discretion of the PRC tax authorities).

The 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 shortly after 24 January 2019. The Manager will issue a further announcement on the date of payment to inform the Relevant Investors of the exact day of payment of the Distribution, together with the amount of Distribution per Unit in respect of the Terminating Sub-Fund in due course.

The Manager expects to obtain PRC tax clearance in around April 2019. Upon obtaining PRC tax clearance, should the final PRC tax amount be lower than that as determined by the Manager in consultation with the PRC tax advisers, the surplus will be paid to Relevant Investors in around April 2019 as Further Distribution. The Manager will make a further announcement by 15 April 2019 to inform investors whether or not a Further Distribution is payable and, if so, the date and amount per Unit of Further Distribution, or alternatively provide further update. Please refer to section 2.2 above for details. If the final amount of PRC tax is higher than that as determined by the Manager, the shortfall will be borne by the Manager

The Manager does not expect or anticipate there will be a further distribution after the Distribution or Further Distribution (if any). However, in the unlikely event there is a further distribution after the Distribution or Further Distribution (if any), the Manager will issue an announcement informing the Relevant Investors.

If there is any change to the dates mentioned in this paragraph, the Manager will issue an announcement informing the Relevant Investors 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 Sub-Fund. If an investor disposes of its Units in the Terminating Sub-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 Distribution, Further Distribution (if any) or any further distribution(s), in respect of any Units so disposed. Investors should therefore exercise caution and consult their professional and financial advisers before dealing in their Units in the Terminating Sub-Fund or otherwise deciding on any course of actions to be taken in relation to their Units in the Terminating Sub-Fund.

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

##### **4.1 Continued existence of the Terminating Sub-Fund**

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

When the Manager and Trustee form an opinion that the Terminating Sub-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 Sub-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 Sub-Fund**

During the period from the Trading Cessation Date up until deauthorisation, the Terminating Sub-Fund will only be operated in a limited manner as there will not be any trading of Units of the Terminating Sub-Fund and the Terminating Sub-Fund will have no investment activities from 28 December 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 Sub-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 2.3 above, while the Units in the Terminating Sub-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 Sub-Fund, the Terminating Sub-Fund will remain in existence after the Trading Cessation Date until the Termination Date. During such period, the Terminating Sub-Fund will maintain its SFC authorisation status, and its SEHK listed 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 Sub-Fund and no further creation and redemption of Units of the Terminating Sub-Fund;

- (ii) the Manager will start to realise all the assets of the Terminating Sub-Fund and the Terminating Sub-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 Sub-Fund will no longer be marketed to the public;
- (iv) the Terminating Sub-Fund will mainly hold cash; and
- (v) the Terminating Sub-Fund will only be operated in a limited manner.

Accordingly, with a view to minimising further costs, fees and expenses in managing the Terminating Sub-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 ceases or is suspended; and (b) publish the fact that dealing is suspended immediately following the decision to suspend and at least once a month during the period of suspension in an appropriate manner (the requirements under (b) are referred to as the “**Investor Notification Requirements**”).

The Manager has applied to the SFC for, and has been granted, a waiver from strict compliance with the Investor Notification Requirements under Chapter 10.7 of the Code (for the period from the Trading Cessation Date to the Deauthorisation Date), subject to the condition that a statement shall be posted in a prominent position of the Manager’s website from the Trading Cessation Date until the Deauthorisation Date to notify investors that the Units of the Terminating Sub-Fund have ceased trading on the SEHK from 28 December 2018, and draw investors’ attention to this Announcement and Notice and all other relevant announcements.

Because the Terminating Sub-Fund will maintain its SEHK listing status after the Last Trading Day (27 December 2018) until the Deauthorisation Date, investors may continue to access further announcements in relation to the Terminating Sub-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 the estimated Net Asset Value or R.U.P.V. and last closing Net Asset Value of the Terminating Sub-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 of the Code (which include the Terminating Sub-Fund’s own website).

From the Trading Cessation Date onwards, there will be no further trading of Units in the Terminating Sub-Fund on the SEHK and no further creation and redemption of Units in the Terminating Sub-Fund, and the Terminating Sub-Fund will mainly hold cash and only be operated in a limited manner. The Manager proposes and the Trustee consents that the Net

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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.

Asset Value per Unit of the Terminating Sub-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 Sub-Fund to change are: (i) the Distribution (please see section 2.2 above); (ii) the Further Distribution (if any) (please see section 2.2 above); (iii) further distribution(s) (if any); (iv) any change in the market value of the scrip dividend receivable by the Terminating Sub-Fund (if any) of the underlying stocks; and (v) any deduction of transaction costs or taxes relating to the realisation of assets of the Terminating Sub-Fund.

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

- (A) the Net Asset Value per Unit of the Terminating Sub-Fund as of 27 December 2018 (i.e. the Last Trading Day), which will be the latest available Net Asset Value per Unit of the Terminating Sub-Fund, will be published on the Manager's website; and
- (B) the Manager shall update the latest available Net Asset Value per Unit of the Terminating Sub-Fund on the Manager's website as soon as practicable should there be any other change to the Net Asset Value of the Terminating Sub-Fund, including but not limited to changes arising from (i) the Distribution (please see section 2.2 above); (ii) the Further Distribution (please see section 2.2 above); (iii) further distribution(s) (if any); (iv) any change in the market value of the scrip dividend receivable by the Terminating Sub-Fund (if any) of the underlying stocks; and (v) any deduction of transaction costs or taxes relating to the realisation of assets of the Terminating Sub-Fund.

#### 5.4 Updating of the Prospectus and KFS in respect of the Terminating Sub-Fund

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

In view of the cessation of trading of Units of the Terminating Sub-Fund from the Trading Cessation Date, and there being no further creation or redemption of Units of the Terminating Sub-Fund, the Manager considers that it is not necessary to update the Prospectus and the KFS in respect of the Terminating Sub-Fund (which by their nature are offering documents) to reflect any future changes to the Terminating Sub-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 Sub-Fund need not be updated in respect of disclosure affecting the Terminating Sub-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 Sub-Fund or to the Prospectus or the KFS of the Terminating Sub-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 Sub-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 Sub-Fund.

## 5.5 Publication of annual report and accounts

Under Chapter 11.6 of the Code, annual report and account containing the information required under Appendix E to the Code must be published and distributed to investors within four months of the end of the Terminating Sub-Fund's financial year (which ends on 31 December in each year). Chapter 11.6 of the Code also provides that, as an alternative to the distribution of printed financial reports, investors may be notified of where such reports, in printed and electronic forms, can be obtained within the relevant time frame.

As discussed above, the Manager will start to realise all assets of the Terminating Sub-Fund after the Trading Cessation Date. The Manager therefore envisages that the account of the Terminating Sub-Fund should be relatively simple and straightforward. As such, with a view to minimising the operational costs of the Terminating Sub-Fund, the Manager has applied to the SFC for, and has been granted, a waiver from strict compliance with the above-mentioned requirements under Chapter 11.6 of the Code such that, to the extent if the date of termination of the Terminating Sub-Fund falls within the first four months of the relevant financial year (the "**relevant financial year**"), the annual report of the preceding year will be combined with the termination audit of the Terminating Sub-Fund covering the period from 1 January of the year preceding the relevant financial year to the date of termination of the Sub-Fund (the "**Termination Audit Period**").

This waiver shall be subject to the following conditions:

- (a) the contents of the annual report for the Termination Audit Period (the "**Termination Audit Report**") shall comply with the requirements under Chapter 4.5(f) and Appendix E to the Code, and all other applicable provisions of the Code, other applicable laws and regulations;
- (b) if the Terminating Sub-Fund is terminated within the first four months of the relevant financial year and the waiver becomes applicable, the Manager shall notify Unitholders by way of an announcement on its website and the HKEx's website as soon as practicable before the annual report for the year preceding the relevant financial year is due. Such announcement shall notify the Unitholders of, among other things: (i) when the Termination Audit Report will be published; (ii) the start and end dates of the Termination Audit Period; and (iii) where the Termination Audit Report, in printed and electronic forms, can be obtained; and
- (c) the Termination Audit Report shall be published on the Manager's website and the HKEx's website as soon as practicable and in any event no later than three months after the Termination Date (i.e. not more than 19 months from 1 January of the year preceding the relevant financial year).

For the avoidance of doubt, except for the Termination Audit Period, the Manager will continue to arrange for the necessary interim and annual reports for the Terminating Sub-Fund to be prepared in accordance with the Code. The Manager confirms that the investors will not be prejudiced from the waiver from strict compliance with Chapter 11.6 of the Code.

## 5.6 Other related matter

The Manager confirms that, save for the particular provisions of the Code set out in sections 5.2 to 5.5 above, the Manager will continue to comply with all the other applicable provisions of the Code, the applicable provisions in the Trust Deed, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and other applicable laws and regulations in respect of the Terminating Sub-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 Sub-Fund on or before the Last Trading Day.

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

All creation and redemptions of Units of the Terminating Sub-Fund by Participating Dealers will be subject to the fees and costs as set out in the Prospectus. 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.

### **6.3 Cost of termination, deauthorisation and delisting**

The costs related to termination, deauthorisation and delisting of the Terminating Sub-Fund is estimated to be approximately RMB1,202,340.41 (3.48% of the Net Asset Value as at 28 November 2018). Part of these costs will be included in the Provision as described in section 6.5 below will be borne by the Terminating Sub-Fund, and the remaining (to the extent these costs and preliminary expenses exceed the Provision) will be borne by the Manager.

### **6.4 Unamortised preliminary expenses**

As at the date of this Announcement and Notice, the Terminating Sub-Fund has unamortised preliminary expenses, which will be borne by the Manager.

### **6.5 Ongoing charges of the Terminating Sub-Fund and Provision**

The ongoing charges over a year for the Terminating Sub-Fund, as disclosed in the KFS, is 0.45%. The ongoing charges figure is based on the expenses for the year ended 29 December 2017 and represents the sum of the ongoing expenses chargeable to the Terminating Sub-Fund expressed as a percentage of the Terminating Sub-Fund's average Net Asset Value over the same period.

The Terminating Sub-Fund will continue to pay the ongoing expenses (at a maximum level of 0.45% of the Net Asset Value of the Terminating Sub-Fund over a year) until the Trading Cessation Date (the "**Ongoing Charges**"). For the avoidance of doubt, this does not include the Provision (as described below), transaction costs or any taxes relating to the realisation of assets of the Terminating Sub-Fund.

Immediately after this Announcement and Notice has been published, a provision in the amount of RMB779,700.63 (the "**Provision**") (approximately 2.26% of the Net Asset Value as at 28 November 2018), will be set aside. This Provision is to discharge part of the costs and expenses associated with the termination, deauthorisation and delisting of the



Terminating Sub-Fund (as described in section 6.3). The Trustee has confirmed that it has no objection to the amount of the Provision.

The sum of the Ongoing Charges and Provision will amount to 3% per annum or below of the Net Asset Value of the Terminating Sub-Fund's average Net Asset Value over a year, and will be capped at this level. Any future costs, charges, expenses, claims and demands (including but not limited to any legal costs, auditors' fees, regulatory maintenance costs and the fees payable to any service provider to the Terminating Sub-Fund) that the Trustee and the Manager may incur or make, during the period commencing immediately following publication of this Announcement and Notice up to and including the Termination Date, in connection with or arising out of the ongoing maintenance and the termination process together with the delisting and deauthorisation of the Terminating Sub-Fund (together, the "Future Costs"), to the extent not covered by the Provision or the Ongoing Charges, will be borne by the Manager. Conversely, where the Provision, together with the Ongoing Charges, 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 Distribution or Further Distribution (if any) and, if necessary, any further distribution of the Terminating Sub-Fund in proportion to the Relevant Investor's interests in the Terminating Sub-Fund as at the Distribution Record Date. For the avoidance of doubt, the Future Costs or the Ongoing Charges do not include transaction costs and any taxes relating to the realisation of assets of the Terminating Sub-Fund.

The Manager will waive its entitlement to management fee from the Trading Cessation Date until the Termination Date.

**As a result of the setting aside of the Provision immediately after this Announcement and Notice has been published, the Net Asset Value and Net Asset Value per Unit of the Terminating Sub-Fund will be reduced before the commencement of trading on the SEHK on 28 November 2018, as follows:**

before setting aside Provision		after setting aside Provision	
NAV	NAV per Unit	NAV	NAV per Unit
RMB34,560,472.6	RMB115.2016	RMB33,780,771.97	RMB112.6026

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

The Terminating Sub-Fund does not have any contingent liabilities (such as outstanding litigation) as at the date of this Announcement and Notice.

## **7. Other matters**

### **7.1 Termination of Market Maker**

As at the date of this Announcement and Notice, Haitong International Securities Company Limited is the sole Market Maker of the Terminating Sub-Fund. The Market Maker has informed the Manager that it intends to terminate its market making activities for the Terminating Sub-Fund with effect from 31 December 2018.

The Market Maker will continue to perform its market making functions in respect of the Terminating Sub-Fund in accordance with the trading rules of the SEHK until the Last Trading Day. From the Trading Cessation Date onwards, no market making activities will be required as the trading of the Terminating Sub-Fund would have ceased. The Manager considers the termination of the Market Maker from 31 December 2018 onwards does not have any impact on the Terminating Sub-Fund. In view of the proposed termination and delisting of the Terminating Sub-Fund, the Manager does not seek another market maker from the date of this Announcement and Notice until the Termination Date.

## **7.2 Other implications of the proposed cessation of trading, the proposed termination, deauthorisation and delisting of the Terminating Sub-Fund**

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

*Liquidity risk* – Trading of Units in the Terminating Sub-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 Maker's inefficiency risk* – Although up to (and including) the Last Trading Day, the Market Maker will continue to perform its market making functions in respect of the Terminating Sub-Fund in accordance with the Trading Rules of the SEHK, Units in the Terminating Sub-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 Sub-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 Sub-Fund may trade at a premium and consequently the divergence between the supply of and demand for the Units of the Terminating Sub-Fund may be larger than usual. In particular, should there be a large demand for such Units before the Trading Cessation Date, the Market Maker may not be able to effectively perform its market making activities to provide liquidity of the trading of Units of the Terminating Sub-Fund on the SEHK in these extreme market situations. As a result, the price volatility of the Units of the Terminating Sub-Fund may be higher than usual from the date of this Announcement and Notice up to (and including) the Last Trading Day;

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

*Net Asset Value downward adjustment risk* – Changes in economic environment, consumption pattern and investors' expectations may have significant impact on the value of the investments and there may be significant drop in value of the investments. Also, the Net Asset Value of the Terminating Sub-Fund may be reduced as the Terminating Sub-Fund will set aside the Provision immediately after publication of this Announcement and Notice. 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 Sub-Fund, to the extent possible, will be liquidated with effect from the Trading Cessation Date. Thereafter, the Terminating Sub-Fund's assets will mainly be cash. The Terminating Sub-Fund will only be operated in

a limited manner. It therefore follows that, from the Trading Cessation Date, the Terminating Sub-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 Sub-Fund and proceed with the Distribution and Further Distribution (if any) as soon as practicable. However, the Manager may not be able to realise all of the assets in a timely manner during certain periods of time, for example, when trading on the relevant stock exchange is restricted or suspended or when the official clearing and settlement depository of the relevant market is closed. In this case, the payment of Distribution, Further Distribution (if any) or any further distribution to the Relevant Investors may be delayed.

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

### **7.3 Tax implications**

#### *Hong Kong tax*

Based on the Manager's understanding of the law and practice in force at the date of this Announcement and Notice, as the Terminating Sub-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 Sub-Fund derived from realisation of its assets are exempt from Hong Kong profits tax. Notwithstanding that profits of the Terminating Sub-Fund derived from realisation of its assets are exempt from Hong Kong profits tax, the Terminating Sub-Fund may be subject to tax in certain jurisdictions where investments are made, on income or capital gains derived from such investments.

No Hong Kong tax is expected to be payable by investors in Hong Kong in respect of the Distribution, Further Distribution (if any) or any further distribution(s) to the extent of distribution of profits and/or capital of the Terminating Sub-Fund. For investors carrying on a trade, profession or business in Hong Kong, profits derived in redemption or disposal of Units in the Terminating Sub-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 Sub-Fund are revenue assets of the investors.

#### *PRC tax*

The Manager currently makes certain tax provision to satisfy potential PRC tax obligations of the Terminating Sub-Fund, namely:

- (i) 10% of the Terminating Sub-Fund's gross realised and unrealised capital gains derived from trading of PRC bonds since its inception;
- (ii) an amount equal to the total of (a) for Value-added Tax ("VAT"), 6% of the bond coupon interest (except PRC government bonds or local government bonds) received by the Terminating Sub-Fund; plus (b) for the potential local surtaxes on VAT, 13% of the VAT amount stated in (a).

The amount of tax provision as at 28 November 2018 is RMB4,192,470.85 (12.14% of the Net Asset Value as at 28 November 2018). Investors' attention is drawn to the section "PRC taxation" in Appendix 3 of the Prospectus for information about such tax provision and the PRC tax obligations of the Terminating Sub-Fund. The Manager, in accordance with the Terminating Sub-Fund's current tax provisioning policy and having consulted professional tax advisers, is currently of the view that sufficient amount of tax provision has been made by the Terminating Sub-Fund. Further, the final tax amount is subject to the assessment of

the relevant PRC tax authorities, so there may be under- or over-provision as currently made by the Terminating Sub-Fund.

As the process of PRC tax clearance will start following the realisation of assets of the Terminating Sub-Fund, the tax amount payable by the Terminating Sub-Fund will be finalised only after the Trading Cessation Date. The Manager will, in consultation with the PRC tax advisers, determine the amount of PRC tax payable (which is not final). The final amount of PRC tax payable will only be determined upon PRC tax clearance. If the final amount is lower than the Manager's determination, the surplus will be paid to Relevant Investors as Further Distribution. As disclosed in the Prospectus, investors may be disadvantaged depending on the final rules of the relevant PRC tax authorities, the level of provision and when they subscribed and/or redeemed their Units. If there is any over-provision of the Terminating Sub-Fund or if the amount of PRC tax as determined by the Manager is higher than the final PRC tax amount, investors who redeem their Units before the Last Trading Day may be disadvantaged. If the final amount of PRC tax is higher than the amount of PRC tax as determined by the Manager, the shortfall will be borne by the Manager.

Investors should note that the termination and deauthorisation of the Terminating Sub-Fund is subject to PRC tax clearance.

Investors should consult their professional tax advisers for tax advice.

#### **7.4 Connected party transaction**

None of the Connected Persons of the Manager and/or the Trustee are party to any transaction in relation to the Terminating Sub-Fund, nor hold any interest in the Terminating Sub-Fund.

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

Copies of the following documents are available for inspection free of charge upon request at the Manager's registered office during normal business hours:

- the Trust Deed;
- the Service Agreements;
- the Participation Agreements;
- the most recent annual financial statements of the Trust and the Terminating Sub-Fund and the most recent interim financial statements of the Trust and the Terminating Sub-Fund; and
- the Prospectus and the KFS.

Copies of the above documents may be obtained from the Manager at a cost of HKD150 per set of copy documents (other than the financial statements, the Prospectus and the KFS which 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 3929 0988 during office hours (except Hong Kong statutory holidays), or visiting the Manager in person at Suites 3501-02, 35/F, Two International Finance Centre, 8

Finance Street, Central, Hong Kong, or visiting the Manager's website:  
[www.efunds.com.hk](http://www.efunds.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.

**E Fund Management (Hong Kong) Co., Limited**  
as Manager of the Terminating Sub-Fund

**28 November 2018**

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