

IMPORTANT: Investments involve risks, including the total loss of your investment. Investors are advised to consider their own investment objectives and circumstances in determining the suitability of an investment in the Global X S&P 500 Daily (-1x) Inverse Product\*, Global X Hang Seng Index Daily (-1x) Inverse Product, Global X Hang Seng Index Daily (2x) Leveraged Product, Global X Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Global X Hang Seng China Enterprises Index Daily (2x) Leveraged Product (each a "Product", collectively the "Products").

Global X S&P 500 Daily (-1x) Inverse Product\*, Global X Hang Seng Index Daily (-1x) Inverse Product and Global X Hang Seng China Enterprises Index Daily (-1x) Inverse Product track the performance of a short position on an index on a Daily basis. Global X Hang Seng Index Daily (2x) Leveraged Product and Global X Hang Seng China Enterprises Index Daily (2x) Leveraged Product track two times the performance of an index on a Daily basis.

The Products only target sophisticated trading-oriented investors who constantly monitor the performance of their holding on a Daily basis, and are in a financial position to assume the risks in derivatives and/or futures investments. They are high risk products designed to be used as short term trading tools for market timing or hedging purposes and are not appropriate for long term (longer than rebalancing interval - one day) investment. The performance of the Products, when held overnight, may deviate from the underlying indices.

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

For Products which invest in Futures Contracts, you should note that futures investments are subject to certain key risks including leverage, counterparty and liquidity risks. Movement in the prices of futures may be highly volatile. Please refer to the "Risk Factors" section in this Prospectus as well as the "Risk factors specific to the Product" section in each Appendix.

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

## GLOBAL X LEVERAGED AND INVERSE SERIES

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



### Global X S&P 500 Daily (-1x) Inverse Product\*

*Stock Code: 07322*

### Global X Hang Seng Index Daily (-1x) Inverse Product

*Stock Code: 07336*

### Global X Hang Seng Index Daily (2x) Leveraged Product

*Stock Code: 07231*

### Global X Hang Seng China Enterprises Index Daily (-1x) Inverse Product

*Stock Code: 07362*

### Global X Hang Seng China Enterprises Index Daily (2x) Leveraged Product

*Stock Code: 07230*

*(\*This is a synthetic product)*

## PROSPECTUS

*Manager*

**Mirae Asset Global Investments (Hong Kong) Limited**

未來資產環球投資(香港)有限公司

*Listing Agent*

**Altus Capital Limited**

**29 April 2022**

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

## IMPORTANT INFORMATION

This Prospectus relates to the offer in Hong Kong of units (the “Units”) in the Global X Leveraged and Inverse Series (the “Trust”), an umbrella unit trust established under Hong Kong law by a trust deed dated 1 September 2016, as amended and restated from time to time (the “Trust Deed”) between Mirae Asset Global Investments (Hong Kong) Limited 未來資產環球投資(香港)有限公司 (the “Manager”) and HSBC Institutional Trust Services (Asia) Limited (the “Trustee”). The Trust has a number of sub-funds (the “Products” or individually a “Product”).

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

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

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

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

Dealings in the Units of Global X S&P 500 Daily (-1x) Inverse Product\*\*, Global X Hang Seng Index Daily (-1x) Inverse Product, Global X Hang Seng Index Daily (2x) Leveraged Product, Global X Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Global X Hang Seng China Enterprises Index Daily (2x) Leveraged Product on The Stock Exchange of Hong Kong Limited (the “SEHK”) have already commenced. The Units of Global X S&P 500 Daily (-1x) Inverse Product\*, Global X Hang Seng Index Daily (-1x) Inverse Product, Global X Hang Seng Index Daily (2x) Leveraged Product, Global X Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Global X Hang Seng China Enterprises Index Daily (2x) Leveraged Product have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“HKSCC”) for deposit, clearance and settlement in the Central Clearing and Settlement System (“CCASS”).

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

applicable Similar Law.

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

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

### **Questions and Complaints**

Investors may raise any questions on or make any complaints about the Trust (including the Products) by contacting the Manager at its address as set out in the Directory of this Prospectus or calling the Manager on +852 2295 1500 during normal office hours.

## DIRECTORY

### *Manager*

#### **Mirae Asset Global Investments (Hong Kong) Limited**

未來資產環球投資(香港)有限公司  
Room 1101, 11/F, Lee Garden Three  
1 Sunning Road, Causeway Bay  
Hong Kong

### *Trustee and Registrar*

#### **HSBC Institutional Trust Services (Asia) Limited**

1 Queen's Road Central  
Hong Kong

### *Participating Dealers<sup>#</sup>*

Please refer to the relevant Appendix of each  
Product

### *Market Makers<sup>#</sup>*

Please refer to the relevant Appendix of each  
Product

### *Listing Agent<sup>+</sup>*

#### **Altus Capital Limited**

21 Wing Wo Street  
Central  
Hong Kong

### *Legal Counsel to the Manager*

#### **Deacons**

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

### *Auditors*

#### **PricewaterhouseCoopers**

22/F, Prince's Building  
Central, Hong Kong

### *Service Agent*

#### **HK Conversion Agency Services Limited**

8th Floor, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

<sup>#</sup> Please refer to the Manager's website for the latest lists of Market Makers and Participating Dealers for each of the Products.

<sup>+</sup> In respect of Global X Hang Seng Index Daily (-1x) Inverse Product, Global X Hang Seng Index Daily (2x) Leveraged Product, Global X Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Global X Hang Seng China Enterprises Index Daily (2x) Leveraged Product only.

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(\*This is a synthetic product)

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

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

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

## DEFINITIONS

*In this Prospectus (including the relevant Appendix for any Product), unless the context requires otherwise, the following expressions have the meanings set out below. Other capitalised terms used, but not defined, have the meaning given to those terms in the Trust Deed.*

“After Listing” means the period which commences on the Listing Date and continues until the Product is terminated.

“Appendix” means an appendix to this Prospectus that sets out specific information applicable to a Product.

“Application” means an application by a Participating Dealer for the creation or redemption of Units, in accordance with the procedures for creation and redemption of Units set out in the Operating Guidelines, the relevant Participation Agreement and the terms of the Trust Deed.

“Application Unit” in relation to each Product, means such number of Units or whole multiples thereof (if any) as specified in this Prospectus for the relevant Product or such other number of Units from time to time determined by the Manager, approved by the Trustee and notified by the Manager to the Participating Dealers.

“Base Currency” in relation to each Product, means the currency in which the records and accounts of the Product are for the time being maintained in accordance with the Trust Deed, as set out in the relevant Appendix.

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

“Cancellation Compensation” means an amount payable by a Participating Dealer in respect of a Default, as set out in the Trust Deed and in the Operating Guidelines applicable at the time the relevant Creation Application or Redemption Application is made.

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

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

“Code” means the Code on Unit Trusts and Mutual Funds issued by the SFC (as amended or replaced from time to time).

“Connected Person” has the meaning as set out in the Code which at the date of this Prospectus means in relation to a company:

- (a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise directly or indirectly, 20% or more of the total votes in that company; or
- (b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or
- (c) any member of the group of which that company forms part; or



- (d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c).

“Conversion Agent” means HK Conversion Agency Services Limited or such other persons as may from time to time be appointed to act as conversion agent in relation to a Product.

“Creation Application” means an application by a Participating Dealer for the creation and issue of Units in an Application Unit size in accordance with the Operating Guidelines and the Trust Deed.

“Daily” in relation to the performance, the inverse performance or the leveraged performance of an Index or a Product, means the performance, the inverse performance or the leveraged performance of an Index or a Product (as the case may be) from the close of the relevant Market on a given Business Day until the close of the relevant Market on the subsequent Business Day.

“Dealing Day” means each Business Day during the continuance of the relevant Product, and/or such other day or days as the Manager may from time to time determine with the written approval of the Trustee.

“Dealing Deadline” in relation to any Dealing Day, means the time on each Dealing Day specified in the “The Offering Phases” section of this Prospectus or such other time or day as the Manager may from time to time with the written approval of the Trustee determine.

“Default” means a failure by a Participating Dealer in respect of:

- (a) a Creation Application to deliver the requisite cash amount; or
- (b) a Redemption Application to deliver the Units the subject of the Redemption Application and/or any relevant cash amount.

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

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

“Encumbrance” means any mortgage, charge, pledge, lien, third party right or interest, any other encumbrance or security interest of any kind or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect other than any such encumbrance or security interest imposed by the terms of the relevant clearing system/depository

or otherwise created by the terms of the Participation Agreement, the Trust Deed or any agreement between the Manager, the Trustee and the relevant Participating Dealer.

“entities within the same group” means entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognised accounting standards.

“Extension Fee” means the fee payable to the Trustee on each occasion the Manager, upon a Participating Dealer’s request, grants the Participation Dealer an extended settlement in respect of a Creation Application or Redemption Application.

“FDIs” means financial derivative instruments.

“Futures Contract” means any futures contract which is traded on any Futures Exchange.

“Futures Exchange” means the Hong Kong Futures Exchange Limited and such other futures exchange from time to time determined by the Manager.

“Government and other Public Securities” has the meaning as set out in the Code which at the date of this Prospectus means any investment issued by, or the payment of principal and interest on, which is guaranteed by a government, or any fixed-interest investment issued by its public or local authorities or other multilateral agencies.

“H-Shares” means shares in Mainland incorporated enterprises which are listed on the SEHK and primarily traded in Hong Kong.

“HKD” means Hong Kong dollars, the lawful currency for the time being and from time to time of Hong Kong.

“HKEx” means Hong Kong Exchanges and Clearing Limited or its successors.

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

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

“IFRS” means International Financial Reporting Standards.

“Income Property” means, in respect of each Product, (a) all interest, dividends and other sums deemed by the Manager, (after consulting the auditors either on a general or case by case basis), to be in the nature of income (including taxation repayments, if any) received or receivable by the Trustee in respect of the Deposited Property of the relevant Product (whether in cash or, without limitation, by warrant, cheque, money, credit or otherwise or the proceeds of sale or transfer of any Income Property received in a form other than cash); (b) all interest and other sums received or receivable by the Trustee in respect of (a), (c) or (d) of this definition; (c) all cash payments received or receivable by the Trustee for the account of the relevant Product in respect of an Application; (d) all Cancellation Compensation received by the Trustee for the account of the relevant Product; and (e) any payments to be received or are receivable by the Trustee under any contractual agreements in the nature of investments for the benefit of the relevant Product but excluding (i) other Deposited Property; (ii) any amount for the time being standing to the credit of the distribution account for the account of the relevant Product or previously distributed to Unitholders; (iii) gains for the account of the relevant Product arising from the realisation of Securities and/or Futures Contracts (as the case may be); and (iv) any sums applied towards payment of the fees, costs and expenses payable by the Trust from the Income Property of the relevant Product.

“Index” means, in respect of a Product, the index against which the relevant Product is benchmarked as set out in the relevant Appendix.

“Index Provider” means, in respect of a Product, the person responsible for compiling the Index against which the relevant Product benchmarks its investments and who holds the right to licence the use of such Index to the relevant Product as set out in the relevant Appendix.

“Initial Issue Date” means, in respect of a Product, the date of the first issue of Units.

“Initial Offer Period” means, in respect of each Product, the period before the relevant Listing Date as set out in the relevant Appendix.

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

“Investment Adviser” means Mirae Asset Global Investments Co., Ltd or such person or persons (if any) for the time being duly appointed as investment adviser or investment advisers of a Product, as specified in the relevant Appendix for the Product.

“Issue Price” means, in respect of a Product, the price at which Units may be issued, determined in accordance with the Trust Deed.

“Listing Date” means, in respect of a Product, the date on which the Units are first listed and from which dealings therein are permitted to take place on SEHK, the expected date of which is set out in the relevant Appendix for the Product.

“Manager” means Mirae Asset Global Investments (Hong Kong) Limited 未來資產環球投資(香港)有限公司 or such other person or persons for the time being duly appointed pursuant to the Trust Deed as manager of the Trust in succession thereto being approved by the SFC under the Code.

“Market” means in any part of the world:

- (a) in relation to any Security: the SEHK or such other stock exchange from time to time determined by the Manager;
- (b) in relation to any Futures Contract: the Hong Kong Futures Exchange Limited or such other futures exchange from time to time determined by the Manager,

and any over-the-counter transaction conducted in any part of the world and in relation to any Security or Futures Contract shall be deemed to include any bilateral agreement with a responsible firm, corporation or association in any country in any part of the world dealing in the Security or Futures Contract which the Manager may from time to time elect.

“Market Maker” means a broker or dealer permitted by the SEHK to act as such by making a market for the Units in the secondary market on the SEHK.

“Net Asset Value” means the net asset value of a Product or, as the context may require, the net asset value of a Unit calculated under the Trust Deed.

“Operating Guidelines” means, in respect of a Product, the guidelines for the creation and redemption of Units as set out in the schedule to each Participation Agreement as amended from time to time by the Manager with the approval of the Trustee and following consultation, to the extent reasonably practicable, with the relevant Participating Dealers, including without limitation, the procedures for creation and redemption of Units subject always, in respect of the relevant Operating Guidelines for a Participating Dealer, any amendment being notified in writing by the Manager in advance to the Participating Dealer. Unless otherwise specified, references to the Operating Guidelines shall be to the Operating Guidelines for the Products applicable at the time of

the relevant Application.

“P-chips” means securities of companies that are incorporated outside of the PRC that are listed on the SEHK and have more than 50% of their sales revenue (or profits or assets, if more appropriate) derived from Mainland China but are not H-Shares or Red-chips.

“Participant” means a person admitted for the time being by HKSCC as a participant of CCASS.

“Participating Dealer” means a broker or dealer who is (or who has appointed an agent or delegate who is) a Participant and who has entered into a Participation Agreement in form and substance acceptable to the Manager and Trustee, and any reference in this Prospectus to “Participating Dealer” shall include a reference to any agent or delegate so appointed by the Participating Dealer.

“Participation Agreement” means an agreement entered into between, among others, the Trustee, the Manager and a Participating Dealer, setting out, amongst other things, the arrangements in respect of the Applications. References to the Participation Agreement shall, where appropriate, mean the Participation Agreement, read together with the Operating Guidelines.

“Product” means a segregated pool of assets and liabilities into which the Trust Fund is divided, established under the Trust Deed and the relevant supplemental deed as a separate trust as described in the relevant Appendix to this Prospectus.

“Recognised Futures Exchange” means an international futures exchange which is recognised by the SFC or which is approved by the Manager.

“Recognised Stock Exchange” means an international stock exchange which is recognised by the SFC or which is approved by the Manager.

“Red-chips” means securities of companies that are incorporated outside of the PRC that are listed on the SEHK, have more than 50% of their sales revenue (or profits or assets, if more appropriate) derived from Mainland China and are directly or indirectly controlled by organizations or enterprises that are owned by the state, provinces or municipalities of the PRC.

“Redemption Application” means an application by a Participating Dealer for the redemption of Units in Application Unit size in accordance with the Operating Guidelines and the Trust Deed.

“Redemption Value” means, in respect of a Unit, the price per Unit at which such Unit is redeemed, calculated in accordance with the Trust Deed.

“Registrar” means HSBC Institutional Trust Services (Asia) Limited or such person as may from time to time be appointed as registrar of each Product to keep the register of the Unitholders of the Product.

“Registrar Agreement” means, in respect of a Product where applicable, the agreement entered into between the Trustee, the Manager and the Registrar appointing the Registrar as registrar in respect of such Product, as amended from time to time.

“reverse repurchase transactions” means transactions whereby a Product purchases Securities from a counterparty of sale and repurchase transactions and agrees to sell such securities back at an agreed price in the future.

“sale and repurchase transactions” means transactions whereby a Product sells its Securities to a counterparty of reverse repurchase transactions and agrees to buy such Securities back at an agreed price with a financing cost in the future.

“Securities” means any shares, stocks, debentures, loan stocks, bonds, securities, commercial paper, acceptances, trade bills, warrants, participation notes, certificates, structured products, treasury bills, instruments or notes of, or issued by or under the guarantee of, any body, whether incorporated or unincorporated, and whether listed or unlisted, or of any government or local

government authority or supranational body, whether paying interest or dividends or not and whether fully-paid, partly paid or nil paid and includes (without prejudice to the generality of the foregoing):

- (a) any right, option or interest (howsoever described) in or in respect of any of the foregoing, including units in any Unit Trust (as defined in the Trust Deed);
- (b) any certificate of interest or participation in, or temporary or interim certificate for, receipt for or warrant to subscribe or purchase, any of the foregoing;
- (c) any instrument commonly known or recognised as a security;
- (d) any receipt or other certificate or document evidencing the deposit of a sum of money, or any rights or interests arising under any such receipt, certificate or document; and
- (e) any bill of exchange and any promissory note.

“securities lending transactions” means transactions whereby a Product lends its Securities to a security-borrowing counterparty for an agreed fee.

“SEHK” means The Stock Exchange of Hong Kong Limited or its successors.

“Service Agent” means HK Conversion Agency Services Limited or such other person as may from time to time be appointed to act as service agent in relation to a Product.

“Service Agent’s Fee” means the fee which may be charged for the benefit of the Service Agent to each Participating Dealer on each book-entry deposit or book-entry withdrawal transaction made by the relevant Participating Dealer, the maximum level of which shall be determined by the Service Agent and set out in this Prospectus.

“Service Agreement” means each agreement by which the Service Agent provides its services in respect of a Product entered amongst the Trustee and Registrar, the Manager, the Participating Dealer, the Service Agent and the Hong Kong Securities Clearing Company Limited.

“Settlement Day” means the Business Day which is 2 Business Days after the relevant Dealing Day (or such other Business Day as is permitted in relation to such Dealing Day (including the Dealing Day itself) pursuant to the Operating Guidelines) or such other number of Business Days after the relevant Dealing Day as determined by the Manager in consultation with the Trustee from time to time and notified to the relevant Participating Dealers or as otherwise described in the relevant Appendix.

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

“SFO” means the Securities and Futures Ordinance (Cap. 571) of Hong Kong.

“Swap” means a swap agreement to be entered by the Trustee on behalf of a Product which may, subject to the terms of the Trust Deed, take such form as determined or agreed by the Manager, including an International Swaps and Derivatives Association master agreement, schedules, annexes and confirmations as well as related documents.

“Swap Counterparty” means a counterparty of the Product pursuant to a Swap, as described in the “Investment Strategy” sub-section below.

“Transaction Fee” means the fee, in respect of a Product, which may be charged for the benefit of the Trustee, the Registrar, the Conversion Agent (if any) and/or the Service Agent to each Participating Dealer on each Dealing Day upon which an Application has been or Applications have been made by the relevant Participating Dealer.

“Trust” means the umbrella Unit Trust (as defined in the Trust Deed) constituted by the Trust Deed and called “Global X Leveraged and Inverse Series” or such other name as the Manager may from

time to time determine upon prior notice to the Trustee.

“Trust Deed” means the trust deed dated 1 September 2016 between the Manager and the Trustee constituting the Trust (as amended and restated from time to time).

“Trust Fund” means with respect to each Product, all the property for the time being held or deemed to be held by the Trustee upon the trusts hereof, including the Deposited Property and Income Property attributable to that Product and subject to the terms and provisions of the Trust Deed, except for amounts to be distributed, and where such term is used generically, “Trust Fund” means the Trust Fund attributable to all Products taken together.

“Trustee” means HSBC Institutional Trust Services (Asia) Limited or such other person or persons for the time being duly appointed as trustee or trustees hereof in succession thereto in accordance with the Trust Deed.

“Unit” means a unit representing an undivided share in a Product.

“Unitholder” means a person for the time being entered on the register of holders as the holder of Units including, where the context so admits, persons jointly registered.

“US” or “United States” means the United States of America.

“USD” means United States dollars, the lawful currency of the United States of America.

“Valuation Point” means, in respect of a Product, the official close of trading on the Market on which the Securities or Futures Contracts constituting the Index are listed on each Dealing Day or if more than one, the official close of trading on the last relevant Market to close or such other time or times as determined by the Manager in consultation with the Trustee from time to time provided that there shall always be a Valuation Point on each Dealing Day other than where there is a suspension of the creation and redemption of Units.

## INTRODUCTION

### **The Trust**

The Trust is an umbrella unit trust created by the Trust Deed between the Manager and the Trustee made under Hong Kong law. The Trust and each Product is authorised as a collective investment scheme by the SFC under Section 104 of the SFO and each Product falls within Chapters 8.6 and 8.8 of the Code. Certain Product(s) may also be subject to additional Chapters of the Code. SFC authorisation is not a recommendation or endorsement of a Product nor does it guarantee the commercial merits of a Product or its performance. It does not mean that a Product is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

### **The Products**

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

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

## THE OFFERING PHASES

### Initial Offer Period

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

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

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

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

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

### After Listing

The After Listing phase commenced on the Listing Date and will continue until the Products are terminated.

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

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

#### *Buying and selling of Units on the SEHK*

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

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

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

#### *Creations and Redemptions Through Participating Dealers*

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

To be dealt with on a Dealing Day, the relevant Participating Dealer must submit the Creation



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

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

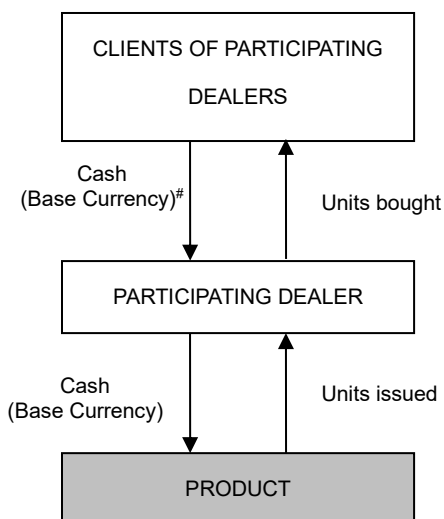
Please refer to the section on “Creations and Redemptions (Primary Market)” for the operational procedures in respect of Creation Applications and Redemption Applications.

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

### Diagrammatic Illustration of Investment in a Product

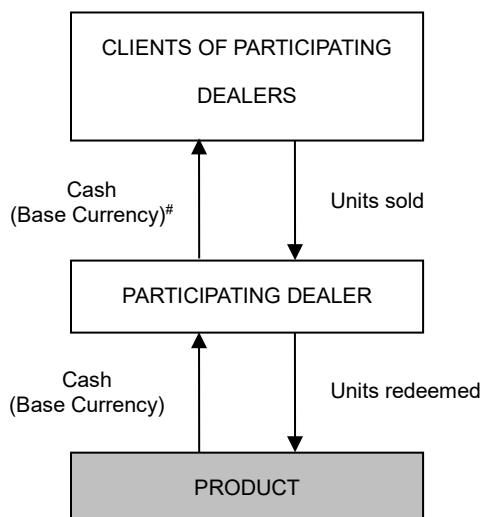
The diagrams below illustrate the creation or redemption and the buying or selling of Units:

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



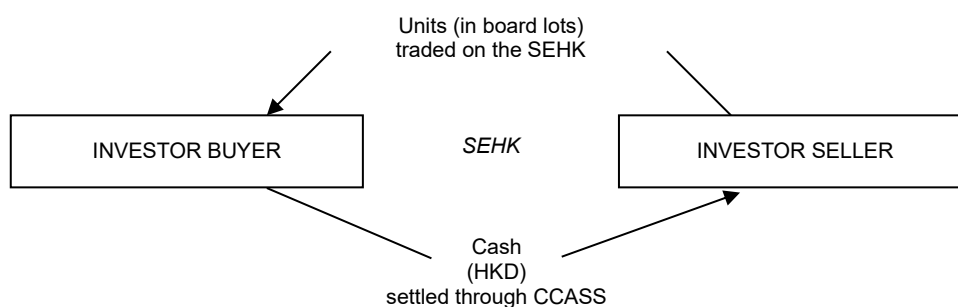
<sup>#</sup> Clients of the Participating Dealers may agree with the Participating Dealers settlement in another currency.

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



# Clients of the Participating Dealers may agree with the Participating Dealers settlement in another currency.

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



**Summary of Offering Methods and Related Fees**

*Initial Offer Period*

<b><u>Method of Offering</u></b>	<b><u>Minimum Number of Units (or multiple thereof)</u></b>	<b><u>Channel</u></b>	<b><u>Available to</u></b>	<b><u>Consideration, Fees and Charges</u></b> <sup>#</sup>
Cash creation in Base Currency	Application Unit size (see relevant Appendix)	Through Participating Dealers only in Base Currency, as applicable (or, if the relevant Participating Dealer agrees, in another currency)	Any person acceptable to the Participating Dealer as its client	(i) Cash (payable in Base Currency only, as applicable, unless the Participating Dealer otherwise agrees) (ii) Transaction Fee (payable in Base Currency) (iii) Any fees and charges imposed by the Participating Dealer (payable to

				<p>the Participating Dealer in the currency determined by or agreed with it)</p> <p>(iv) Duties and Charges (payable in Base Currency)</p>
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*After Listing*

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

<sup>#</sup> Please refer to "Fees and Expenses" for further details. The currency for payment of subscription monies is specified in the relevant Appendix.

## **INVESTMENT OBJECTIVE, INVESTMENT STRATEGY, INVESTMENT RESTRICTIONS, SECURITY FINANCING AND BORROWING**

### **Investment Objective**

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

### **Investment Strategy**

The particular strategy employed for each Product is set out in the relevant Appendix.

#### Products which use a synthetic replication investment strategy

The following applies to Products which adopt a synthetic replication investment strategy.

#### *Synthetic Replication using Swap*

In managing a Product, the Manager may adopt a synthetic replication investment strategy, pursuant to which the relevant Product will enter into one or more unfunded swaps (a "Swap") (which are over-the counter FDIs entered into with one or more counterparties (each a "Swap Counterparty")) whereby the relevant Product will receive an exposure to the economic gain/loss in the performance, the inverse performance or the leveraged performance of the Index (net of swap fees).

#### *Swap Fees*

The swap fees represent a variable spread (which can be positive or negative) plus LIBOR which reflects the Swap Counterparty's costs of financing the underlying hedge in order to provide the performance, the inverse performance or the leveraged performance of the relevant Index on a Daily basis. The swap fees may be borne by the investors and may have a substantial adverse impact on the Net Asset Value and the performance of the Product and may result in higher tracking error. Please refer to the relevant Appendix for details.

#### *Counterparty Exposure*

The Manager will manage each Product with the objective to reduce to nil each Product's single counterparty net exposure on the basis that where a Product's net exposure to each Swap Counterparty exceed 0% at the end of a trading day T (New York time for Products the information of which are set out in Appendices 1 and 2), at around 1:00 p.m. on trading day T+1 (Hong Kong time) the Manager will require that Swap Counterparty make cash payment to that Product so that the net exposure of the Product to each Swap Counterparty is limited to no more than 0% of its Net Asset Value. The settlement of such cash payment will occur on trading day T+1 (Hong Kong time).

On the other hand, if any single Swap Counterparty's net exposure to a Product exceeds 0%, that Product will make cash payment to the Swap Counterparty. Similarly, the settlement of such cash payment is expected to occur on trading day T+1 (Hong Kong time) and is subject to settlement risk.

No collateral arrangement is put in place. The values of the Swaps are marked to market by the Swap Counterparties on a daily basis.

#### *Asset Portfolio*

Each of the Products will hold an asset portfolio ("Asset Portfolio") consisting of cash, cash equivalents and HKD or USD denominated short term investment grade government bonds. The Manager will manage the Asset Portfolio with the objective of maintaining around 30% of the Net

Asset Value of each Product in cash and around 70% of the Net Asset Value in cash equivalents and bonds. It is anticipated that the investment in bonds will not exceed 50% of the Net Asset Value of the Product.

For this purpose, Government and other Public Securities will be regarded as being of a different issue if, even though they are issued by the same person, they are issued on different terms whether as to repayment dates, interest rates, the identity of the guarantor, or otherwise.

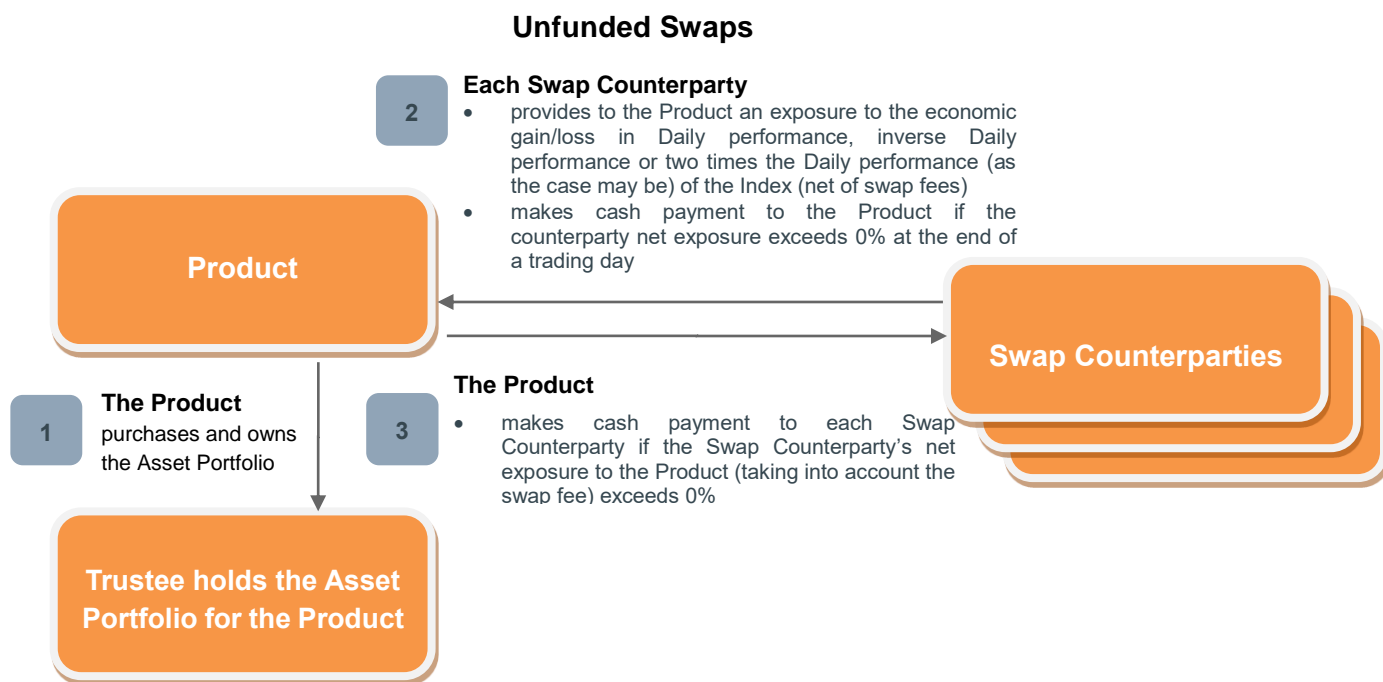
The Asset Portfolio shall comply with all applicable requirements under the Code, including Chapter 8.8(e) of the Code as supplemented by such other guidance from the SFC from time to time.

The investments made by each Product, other than Swap, shall comply with the requirements in 7.36 to 7.38 of the Code.

Please refer to the Manager's website at <https://www.globalxetfs.com.hk/> (which has not been reviewed by the SFC) for the composition of the Asset Portfolio (if any) of each Product which will be updated on a daily basis.

*Diagrammatic Illustration of the Investment Strategy*

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



*Swap Transaction*

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

Prior to commencing any transaction with a Swap Counterparty under a Swap, the Manager has obtained (if such Swap Counterparty is an existing swap counterparty) or will obtain (if such Swap Counterparty is a new swap counterparty) legal opinions confirming that (a) such Swap Counterparty has the capacity and authority to enter into the relevant Swap and (b) the obligations expressed to be assumed by such Swap Counterparty under the relevant Swap constitute legal, valid, binding obligations of the Swap Counterparty enforceable against it in accordance with their terms. The enforceability of the termination, bilateral close-out netting and

multibranch netting provisions in the 2002 ISDA Master Agreement in the relevant jurisdictions in which enforcement action may be brought is covered by standard netting opinions commissioned by ISDA. In respect of each Swap, none of the “Events of Default” or the “Termination Events” contained in the 2002 ISDA Master Agreement has been disapplied in respect of the relevant Swap Counterparty (although some of them have been amended to reflect the nature of the Swap Counterparty, the Trustee and the relevant Product and certain “Additional Termination Events” have also been inserted in respect of the Trustee and the relevant Product). The Trustee (on behalf of the relevant Product) has the right, in the event of insolvency or the occurrence of certain other “Events of Default” or “Termination Events” of the Swap Counterparty that are continuing at the relevant time, to terminate the Swap on behalf of the Product at any time (such termination may take effect immediately) and without any approval from the Swap Counterparty.

#### *Criteria for Selection of Swap Counterparty*

In selecting a swap counterparty (or a replacement swap counterparty), the Manager will have regard to a number of criteria, including but not limited to the fact that (a) the prospective swap counterparty must have a paid-up capital of the equivalent of at least HKD150 million; (b) the prospective swap counterparty or its guarantor must be a substantial financial institution (as defined under the Code) subject to an on-going prudential and regulatory supervision; and (c) the prospective swap counterparty or its guarantor must have a long-term debt credit rating of at least “BBB” from Standard & Poor’s or an equivalent rating given by other reputable rating agency of similar standing at all times. The Manager may also impose such other selection criteria as it considers appropriate. A Swap Counterparty must be independent of the Manager.

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

<b>Swap Counterparty</b>	<b>Place of incorporation of the Swap Counterparty or its guarantor (where relevant)</b>	<b>Standard &amp; Poor’s credit rating of the Swap Counterparty or its guarantor (where relevant)</b>
BNP Paribas S.A.	France	A+

The Manager will publish, *inter alia*, the latest list of the identity of the Swap Counterparty of each Product, as well as the relevant Product’s gross and net exposure to each such Swap Counterparty, on the Manager’s website at <https://www.globalxetfs.com.hk/> (which has not been reviewed by the SFC).

#### Products which use a futures-based direct replication investment strategy

The following applies to Products which adopt a direct replication investment strategy.

In managing a Product, the Manager may use a futures-based replication strategy, pursuant to which a Product will directly invest in Futures Contracts so as to replicate the performance, the inverse Daily performance or the leveraged Daily performance of the relevant Index.

The Manager may use a full replication or a representative sampling strategy. In using a representative sampling strategy, the Manager will invest in a representative sample of Futures Contracts which collectively have an investment profile that reflects the profile of the relevant Index and whose performance closely correlates with the performance, the inverse performance or the leveraged performance of the relevant Index.

#### Change of Investment Strategy

Where required, the Manager will seek the prior approval of the SFC and provide at least one month’s prior notice to Unitholders before adopting a strategy other than the investment strategy as stated in the relevant Appendix of a Product.

## Investment Restrictions

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

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

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

- (a) the aggregate value of a Product's investments in, or exposure to, any single entity (other than Government and other Public Securities) through the following may not exceed 10% of the total Net Asset Value of the Product, save as permitted by Chapter 8.6(h) and as varied by Chapter 8.6(h)(a) of the Code:
  - (1) investments in Securities issued by such entity;
  - (2) exposure to such entity through underlying assets of FDIs; and
  - (3) net counterparty exposure to such entity arising from transactions of over-the-counter FDIs;
- (b) subject to (a) above and Chapter 7.28(c) of the Code and unless otherwise approved by the SFC, the aggregate value of a Product's investments in, or exposure to, entities within the same group through the following may not exceed 20% of the total Net Asset Value of the Product:
  - (1) investments in Securities issued by such entities;
  - (2) exposure to such entities through underlying assets of FDIs; and
  - (3) net counterparty exposure to such entities arising from transactions of over-the-counter FDIs;
- (c) unless otherwise approved by the SFC, the value of a Product's cash deposits made with the same entity or entities within the same group may not exceed 20% of the total Net Asset Value of the Product, unless:
  - (1) the cash is held before the launch of the Product and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested; or
  - (2) the cash is proceeds from liquidation of investments prior to the merger or termination of the Product, whereby the placing of cash deposits with various financial institutions may not be in the best interest of investors; or
  - (3) the cash is proceeds received from subscriptions pending investments and held for the settlement of redemption and other payment obligations, whereby the placing of cash deposits with various financial institutions is unduly burdensome and the cash deposits arrangement would not compromise investors' interests;

For the purpose of this sub-paragraph (c), cash deposits generally refer to those that are repayable on demand or have the right to be withdrawn by the Product and not referable to provision of property or services.

- (d) ordinary shares issued by any single entity (other than Government and other Public Securities) held for the account of a Product, when aggregated with other ordinary shares of the same entity held for the account of all other Products under the Trust collectively

may not exceed 10% of the nominal amount of the ordinary shares issued by the entity;

- (e) not more than 15% of the total Net Asset Value of a Product may be invested in Securities and other financial products or instruments that are neither listed, quoted nor dealt in on a stock exchange, over-the-counter market or other organised securities market which is open to the international public and on which such Securities are regularly traded;
- (f) notwithstanding (a), (b), (d) and (e), where direct investment by a Product in a market is not in the best interests of investors, a Product may invest through a wholly-owned subsidiary company established solely for the purpose of making direct investments in such market. In this case:
  - (1) the underlying investments of the subsidiary, together with the direct investments made by the Product, must in aggregate comply with the requirements of Chapter 7 of the Code;
  - (2) any increase in the overall fees and charges directly or indirectly borne by the Unitholders or the Product as a result must be clearly disclosed in the Prospectus; and
  - (3) the Product must produce the reports required by the Code in a consolidated form to include the assets (including investment portfolio) and liabilities of the subsidiary company as part of those of the Product;
- (g) notwithstanding (a), (b) and (d), not more than 30% of the total Net Asset Value of a Product may be invested in Government and other Public Securities of the same issue, except for a Product which has been authorised by the SFC as an index fund, this limit may be exceeded with the approval of the SFC;
- (h) subject to (g), a Product may fully invest in Government and other Public Securities in at least six different issues. Subject to the approval of the SFC, a Product which has been authorised by the SFC as an index fund may exceed the 30% limit in (g) and may invest all of its assets in Government and other Public Securities in any number of different issues;
- (i) unless otherwise approved by the SFC, a Product may not invest in physical commodities;
- (j) for the avoidance of doubt, exchange traded funds that are:
  - (1) authorised by the SFC under Chapter 8.6 or 8.10 of the Code; or
  - (2) listed and regularly traded on internationally recognised stock exchanges open to the public (nominal listing not accepted) and (i) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under Chapter 8.6 of the Code; or (ii) the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under Chapter 8.10 of the Code,

may either be considered and treated as (x) listed Securities for the purposes of and subject to the requirements in paragraphs (a), (b) and (d) above; or (y) collective investment schemes for the purposes of and subject to the requirements in paragraph (k) below. However, the investments in exchange traded funds shall be subject to paragraph (e) above and the relevant investment limits in exchange traded funds by the Product should be consistently applied and clearly disclosed in this Prospectus;

- (k) where a Product invests in shares or units of other collective investment schemes ("underlying schemes"),
  - (1) the value of the Product's investment in units or shares in underlying schemes



which are non-eligible schemes (as determined by the SFC) and not authorised by the SFC may not in aggregate exceed 10% of the total Net Asset Value of the Product; and

- (2) the Product may invest in one or more underlying schemes which are either schemes authorised by the SFC or eligible schemes (as determined by the SFC), but the value of the Product's investment in units or shares in each such underlying scheme may not exceed 30% of the total Net Asset Value of the Product, unless the underlying scheme is authorised by the SFC and its name and key investment information are disclosed in the Prospectus of the Product,

provided that in respect of (1) and (2) above:

- (i) the objective of each underlying scheme may not be to invest primarily in any investment prohibited by Chapter 7 of the Code, and where that underlying scheme's objective is to invest primarily in investments restricted by Chapter 7 of the Code, such investments may not be in contravention of the relevant limitation prescribed by Chapter 7 of the Code. For the avoidance of doubt, the Product may invest in scheme(s) authorised by the SFC under Chapter 8 of the Code (except for hedge funds under Chapter 8.7 of the Code), eligible scheme(s) (as determined by the SFC) of which the net derivative exposure (as defined in the Code) does not exceed 100% of its total Net Asset Value, and exchange traded funds satisfying the requirements in paragraph (j) above in compliance with paragraph (k)(1) and (k)(2);
  - (ii) where the underlying schemes are managed by the Manager, or by other companies within the same group that the Manager belongs to, then paragraphs (a), (b), (d) and (e) above are also applicable to the investments of the underlying scheme;
  - (iii) the objective of the underlying schemes may not be to invest primarily in other collective investment scheme(s);
  - (3) where an investment is made in any underlying scheme(s) managed by the Manager or any of its Connected Persons, all initial charges and redemption charges on the underlying scheme(s) must be waived; and
  - (4) the Manager or any person acting on behalf of the Product or the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or the manager of an underlying scheme, or any quantifiable monetary benefits in connection with investments in any underlying scheme;
- (l) a Product may invest 90% or more of its total Net Asset Value in a single collective investment scheme and will be authorised as a feeder fund by the SFC. In this case:
- (1) the underlying scheme ("master fund") must be authorised by the SFC;
  - (2) the Prospectus must state that:
    - (i) the Product is a feeder fund into the master fund;
    - (ii) for the purpose of complying with the investment restrictions, the Product (i.e. feeder fund) and its master fund will be deemed a single entity;
    - (iii) the Product (i.e. feeder fund)'s annual report must include the investment portfolio of the master fund as at the financial year end date; and
    - (iv) the aggregate amount of all the fees and charges of the Product (i.e. Feeder fund) and its underlying master fund must be clearly disclosed;

- (3) unless otherwise approved by the SFC, no increase in the overall total of initial charges, redemption charges, Manager's annual fee, or any other costs and charges payable to the Manager or any of its Connected Persons borne by the Unitholders or by a Product (i.e. feeder fund) may result, if the master fund in which the Product (i.e. feeder fund) invests is managed by the Manager or by its Connected Person; and
- (4) notwithstanding paragraph (k)(iii) above, the master fund may invest in other collective investment scheme(s) subject to the investment restrictions as set out in paragraph (k); and
- (m) if the name of a Product indicates a particular objective, investment strategy, geographic region or market, the Product should, under normal market circumstances, invest at least 70% of its total Net Asset Value in securities and other investments to reflect the particular objective, investment strategy or geographic region or market which the Product represents.

The Manager shall not on behalf of a Product (unless otherwise stated in the relevant Appendix):

- (A) invest in a security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5% of the total nominal amount of all the issued securities of that class or the directors and officers of the Manager collectively own more than 5% of those securities;
- (B) invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in real estate investment trusts (REITs)). In the case of investments in such shares and REITs, they shall comply with the relevant investment restrictions and limitations set out in Chapter 7.1, 7.1A, 7.2, 7.3 and 7.11 of the Code, where applicable. For the avoidance of doubt, where investments are made in listed REITs, which are either companies or collective investment schemes, then paragraphs (e) and (k) of the sub-section titled "Investment Restrictions" apply respectively;
- (C) make short sales if as a result the Product would be required to deliver Securities exceeding 10% of the total Net Asset Value of the Product (and for this purpose Securities sold short must be actively traded on a market where short selling is permitted). For the avoidance of doubt, the Product is prohibited to carry out any naked or uncovered short sale of securities and short selling should be carried out in accordance with all applicable laws and regulations;
- (D) subject to (e), lend or make a loan out of the assets of a Product, except to the extent that the acquisition of bonds or the making of a deposit (within the applicable investment restrictions) might constitute a loan;
- (E) subject to (e), assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person, save and except for reverse repurchase transactions in compliance with the Code;
- (F) enter into any obligation in respect of a Product or acquire any asset or engage in any transaction for the account of a Product which involves the assumption of any liability which is unlimited; or
- (G) apply any part of the Product in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call is due to be made for any sum unpaid on such investments unless such call could be met in full out of cash or near cash forming part of the Product whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transactions in FDIs for the purposes of Chapters 7.29 and 7.30 of the Code.

*Note:* The investment restrictions set out above, to the extent applicable, apply to each Product

subject to the following: A collective investment scheme authorised by the SFC under the Code is usually restricted under Chapter 7.1 of the Code from making investments which would result in the value of that collective investment scheme's holdings of the Securities of any single entity exceeding 10% of the collective investment scheme's total net asset value. For a Product authorised under Chapter 8.6 of the Code as an index tracking ETF, given the investment objective of the Products and nature of the Index, the Products are allowed under Chapter 8.6(h) of the Code to, notwithstanding Chapter 7.1 of the Code, hold investments in constituent Securities of any single entity exceeding 10% of the relevant Product's total Net Asset Value if such constituent Securities account for more than 10% of the weighting of the Index and the relevant Product's holding of any such constituent Securities does not exceed their respective weightings in the Index, except where the weightings are exceeded as a result of changes in the composition of the Index and the excess is only transitional and temporary in nature, or otherwise approved by the SFC.

However, the restrictions in 8.6(h)(i) and (ii) (as described above) do not apply if:

- (a) the relevant Product adopts a representative sampling strategy which does not involve full replication of the constituent Securities of the Index in the exact weightings of such Index;
- (b) the strategy is clearly disclosed in the relevant Appendix;
- (c) the excess of the weightings of the constituent Securities held by the relevant Product over the weightings in the Index is caused by the implementation of the representative sampling strategy;
- (d) any excess weightings of the relevant Product's holdings over the weightings in the Index must be subject to a maximum limit reasonably determined by the relevant Product after consultation with the SFC. In determining this limit, the relevant Product must consider the characteristics of the underlying constituent Securities, their weightings and the investment objectives of the Index and any other suitable factors;
- (e) limits laid down by the relevant Product pursuant to the point above must be disclosed in the relevant Appendix;
- (f) disclosure must be made in the relevant Product's interim and annual reports as to whether the limits imposed by such Product itself pursuant to the above point (4) have been complied with in full. If there is non-compliance with the said limits during the relevant reporting period, this must be reported to the SFC on a timely basis and an account for such non-compliance should be stated in the report relating to the period in which the non-compliance occurs or otherwise notified to investors.

## **Securities Financing Transactions**

Where indicated in the relevant Appendix, a Product may enter into securities lending transactions, sale and repurchase transactions and reverse repurchase transactions ("securities financing transactions"), provided that they are in the best interests of the Unitholders, the associated risks have been properly mitigated and addressed, and the counterparties to the securities financing transactions are financial institutions which are subject to ongoing prudential regulation and supervision.

A Product which engages in securities financing transactions is subject to the following requirements:

- it shall have at least 100% collateralisation in respect of the securities financing transactions into which it enters to ensure there is no uncollateralised counterparty risk exposure arising from these transactions;
- all the revenues arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities financing transactions to the extent permitted by applicable legal and

regulatory requirements, shall be returned to the Product;

- it shall ensure that it is able to at any time to recall the securities or the full amount of cash / collateral (as the case may be) subject to the securities financing transactions or terminate the securities financing transactions into which it has entered.

There is no current intention for any Product which adopts direct replication investment strategy to engage in securities financing transactions. None of the Products which adopts synthetic replication will engage in securities lending transactions, sale and repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions.

### **Financial Derivative Instruments**

Subject always to the provisions of the Trust Deed and the Code, the Manager may on behalf of a Product enter into any transactions in relation to Swaps or other FDI.

Where indicated in the relevant Appendix, a Product may acquire FDIs for hedging purpose. The FDIs shall meet all of the following criteria to be considered as being acquired for hedging purposes:

- (a) they are not aimed at generating any investment return;
- (b) they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss or risks arising from the investments being hedged;
- (c) although they may not necessarily reference to the same underlying assets, they should relate to the same asset class with high correlation in terms of risks and return, and involve taking opposite positions, in respect of the investments being hedged; and
- (d) they exhibit price movements with high negative correlation with the investments being hedged under normal market conditions.

Hedging arrangement should be adjusted or re-positioned, where necessary and with due consideration on the fees, expenses and costs, to enable the Product to meet its hedging objective in stressed or extreme market conditions.

Unless otherwise stated in the relevant Appendix, each Product may acquire FDIs for non-hedging purposes ("investment purposes"), subject to the limit that the Product's net exposure relating to these FDIs ("net derivative exposure") does not exceed 50% of its total Net Asset Value (unless otherwise approved by the SFC for a Product pursuant to Chapter 8.8 or Chapter 8.9 of the Code). For the avoidance of doubt:

- (a) for the purpose of calculating net derivative exposure, the positions of FDIs acquired by a Product for investment purposes are converted into the equivalent position in the underlying assets of the FDIs, taking into account the prevailing market value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the position;
- (b) the net derivative exposure should be calculated in accordance with the requirements and guidance issued by the SFC which may be updated from time to time; and
- (c) FDIs acquired for hedging purposes will not be counted towards the 50% limit referred to in this paragraph so long as there is no residual derivative exposure arising from such hedging arrangement.

Subject to Chapters 7.26 and 7.28 of the Code, a Product may also invest in FDIs provided that the exposure to the underlying assets of the FDI, together with the other investments of the Product, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets and investments as set out in the relevant provisions of Chapter 7 of the Code.

The FDIs invested by a Product should be either listed or quoted on a stock exchange, or dealt in over-the-counter market and comply with the following provisions:

- (A) the underlying assets consist solely of shares in companies, debt Securities, money market instruments, units/shares of collective investment schemes, deposits with substantial financial institutions, Government and other Public Securities, highly-liquid physical commodities (including gold, silver, platinum and crude oil), financial indices, interest rates, foreign exchange rates or currencies or other asset classes acceptable to the SFC, in which the Product may invest according to its investment objectives and policies. Where a Product invests in index-based FDIs, the underlying assets of such FDIs are not required to be aggregated for the purposes of the investment restrictions or limitations set out in Chapters 7.1, 7.1A, 7.1B and 7.4 of the Code provided that the relevant Index is in compliance with Chapter 8.6(e) of the Code;
- (B) the counterparties to over-the-counter FDI transactions or their guarantors are substantial financial institutions or such other entity acceptable to the SFC on a case-by-case basis;
- (C) subject to paragraphs (a) and (b) under the section entitled "Investment Restrictions" above, the Product's net counterparty exposure to a single entity arising from transactions of the over-the-counter FDIs may not exceed 10% of the total Net Asset Value of the Product. The exposure of a Product to a counterparty of over-the-counter FDIs may be lowered by the collateral received (if applicable) by such Product and shall be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter FDIs with that counterparty, if applicable; and
- (D) the valuation of the FDIs is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager or the Trustee or their nominee(s), agent(s) or delegate(s) independent of the issuer of the FDIs through measures such as the establishment of a valuation committee or engagement of third party services. The FDIs can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the initiative of the Product. Further, the calculation agent/fund administrator should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the FDIs on a regular basis.

A Product shall at all times be capable of meeting all its payment and delivery obligations incurred under transactions in FDIs (whether for hedging or for investment purposes). The Manager shall, as part of its risk management process, monitor to ensure that the transactions in FDIs are adequately covered on an ongoing basis.

For the purposes herein, assets that are used to cover a Product's payment and delivery obligations incurred under transactions in FDIs should be free from any liens and encumbrances, exclude any cash or near cash for the purpose of meeting a call on any sum unpaid on a security, and cannot be applied for any other purposes.

A transaction in FDIs which gives rise to a future commitment or contingent commitment of a Product should also be covered as follows:

- in the case of FDI transactions which will, or may at the Product's discretion, be cash settled, the Product should at all times hold sufficient assets that can be liquidated within a short timeframe to meet the payment obligation; and
- in the case of FDI transactions which will, or may at the counterparty's discretion, require physical delivery of the underlying assets, the Product should hold the underlying assets in sufficient quantity at all times to meet the delivery obligation. If the Manager considers the underlying assets to be liquid and tradable, the Product may hold other alternative assets in sufficient quantity as cover, provided that such assets may be readily converted into the underlying assets at any time to meet the delivery obligation. In the case of holding alternative assets as cover, such Product should apply safeguard measures such as to apply haircut where appropriate to ensure that such alternative assets held are sufficient to meet its future obligations.

The above policies relating to FDIs apply to financial instruments which embeds a financial derivative as well. For the purposes herein, an “embedded financial derivative” is a FDI that is embedded in another security.

## **Collateral**

Collateral received from counterparties shall comply with the following requirements:

- Liquidity – collateral must be sufficiently liquid and tradable in order that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing;
- Valuation – collateral should be marked-to-market daily by using independent pricing source;
- Credit quality – asset used as collateral must be of high credit quality and should be replaced immediately as soon as the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral;
- Haircut - collateral should be subject to prudent haircut policy which should be based on the market risks of the assets used as collateral in order to cover potential maximum expected decline in collateral values during liquidation before a transaction can be closed out with due consideration on stress period and volatile markets. Price volatility of the asset used as collateral should be taken into account when devising the haircut policy;
- Diversification – collateral must be appropriately diversified to avoid concentrated exposure to any single entity and/or entities within the same group and a Product’s exposure to issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in Chapters 7.1, 7.1A, 7.1B, 7.4, 7.5, 7.11, 7.11A, 7.11B and 7.14 of the Code;
- Correlation – the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty or the issuer of the FDIs in such a way that it would undermine the effectiveness of the collateral. As such, securities issued by the counterparty or the issuer of the FDIs or any of their related entities should not be used as collateral;
- Management of operational and legal risks – the Manager must have appropriate systems, operational capabilities and legal expertise for proper collateral management;
- Independent custody – collateral must be held by the Trustee of the Product;
- Enforceability – collateral must be readily accessible/enforceable by the Trustee without further recourse to the issuer of the FDIs, or the counterparty of the securities financing transactions;
- Re-investment of collateral - cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorised under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the Code. Non-cash collateral received may not be sold, re-invested or pledged;

For the purpose herein, “money market instruments” refer to securities normally dealt in on the money markets, including government bills, certificates of deposit, commercial papers, short-term notes and bankers’ acceptances, etc. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments must be taken into account. Any re-investment of cash collateral shall be subject to the following further restrictions and limitations:

- i. the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in Chapter 8.2(f) and Chapter 8.2(n) of the Code;
  - ii. cash collateral received is not allowed to be further engaged in any securities financing transactions; and
  - iii. when the cash collateral received is reinvested into other investment(s), such investment(s) is/are not allowed to be engaged in any securities financing transactions.
- Encumbrances - collateral should be free of prior encumbrances; and
  - Collateral generally should not include (i) structured products whose payouts rely on embedded FDIs or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitised products; or (iv) unlisted collective investment schemes.

Subject to the requirements above, below is a summary of the collateral policy and criteria adopted by the Manager:

- eligible collateral include cash, cash equivalents, government bonds, supranational bonds, and money market instruments;
- long term maturity instruments will not be considered as collateral;
- collateral must be investment grade (i.e. BBB- or higher by Moody's or Standard & Poor's or equivalent);
- regular stress tests are carried out under normal and exceptional liquidity conditions to enable adequate assessment of the liquidity risks of the collateral received;
- the issuer of collateral must be an independent counterparty approved by the Manager and is expected to have a minimum credit rating of BBB- or above (by Moody's or Standard & Poor's, or any other equivalent ratings by recognised credit rating agencies) or be a licensed corporation with the SFC or registered institution with the Hong Kong Monetary Authority when entering into such transactions;
- the Manager's haircut policy takes account of the characteristics of the relevant asset class, including the credit standing of the issuer of the collateral, the price volatility of the collateral and the results of any stress tests which may be performed in accordance with the collateral policy. Subject to the framework of agreements in place with the relevant counterparty, which may or may not include minimum transfer amounts, it is the Manager's intention that any collateral received shall have a value (adjusted in light of the haircut policy) which equals or exceeds the relevant counterparty exposure where appropriate;
- the collateral should be sufficiently diversified in terms of country, markets and issuers with a limit to the maximum exposure to each given issuer. Where a Sub-Fund has exposure to different counterparties, different baskets of collateral (provided by different counterparties) will be aggregated to determine the Sub-Fund's exposure to a single issuer;
- the issuer of collateral will be independent from the counterparty of the relevant transaction and is expected not to display a high correlation with the performance of the relevant counterparty;
- collateral must be readily enforceable by the Trustee and may be subject to netting or set-off; and

- the maximum amount available for cash collateral re-investment does not extend beyond the value of the instrument in which such investment is initially made.

A description of holdings of collateral (including but not limited to a description of the nature of collateral, identity of the counterparty providing the collateral, value of the Product (by percentage) secured/covered by collateral with breakdown by asset class/nature and credit rating (if applicable)) will be disclosed in the Product's annual and interim financial reports for the relevant period.

### **Structured Funds**

The Products seek to invest their respective investment objective primarily through investment in FDIs. The Products are passively managed and track the performance or leveraged or inverse performance of an index and their net derivative exposure exceeds 50% of their respective Net Asset Value. As such the Products are known as structured funds under the Code. The core requirements in Chapter 7 of the Code (as set out in the Trust Deed and summarised above under "Investment Restrictions") will apply with the modifications, exemptions or additional requirements as set out under 8.8 of the Code (as set out in the Trust Deed and summarised below):

- (a) the Manager and the issuer of FDIs shall be independent of each other;
- (b) the valuation of the FDIs shall meet the requirements set out in paragraph (D) under "Financial Derivative Instruments" in this section;
- (c) notwithstanding paragraph (C) under "Financial Derivative Instruments" in this section, a Product should maintain full collateralisation and there should be no net exposure to any single counterparty of the over-the-counter FDIs;
- (d) the collateral shall meet the requirements set out in "Collateral" under this section and the disclosure requirements set out in "Collateral" above; and
- (e) the Manager shall put in place a detailed contingency plan regarding credit events such as significant downgrading of credit rating and the collapse of the issuer of FDIs.

### **Borrowing Policy**

Borrowing against the assets of a Product is allowed up to a maximum of 10% of its total Net Asset Value. Where the Manager so determines, a Product's permitted borrowing level may be a lower percentage or more restricted as set out in the relevant Appendix. Securities lending transactions and sale and repurchase transactions in compliance with the requirements as set out under the section entitled "Securities Financing Transactions" above are also not borrowing for the purpose of, and are not subject to the borrowing restrictions under this section.

Subject to the relevant Appendix, the Trustee may on instruction of the Manager borrow for the account of a Product any currency, and charge or pledge assets of the Product, for the following purposes:

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

For the avoidance of doubt, securities lending transactions and sale and repurchase transactions (if any) in compliance with the requirements as set out in Chapter 7 of the Code are not subject to such borrowing limitations.

### **Business Contingency Plan**



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

If the Business Contingency Plan is triggered, the Manager will issue an announcement as soon as practicable, which may, in some cases, be after this Business Contingency Plan has been triggered.

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

The following is an overview of such contingency plans. Investors should note that the Manager's contingency plans are subject to changes by the Manager from time to time as the circumstances may justify. In any case, the Manager will ensure that the interests of the Unitholders will not be adversely affected. The Manager will issue an announcement in respect of any material change(s) to the business contingency plans as soon as practicable, which may, in some cases, be after the relevant change(s) has/have been implemented.

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

- (a) event of default affecting the Swap Counterparty(ies) of the relevant Swap(s);
- (b) downgrading of the long term debt credit rating(s) of the relevant Swap Counterparty(ies) to a rating below BBB by Standard & Poor's (or an equivalent rating given by Moody's or by Fitch);
- (c) the spread of 5 years credit default swap in respect of the relevant Swap Counterparty is traded or quoted on the relevant Market at 5 per cent. or above;
- (d) any other event (including, without limitation, licence suspension, significant litigation linked to the activities of the Swap Counterparty in the derivatives business, reputation, etc.) which would materially affect the Swap Counterparty's fitness and propriety to act as the counterparty of the relevant Index Fund under the relevant Swap, or any material risk of occurrence of such event; or
- (e) if, in the actual knowledge of the Manager, the relevant Swap Counterparty ceases to be a substantial financial institution (as defined under the Code).

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

- (a) The Manager may unwind the affected Swap(s) immediately or in a measured manner, having regard to the best interest of the relevant Unitholders. The Manager will readjust the relevant Product's exposure with other Swap Counterparty(ies).
- (b) The Manager may decide to replace the Swap Counterparty(ies) and select, as soon as possible and on a best effort basis, a new counterparty(ies) in accordance with the investment strategy of the relevant Product, and will enter into a new Swap(s) with similar terms as the relevant Swap(s) with such newly selected counterparty. The new counterparty(ies) would be selected using criteria including, but not limited to, execution prices, total direct and indirect transaction costs, probability and promptness of execution and delivery (if applicable). In such cases, the relevant Product will enter into the new Swap(s) as soon as possible with the new counterparty(ies). The Manager would then

inform the SFC of the selection of the new counterparty(ies) and the entering into of the new Swap(s) with the new counterparty(ies). Alternatively, the Manager may also propose a restructuring of the relevant Product by using other instruments similar to the relevant Swap(s), in the case where no suitable new counterparty(ies) is/are available. Such restructuring would then be subject to review and approval by the relevant authorities, including the SFC. This Prospectus would then be amended accordingly for the purpose providing the updated information to the relevant Unitholders.

- (c) The Manager may also consider asking the Swap Counterparty(ies) to settle any unrealised gain or loss (if any) on a Swap(s) in cash payment, where the market value of the Swap(s) will be nil immediately after such payment. If an amount is payable by the Swap Counterparty(ies) to a Product and the Swap Counterparty(ies) is insolvent or otherwise unable to pay the amount in full, the relevant Product will account for any loss. To mitigate such a loss, the Manager intends to adopt a multiple counterparty arrangement where a Product (via the Trustee) will enter into swap agreements with more than one Swap Counterparty.
- (d) Eventually, if there is no new counterparty acceptable to the Manager and/or as a result of one or more Swap Counterparty(ies) becoming subject to resolution pursuant to an applicable recovery and resolution regime preventing or limiting the exercise of the other remedial actions provided above and if, as a result, the Manager is of the view that the relevant Product is not able to achieve its investment objective, which is to track the movements in the relevant Index, the Manager may decide to terminate the relevant Product.

## CREATIONS AND REDEMPTIONS (PRIMARY MARKET)

### Investment in a Product

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

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

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

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

### Creation of Units through Participating Dealers

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

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

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

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

- (a) any period during which (i) the creation or issue of Units of the relevant Product, (ii) the redemption of Units of the relevant Product, and/or (iii) the determination of Net Asset Value of the relevant Product is suspended;
- (b) where there is in existence any trading restriction or limitation such as the occurrence of a market disruption event, suspected market misconduct or the suspension of dealing in relation to any of the Securities and/or Futures Contracts in the relevant Index;

- (c) where acceptance of the creation request in connection with such creation request would render the Participating Dealer in breach of any regulatory restriction or requirement, internal compliance or internal control restriction or requirement of the Participating Dealer necessary for compliance with applicable legal and regulatory requirements; or
- (d) circumstances outside the control of the Participating Dealer make it for all practicable purposes impossible to process the creation request.

#### *Requirements Relating to Creation Requests by Potential Investors*

As of the date of this Prospectus, only cash creation is available to the Participating Dealers in respect of the Products.

Unless otherwise specified in the Appendix, any cash payable by a Participating Dealer in a cash Creation Application must be in Base Currency and Units which are created must be deposited in CCASS as being tradeable in HKD only.

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

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

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

#### *Creation Process*

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

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

- (a) be given by a Participating Dealer in accordance with the Trust Deed, the relevant Participation Agreement and the relevant Operating Guidelines;
- (b) specify the number of Units and the class of Units (where applicable) which is the subject

of the Creation Application; and

- (c) include the certifications required in the Operating Guidelines (if any) in respect of creations of Units, together with such certifications and opinions of counsel (if any) as each of the Trustee and the Manager may separately consider necessary to ensure compliance with applicable Securities and other laws in relation to the creation of Units which are the subject of the Creation Application.

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

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

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

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

Where the Manager accepts a Creation Application from a Participating Dealer, it shall instruct the Trustee to effect (i) for the account of the relevant Product, the creation of Units in Application

Unit size in exchange for a transfer of cash; and (ii) the issue of Units to the Participating Dealer, both in accordance with the Operating Guidelines and the Trust Deed.

The Participating Dealer will then transfer Units to the relevant client if the Creation Application was submitted by the Participating Dealer for the account of its client.

#### *Issue of Units*

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

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

Units are denominated in the base currency of the relevant Product (unless otherwise determined by the Manager) as set out in the relevant Appendix and no fractions of a Unit shall be created or issued by the Trustee.

The creation and issue of Units pursuant to a Creation Application shall be effected on the Dealing Day on which the Creation Application is received (or deemed received) and accepted in accordance with the Operating Guidelines but, for valuation purposes only, Units shall be deemed created and issued after the Valuation Point on the Dealing Day on which the relevant Creation Application was received or deemed received and the register will be updated on the relevant Settlement Day or the Dealing Day immediately following the Settlement Day if the settlement period is extended. An Extension Fee may be payable in relation to such an extension. See the section on "Fees and Expenses" for further details. If a Creation Application is received on a day which is not a Dealing Day or is received after the relevant Dealing Deadline on a Dealing Day, that Creation Application shall be treated as having been received at the opening of business on the next Dealing Day, which shall be the relevant Dealing Day for the purposes of that Creation Application.

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

#### *Fees Relating to Creation Applications*

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

In relation to cash creation of Units, the Manager reserves the right to require the Participating Dealer to pay an additional sum for the purpose of compensating or reimbursing a Product for the difference between:

- (a) the prices used when valuing the Securities and/or Futures Contracts, as applicable, of the relevant Product for the purpose of such issue of Units; and
- (b) the prices which would be used when acquiring the same Securities and/or Futures Contracts, as applicable, if they were acquired by the relevant Product with the amount of cash received by the relevant Product upon such issue of Units.

The Participating Dealer may pass on to the relevant investor such additional sum.

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

### **Cancellation of Creation Applications**

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

The Trustee, after consultation with the Manager may cancel a creation order in respect of any Units deemed created pursuant to a Creation Application if it has not received the full amount of cash (including Transaction Fees, Duties and Charges) relating to the Creation Application by the Settlement Day, provided that the Manager may at its discretion, with the approval of the Trustee extend the settlement period (either for the Creation Application as a whole or for a particular Security and/or Futures Contract, as the case may be) such extension to be on such terms and conditions (including as to the payment of any fees to the Manager or Extension Fee to the Trustee or their respective Connected Persons or otherwise) as the Manager may determine and in accordance with the provisions of the Operating Guidelines.

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

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

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

### **Redemption of Units through Participating Dealers**

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

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

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

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

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

#### *Requirements Relating to Redemption Requests by Potential Investors*

As at the date of this Prospectus, only cash redemption is available to the Participating Dealers in respect of the Products. Any cash proceeds received by a Participating Dealer in a cash Redemption Application shall be paid in Base Currency.

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

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

The Application Unit size for a Product is the number of Units specified in the relevant Appendix.



Redemption Applications submitted in respect of Units other than in Application Unit size or whole multiples thereof will not be accepted. The minimum redemption for each Product is one Application Unit.

### *Redemption Process*

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

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

To be effective, a Redemption Application must:

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

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

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

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

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

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

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

### *Redemption of Units*

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

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

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

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

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

### *Fees Relating to Redemption Applications*

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

the Service Agent. See the section on “Fees and Expenses” for further details.

In relation to cash redemption of Units, the Manager reserves the right to require the Participating Dealer to pay an additional sum for the purpose of compensating or reimbursing the relevant Product for the difference between:

- (a) the prices used when valuing the Securities and/or Futures Contracts as applicable of the relevant Product for the purpose of such redemption of Units; and
- (b) the prices which would be used when selling the same Securities and/or Futures Contracts as applicable if they were sold by the relevant Product in order to realise the amount of cash required to be paid out of the relevant Product upon such redemption of Units.

The Participating Dealer may pass on to the relevant investor such additional sum.

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

### **Cancellation of Redemption Applications**

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

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

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

- (a) the Trustee may charge the relevant Participating Dealer for the account of the Registrar an application cancellation fee (see the section on “Fees and Expenses” for further details);
- (b) the Manager may at its discretion require the relevant Participating Dealer to pay to the Trustee, for the account of the relevant Product, in respect of each Unit so cancelled Cancellation Compensation, being the amount (if any) by which the Redemption Value of each such Unit is less than the Issue Price which would have applied in relation to each such Unit if the Participating Dealer had, on the actual date when the Manager is able to repurchase any replacement Securities and/or Futures Contracts made a Creation Application in accordance with the provisions of the Trust Deed plus such other amount as the Manager reasonably determines as representing any charges, expenses and losses incurred by the Product as a result of such cancellation;
- (c) the Transaction Fee in respect of such Redemption Application shall remain due and payable (notwithstanding that the Redemption Application shall be deemed to never have been made) and once paid, shall be retained by and for the benefit of the Trustee, the Registrar and/or the Service Agent (see the section on “Fees and Expenses” for further details); and
- (d) no previous valuations of the Trust Fund shall be re-opened or invalidated as a result of an unsuccessful Redemption Application.

### **Deferred Redemption**

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

### **Suspension of Creations and Redemptions**

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

- (a) during any period when trading on the SEHK or any other Recognised Stock Exchange or Recognised Futures Exchange is restricted or suspended;
- (b) during any period when a market on which a Security and/or Futures Contract, as the case may be (that is a component of the Index) has its primary listing, or the official clearing and settlement depository (if any) of such market, is closed;
- (c) during any period when dealing on a market on which a Security and/or Futures Contract, as the case may be (that is a component of the Index) has its primary listing is restricted or suspended;
- (d) during any period when, in the opinion of the Manager, settlement or clearing of Securities and/or Futures Contracts, as the case may be in the official clearing and settlement depository (if any) of such market is disrupted;
- (e) during the existence of any state of affairs as a result of which delivery or purchase of Securities and/or Futures Contracts, as appropriate or disposal of investments for the time being comprised in the relevant Product cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Unitholders of the relevant Product;
- (f) during any period when the Index for the relevant Product is not compiled or published;
- (g) during any breakdown in any of the means normally employed in determining the Net Asset Value of the relevant Product or when for any other reason the value of any Securities and/or Futures Contracts or other property for the time being comprised in the relevant Product cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained;
- (h) during any period when the determination of the Net Asset Value of the relevant Product is suspended or if any circumstance specified in the section on "Suspension of Determination of Net Asset Value" below arises;
- (i) during any period when the Swap (if any) cannot be adjusted or reset for any reason; or
- (i) during any period when the business operations of the Manager, the Trustee or any

delegate of the Manager or the Trustee, in respect of any Creation Application and/or Redemption Application in the relevant Product is substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riot, strikes or acts of God; or

- (k) if as result of the investment of the proceeds of issue of such Units in accordance with the investment objective of a Product, the Trust collectively holds or would hold in aggregate more than 10% of the ordinary shares issued by any single issuer.

The Manager will, after consultation with the Trustee, having regard to the best interests of the Unitholders, suspend the right to subscribe for Units of the relevant Product if, or if as a result of the investment of the proceeds of issue of such Units in accordance with its investment objective, the Trust collectively holds or would hold in aggregate more than 10% of the ordinary shares issued by any single issuer. Where the Products under the Trust hold in aggregate more than the limit of 10% of the ordinary shares issued by any single issuer, the Manager will make it a priority objective to take all other necessary steps within a reasonable period to remedy such breach, taking into account the interests of the Unitholders.

The Manager shall notify the SFC and publish a notice of suspension following the suspension, and at least once a month during the suspension, on its website at <https://www.globalxetfs.com.hk/> (which has not been reviewed by the SFC) or in such other publications as it decides.

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

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

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

The Manager will regularly review any prolonged suspension of dealings and take all necessary steps to resume normal operations as soon as practicable.

### **Evidence of Unitholding**

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

### **Restrictions on Unitholders**

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

- (a) a breach of the law or requirements of any country or governmental authority or any stock exchange on which the Units are listed in circumstances which, in the Manager's opinion,

might result in the Trust or any Product suffering any adverse effect which the Trust or the relevant Product might not otherwise have suffered;

- (b) in the circumstances which, in the Manager's opinion, might result in the Trust or any Product, the Trustee or the Manager incurring any liability to taxation or suffering any other potential or actual pecuniary disadvantage or might result in the Trust or any Product, the Trustee or the Manager being subject to any additional regulatory compliance which the Trust or the relevant Product, the Trustee or the Manager might not otherwise have incurred, suffered or been subject to; or
- (c) in breach of, or deemed by the Manager to be in breach of, any applicable anti-money laundering or identification verification or national status or residency requirements imposed on him (whether under the terms of any underlying investment arrangement or otherwise) including without limitation the issue of any warranty or supporting document required to be given to the Trustee and the Manager.

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

### **Transfer of Units**

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

## **EXCHANGE LISTING AND TRADING (SECONDARY MARKET)**

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

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

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

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

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

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

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

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

## DETERMINATION OF NET ASSET VALUE

### Calculation of Net Asset Value

The Net Asset Value of each Product will be calculated by the Trustee as at each Valuation Point applicable to the relevant Product by valuing the assets of the relevant Product and deducting the liabilities of the relevant Product, in accordance with the terms of the Trust Deed.

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

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

The Trustee will perform any currency conversion at rates as may be agreed between the Trustee and the Manager from time to time.

The value of the swap invested by a Product, which is not listed or quoted on a recognised market, will be determined on each Dealing Day by the Swap Counterparty, which, in doing so, will be acting as the calculating agent of the relevant swap based on the mark-to-market value of such



swap (excluding any fees, commissions and other expenses in connection with the entry or negotiation of the swap, and initial margin or deposits). The Manager will carry out an independent verification of this valuation on a daily basis. In addition, the Trustee which is adequately equipped with the necessary resources will carry out an independent verification of the value of the swap on a regular basis in accordance with its internal policy and the terms of the swaps.

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

### **Suspension of Determination of Net Asset Value**

The Manager may, after consultation with the Trustee, having regard to the best interests of the Unitholders, declare a suspension of the determination of the Net Asset Value of the relevant Product for the whole or any part of any period during which:

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

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

The Manager shall notify the SFC and publish a notice of suspension following the suspension, and at least once a month during the suspension, on its website at <https://www.globalxetfs.com.hk/> (which has not been reviewed by the SFC) or in such other publications as the Manager decides.

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

any prolonged suspension of dealings and take all necessary steps to resume normal operations as soon as practicable.

### **Issue Price and Redemption Value**

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

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

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

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

The latest Net Asset Value of the Units will be available on the Manager's website at <https://www.globalxetfs.com.hk/> (which has not been reviewed by the SFC) or published in such other publications as the Manager decides.

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

## FEES AND EXPENSES

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

<b>(A) Fees and expenses payable by Participating Dealers on creations and redemptions (as applicable) of Units (applicable both during the Initial Offer Period and After Listing)</b>	<b>Amount</b>
<u>Global X S&amp;P 500 Daily (-1x) Inverse Product*</u>	
Administrative transaction fee and Service Agent's Fee	USD500 <sup>1</sup> per Application and HKD1,000 <sup>1</sup> per book-entry deposit and withdrawal transaction
Registrar fee	USD20 <sup>1</sup> per transaction
Application cancellation fee	USD1,540 <sup>2</sup> per Application
Extension Fee	USD1,540 <sup>3</sup> per Application
<u>Global X Hang Seng Index Daily (-1x) Inverse Product</u>	
<u>Global X Hang Seng Index Daily (2x) Leveraged Product</u>	
<u>Global X Hang Seng China Enterprises Index Daily (-1x) Inverse Product</u>	
<u>Global X Hang Seng China Enterprises Index Daily (2x) Leveraged Product</u>	
Administrative transaction fee and Service Agent's Fee	HKD3,900 <sup>4</sup> per Application and HKD1,000 <sup>4</sup> per book-entry deposit and withdrawal transaction
Registrar fee	HKD160 <sup>4</sup> per Application

<sup>1</sup> The administrative transaction fee of USD500 is payable by a Participating Dealer to the Trustee for the benefit of the Trustee and/or Registrar. The Service Agent's Fee of HKD1,000 is payable by the Participating Dealer to the Service Agent per book-entry deposit and book-entry withdrawal transaction. The Registrar will charge a fee of USD20 for each Creation Application and Redemption Application. A Participating Dealer may pass on to the relevant investor such Transaction Fee and Registrar fee.

<sup>2</sup> An application cancellation fee is usually payable to the Trustee for the account of the Registrar in respect of either a withdrawn or failed Creation Application or Redemption Application (other than in certain circumstances such as following a suspension of creations or redemptions by the Manager).

<sup>3</sup> An Extension Fee is payable to the Trustee on each occasion the Manager, upon a Participating Dealer's request, grants the Participating Dealer an extended settlement in respect of a Creation Application or Redemption Application.

<sup>4</sup> The administrative transaction fee of HKD3,900 is payable by a Participating Dealer to the Trustee for the benefit of the Trustee and/or Registrar. The Service Agent's Fee of HKD1,000 is payable by the Participating Dealer to the Service Agent per book-entry deposit and book-entry withdrawal transaction. The Registrar will charge a fee of HKD160 for each Creation Application and Redemption Application. A Participating Dealer may pass on to the relevant investor such Transaction Fee and Registrar fee.

Application cancellation fee	HKD12,000 <sup>2</sup> per Application	No money should be paid to any intermediary in Hong Kong which is not licensed or registered to carry on Type 1 regulated activity und
Extension Fee	HKD12,000 <sup>3</sup> per Application	
<u>All Products</u>		
Stamp duty	Nil	
All other Duties and Charges incurred by the Trustee or the Manager in connection with the creation or redemption	As applicable	
<b>(B) Fees and expenses payable by investors</b>	<b>Amount</b>	
<b><i>(i) Fees payable by clients of the Participating Dealers in respect of creations and redemptions (as applicable) via the Participating Dealer (applicable both during the Initial Offer Period and After Listing)</i></b>		
Fees and charges imposed by the Participating Dealer <sup>5</sup>	Such amounts as determined by the relevant Participating Dealer	
<b><i>(ii) Fees payable by all investors in respect of dealings in the Units on SEHK (applicable After Listing)</i></b>		
Brokerage	Market rates	
Transaction levy	0.0027% <sup>6</sup>	
SEHK trading fee	0.005% <sup>7</sup>	
Stamp duty	Nil	
<b>Fees and expenses payable by the Product</b>	(See further disclosure below)	

er Part V of the SFO.

### **Fees and Expenses Payable by the Product**

#### *Management Fee*

The Manager is entitled to receive a management fee of up to 2% per year of the Net Asset Value of each Product. The current management fee percentage in respect of each Product is set out in the relevant Appendix and is accrued daily and calculated as at each Dealing Day and payable monthly in arrears. This fee is payable out of the Trust Fund.

The Manager may pay a distribution fee to any distributor or sub-distributors of the Trust out of the management fees it receives from the Trust. A distributor may re-allocate an amount of the distribution fee to the sub-distributors. The fees of the Investment Adviser, if any, will be paid by the Manager and not out of the assets of the relevant Product.

<sup>5</sup> The Participating Dealer may increase or waive the level of its fees in its discretion. Information regarding these fees and charges is available upon request to the relevant Participating Dealer.

<sup>6</sup> A Transaction levy, presently 0.0027% of the trading price of the Units, is payable by the buyer and the seller.

<sup>7</sup> Trading fee of 0.005% of the trading price of the Units, payable by the buyer and the seller.

### *Trustee's and Registrar's Fee*

The Trustee receives out of the assets of each Product a monthly trustee's fee, payable in arrears, accrued daily and calculated as at each Dealing Day of up to the greater of 1.00% per year of the Net Asset Value of a Product or the applicable monthly minimum. The Trustee fee percentage in respect of each Product is set out in the relevant Appendix.

The Trustee shall also be entitled to be reimbursed out of the assets of the relevant Product all out-of-pocket expenses incurred.

The Registrar is entitled to receive from the Product a registrar fee of HKD160 (for Product with HKD as Base Currency) or USD20 (for Product with USD as Base Currency) per Participating Dealer per transaction for updating of the register record of the Product and from the Participating Dealer an administrative transaction fee of HKD3,900 (for Product with HKD as Base Currency) or USD500 (for Product with USD as Base Currency) per Participating Dealer per transaction for handling any cash creation and redemption of Units of the Product (payable by the Participating Dealer).

### *Service Agent's Fee*

The Service Agent is entitled to receive a monthly reconciliation fee of HKD5,000 from the Manager. The Manager shall pass on to the relevant Product such reconciliation fee.

For any period less than a month, the reconciliation fee is on a pro-rata basis and accrues on a daily basis. The Trustee, on behalf of the Trust, will pay all other expenses chargeable by the Service Agent in connection with the Service Agent's role.

### *Estimated Ongoing Charges and Estimated Annual Average Daily Ongoing Charges*

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

The estimated annual average daily ongoing charges (where a Product is newly established) or actual annual average daily ongoing charges of a Product where applicable, is equal to the estimated or the actual (as the case may be) ongoing charges figure divided by the anticipated or actual (as the case may be) number of dealing days during the year.

### *Swap fees borne by the Product*

The swap fees represent a variable spread (which can be positive or negative) plus LIBOR which reflects the Swap Counterparty's costs of financing the underlying hedge in order to provide the performance, the inverse performance or the leveraged performance of the relevant Index. The swap fees will be borne by the investors in the Products which adopt a synthetic replication investment strategy and may have a substantial adverse impact on the Net Asset Value and the performance of the Product and may result in higher tracking error.

No unwinding fees will be charged for unwinding a Swap.

#### *Brokerage rates*

A Product which adopts a futures-based direct replication investment strategy shall bear all costs and brokerage commissions associated with trading transactions through its broker account. Brokerage fees will be charged by a broker at its institutional rates.

Such institutional market rates vary with the contract and the market on which the contract is traded. The rates are comprised of two elements: (a) charges incurred in executing a trade such as floor brokerage, exchange-clearing, execution fees and related expenses; and (b) a charge of approximately HKD60 per round turn levied by the broker.

The above rates will amount to approximately 0.15% per annum of the Net Asset Value and may increase to approximately 0.30% per annum of the Net Asset Value in the event of unusual circumstances such as a high level of turnover.

Since commission is only charged once for each transaction in Futures Contracts, transaction costs are considered low compared to purchasing or selling the physical asset.

#### *Other Expenses*

The Products will bear all operating costs relating to the administration of the Products including but not limited to stamp and other duties, governmental charges, brokerages, commissions, exchange costs and commissions, bank charges and other costs and expenses payable in respect of the acquisition, holding and realisation of any investment or any monies, deposit or loan, charges and expenses of its legal counsel, auditors and other professionals, index licensing fees, the costs in connection with maintaining a listing of the Units on the SEHK or other exchange (including, if considered appropriate by the Manager, any additional costs of determining the stock code by drawing from special ballot pool, which are estimated to be HKD500,000) and maintaining the Trust's and the Products' authorisation under the SFO, costs incurred in the preparation, printing and updating of any offering documents and the costs incurred in the preparation of supplemental deeds, any disbursements or out-of-pocket expenses properly incurred on behalf of the Products by the Trustee, the Manager or the Registrar or any of its service providers, the expenses incurred in convening meetings of Unitholders, preparing, printing and distributing annual financial reports and interim unaudited financial reports and other circulars relating to the Products and the expenses of publishing Unit prices.

#### **Establishment Costs**

The cost of establishing the Trust and Global X S&P 500 Daily (-1x) Inverse Product\* including the preparation of the Prospectus prior to the authorisation of the Trust, inception fees, the costs of seeking and obtaining the listing and authorisation by the SFC and all initial legal and printing costs was approximately HKD900,000 and was borne by this Product and amortised over the first five financial years of this Product.

The cost of establishing Global X Hang Seng Index Daily (-1x) Inverse Product, Global X Hang Seng Index Daily (2x) Leveraged Product, Global X Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Global X Hang Seng China Enterprises Index Daily (2x) Leveraged Product including the preparation of this Prospectus, inception fees, the costs of seeking and obtaining the listing and authorisation by the SFC and all initial legal and printing costs was approximately HKD3.3 million and was borne by these four Products equally and amortised over the first five financial years of these four Products.

The attention of investors is drawn to the risk factor entitled "Valuation and Accounting Risk".

#### **Promotional Expenses**

The Products will not be responsible for any promotional expenses including those incurred by any

marketing agents and any fees imposed by such marketing agents on their customers investing in the Products will not be paid (either in whole or in part) out of the Trust Fund.

### **Increase in Fees**

The current fees in respect of each Product payable to the Manager and the Trustee as described in the relevant Appendix may be increased on one month's notice to Unitholders (or such shorter period as approved by the SFC), subject to the maximum rates set out in the Trust Deed. In the event that such fees are to be increased beyond the maximum rates set out in the Trust Deed, such increase will be subject to the Unitholders' and the SFC's approval.

## RISK FACTORS

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

### **Risks Associated with Investment in Any Product**

#### *Investment Objective Risk*

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

#### *Market Risk*

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

#### *Asset Class Risk*

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

#### *Passive Investment Risk*

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



Products tracking inverse performance of the Index or Indices, are expected to result in corresponding falls in the value of the Products, and investors may lose substantially all of their investment.

#### *Possible Business Failure Risk*

Global markets may experience an increased risk of corporate failures. The insolvency or other corporate failures of any one or more of the constituents of the Index may have an adverse effect on the Index's and therefore a Product's performance where the relevant Product tracks the performance or the leveraged performance of the Index, and in such circumstances investors may lose money by investing in the Products.

#### *Management Risk*

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

In addition, the Manager has absolute discretion to exercise Unitholders' rights with respect to Securities and/or Futures Contracts comprising a Product. There can be no guarantee that the exercise of such discretion will result in the investment objective of the relevant Product being achieved.

#### *Securities Risk*

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

#### *Tracking Error and Correlation Risks*

Fees, expenses, transaction costs as well as costs of using financial derivatives, liquidity of the market, inability to rebalance a Product's holdings of Securities or Futures Contracts in response to high portfolio turnover, a temporary lack of liquidity in the markets for the Securities or Futures Contracts held by a Product, changes in the constituents of the relevant Index, rounding of Security or Futures Contracts prices, changes to the Indices, regulatory policies and the investment strategy adopted by the Manager may result in tracking error, and the reduced correlation between the performance of the relevant Product and the performance, the leveraged performance or the inverse performance (as the case may be) of the relevant Index. The Manager will monitor and seek to manage such risk in minimising tracking error. There can be no assurance of exact or identical replication at any time of the performance, the leveraged performance or the inverse performance (as the case may be) of the relevant Index.

#### *Concentration Risk*

A Product may be subject to concentration risk as a result of tracking the performance, the inverse performance or the leveraged performance (as the case may be) of a single geographical region. Such a Product is likely to be more volatile than a broad-based fund, such as a global or regional equity fund, as it is more susceptible to fluctuations in value resulting from adverse conditions (where the relevant Product tracks the performance or leveraged performance of the relevant Index) or positive conditions (where the relevant Product tracks the inverse performance of the relevant Index) in the relevant region.

#### *Trading Risk*

While the creation/redemption feature of each Product is designed to make it likely that Units will trade close to their Net Asset Value, disruptions to creations and redemptions (for example, as a

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

#### *Loss of Capital Risk*

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

#### *No Trading Market in the Units Risk*

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

#### *Indemnity Risk*

Under the Trust Deed, the Trustee and the Manager have the right to be indemnified against any liability for breach of trust or any liability which by virtue of any rule of law would otherwise attach to them in performing their respective duties except as a result of their own negligence, fraud, default, breach of duty or trust of which they may be liable in relation to their duties. Any reliance by the Trustee or the Manager on the right of indemnity would reduce the assets of the Products and the value of the Units.

#### *Early Termination Risk*

A Product may be terminated early under certain circumstances, including but not limited to (i) the aggregate Net Asset Value of all the Units is less than HKD500 million or such other amount specified in the relevant Appendix, or (ii) any law is passed or amended or regulatory directive or order is imposed which renders it illegal or in the opinion of the Manager, impracticable or inadvisable to continue the relevant Product, or (iii) within a reasonable time and using commercially reasonable endeavours, the Manager is unable to find a person acceptable to act as the new trustee after deciding to remove the Trustee in accordance with the Trust Deed, or (iv) the relevant Index is no longer available for benchmarking or if the Units are no longer listed on the SEHK or any other Recognised Stock Exchange, or (v) at any time, the relevant Product ceases to have any Participating Dealer, or (vi) in respect of a Product which tracks the inverse or leveraged performance of an index, all the Market Makers for the Units of the relevant Product resigned and no replacement Market Maker could be appointed. Upon a Product being terminated, the Trustee will distribute the net cash proceeds (if any) derived from the realisation of the investments comprised in the relevant Product to the Unitholders in accordance with the Trust Deed. Investors may suffer a loss when a Product is terminated because any such amount distributed may be more or less than the capital invested by the Unitholder.

#### *Foreign Exchange Risk*

If a Product's assets are generally invested (either directly or indirectly) in non-Hong Kong Securities, and if a substantial portion of the revenue and income of a Product is received in a currency other than HKD, any fluctuation in the exchange rate of the HKD relative to the relevant foreign currency will affect the Net Asset Value of a Product denominated in the HKD regardless of the performance of its underlying portfolio. If the relevant Product's Net Asset Value is determined on the basis of the HKD, you may lose money if you invest in any Product if the local currency of a foreign market depreciates against the HKD, even if the local currency value of a Product's holdings goes up.

## **Risks Associated with Investing in Swaps**

The following risk factors only apply to Products which invest in Swap:

### *Limited Availability of Swaps Risk*

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

### *Counterparty Risk*

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

### *Liquidity Risk*

Swaps may be subject to liquidity risk, which exists when a particular Swap is difficult to purchase or sell. If a Swap transaction is particularly large or if the relevant market is illiquid, it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price, which may result in significant losses to the Product. In addition, a Swap may be subject to the Product's

limitation on investments in illiquid Securities or Futures Contracts. Swaps may be subject to pricing risk, which exists when a particular Swap becomes extraordinarily expensive (or inexpensive) relative to historical prices or the prices of corresponding cash market instruments. The swaps market is largely unregulated. It is possible that developments in the swaps market, including potential government regulation, could adversely affect the Product's ability to terminate existing Swaps or to realise amounts to be received under such agreements.

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

#### *Valuation Risk*

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

#### *FDIs and Collateral Risk*

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

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

An investment in the FDIs does not entitle the FDIs holder to the beneficial interest in the shares nor to make any claim against the company issuing the shares. There can be no assurance that the price of the FDIs will equal the performance, the inverse performance or the leveraged performance (as the case may be) of the Index that it may seek to replicate.

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

There are risks associated with management of collateral and re-investment of collateral. The value of any collateral received in respect of any derivative transactions may be affected by market events. In the case of collateral assets which are listed securities, the listing of such securities may be suspended or revoked or the trading of such securities on the stock exchanges may be suspended, and during the period of suspension or upon revocation, it may take longer to realise the relevant collateral assets. In the case of collateral assets which are debt securities, the value of such securities will be dependent on the creditworthiness of the issuers or obligors in respect of the relevant collateral assets. In the event any issuer or obligor of such collateral assets is insolvent, the value of the collateral assets will be reduced substantially and may cause the

relevant Product's exposure to such counterparty to be under-collateralised. If a Product reinvests cash collateral, it is subject to investment risk including the potential loss of principal.

#### *Legal Risk*

The characterisation of a transaction or a party's legal capacity to enter into it could render the Swap unenforceable. The insolvency or bankruptcy of a counterparty may also affect the enforceability of contractual rights.

#### *Risks relating to Sale and Repurchase Agreements*

In the event of the failure of the counterparty with which collateral has been placed, a Product may suffer loss as there may be delays in recovering collateral placed out or the cash originally received may be less than the collateral placed with the counterparty due to inaccurate pricing of the collateral or market movements. The Product may also be subject to legal risk, operational risk, liquidity risk of the counterparty and custody risk of the collateral.

#### *Risks relating to Reverse Repurchase Agreements*

In the event of the failure of the counterparty with which cash has been placed, a Product may suffer loss as there may be delay in recovering cash placed out or difficulty in realising collateral or proceeds from the sale of the collateral may be less than the cash placed with the counterparty due to inaccurate pricing of the collateral or market movements. A Product may also be subject to legal risk, operational risks, liquidity risk of the counterparty and custody risk of the collateral.

### **Risks Associated with Investment in Futures Contracts**

The following risk factors only apply to Products which invest in Futures Contracts:

#### *Futures Contracts Market Risks*

The Futures Contracts markets may be uncorrelated to traditional markets (such as equities markets) and are subject to greater risks than other markets. It is a feature of Futures Contracts generally that they are subject to rapid change and the risks involved may change relatively quickly. The price of Futures Contracts can be highly volatile. Such price movements are influenced by, among other things, interest rates, changing market supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments. In some cases, far-reaching political changes may result in constitutional and social tensions, instability and reaction against market reforms. Political or economic instability may effect investor confidence, which could adversely impact the value of the Index and, as a result, the Net Asset Value per Unit.

#### *Rolling of Futures Contracts Risk*

An Index may be calculated with reference to Futures Contracts exposing a Product and the investor to a liquidity risk linked to Futures Contracts which may affect the value of such Futures Contracts. Futures Contract prices can be highly volatile. A "roll" occurs when an existing Futures Contract is about to expire and is replaced in the Index with a futures contract representing the same underlying but with a later expiration date. Where the Index is calculated with reference to these Futures Contracts, the value of the Index may be adversely affected by the cost of rolling positions forward (e.g. due to the increased price of the Futures Contract with a later expiration date) as the Futures Contracts approach expiry. The change in price of a Futures Contract may reflect many factors such as perceived economic changes or political circumstances as well as increased demand.

#### *Contango and Backwardation Risk*

In respect of Products which track the leveraged performance of an Index, the process of rolling will subject the Product to contango risks. For example, a Futures Contract may specify a September expiration. As time passes, the Futures Contract expiring in September is replaced

by a contract for expiry in December by selling the September contract and purchasing the December contract. Excluding other considerations, if the market for these Futures Contracts is in “contango”, where the prices are higher in the distant expiry months than in the nearer expiry months, the sale of the September contract would take place at a price that is lower than the price of the December contract. Accordingly sale proceeds when rolling (selling and then buying the Futures Contracts) will not be sufficient to purchase the same number of Futures Contracts which have a higher price, thereby creating a negative “roll yield” which adversely affects the Net Asset Value.

In respect of Products which track the inverse performance of an Index, the process of rolling will subject the Product to backwardation risks. For example, a Futures Contract may specify a September expiration. As time passes, the Futures Contract expiring in September is replaced by a contract for expiry in December by buying the September contract and entering into a short position of the December contract. Excluding other considerations, if the market for these contracts is in “backwardation”, where the prices are lower in the distant expiry months than in the nearer expiry months, the closing of the September short position would take place at a price that is higher than the price of the December contract. Accordingly proceeds from closing out the September short position when rolling (buying and then selling the Futures Contracts) would take place at a price that is higher than the price of the December contract, thereby creating a negative “roll yield” which adversely affects the Net Asset Value.

#### *Margin Risk*

Generally, most leveraged transactions, such as Futures Contracts, involve the posting of margin or collateral. Because of the low margin deposits or collateral normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a Futures Contract may result in a proportionally high impact and substantial losses to the Product having a material adverse effect on the Net Asset Value of the Product. Like other leveraged investments, a futures transaction by the Product may result in losses in excess of the amount invested by the Product. Additional funds may need to be posted as margin or collateral to meet such calls based upon daily marking to market of Futures Contracts. Increases in the amount of margin or collateral or similar payments may result in the need for the Product to liquidate its investments at unfavourable prices in order to meet margin or collateral calls. This may result in substantial losses to Unitholders.

#### *Clearing House's Failure Risk*

In the event of the bankruptcy of a futures exchange's clearing house, the Product could be exposed to a risk of loss with respect to its assets that are posted as margin. If such a bankruptcy were to occur, the Product would be afforded the protections granted to participants to transactions cleared through a clearing house, under applicable law and regulations. Such provisions generally provide for a pro rata distribution to customers of customer property held by the bankrupt exchange's clearing house if the exchange's clearing house is insufficient to satisfy all customer claims. In any case, there can be no assurance that these protections will be effective in allowing the Product to recover all, or even any, of the amounts it has deposited as margin.

#### *Regulatory Change Risk*

The regulation of Futures Contracts, and futures transactions in general, is a rapidly changing area of law and is subject to modification by government and judicial action. The effect of any such regulatory changes on the Product is impossible to predict, but could be substantial and adverse. To the extent possible, the Manager will attempt to monitor such changes to determine the impact such changes may have on the Product and what can be done, if anything, to try and limit such impact.

#### *Holding of Futures Contracts Restriction in Number Risk*

The holding by a person for his own account, or for another person but which he controls, of

particular type of Futures Contracts or stock options contracts may be limited by regulation. As such, the positions held by a Product and controlled by the Manager (i.e. of other sub-funds) may not in aggregate exceed the relevant maximum. Because Unitholders do not themselves hold Futures Contracts or control the Product, holdings of Units by a Unitholder will not render such Unitholder to be subject to the requirements of the relevant regulation. Whilst the Manager does not anticipate that this will have any immediate effect on a Product, if the Net Asset Value of a Product grows significantly the restrictions under the relevant regulation may prevent creations of Units due to the inability under the relevant regulation of the Product to acquire further Futures Contracts. This may cause a divergence between the trading price of a Unit on the SEHK and the Net Asset Value per Unit. The inability to acquire further Futures Contracts may also impair the Manager's ability to perform the Daily rebalancing which could result in the Product being unable to achieve its investment objective.

## **Risks of Investing in Fixed Income Securities**

### *Credit/counterparty Risk*

Investment in fixed income securities is subject to the credit risk of the security or its issuers, who may be unable or unwilling to make timely payments of principal and/or interest. In the event of a default or credit rating downgrading of the securities or the issuers of the fixed income securities held by the Product, the Product's value will be adversely affected and investors may suffer a substantial loss as a result. The Manager may or may not be able to dispose of the securities that are being downgraded. There may also be difficulties or delays in enforcing rights against the issuers who will generally be incorporated overseas and therefore not subject to the laws of Hong Kong.

### *Interest Rate Risk*

Investment in the Product is subject to interest rate risk. In general, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise.

### *Sovereign Debt Risk*

The Product's investment in securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the Product to participate in restructuring such debts. The Product may suffer significant losses when there is a default of sovereign debt issuers.

### *Credit Ratings Risks*

Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.

## **Risks Associated with Market Trading**

### *Absence of Active Market and Liquidity Risks*

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

### *Suspension of Trading Risk*

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

#### *Effect of Redemptions Risk*

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

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

#### *Units May Trade at Prices Other than Net Asset Value Risk*

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

#### *Borrowing Risks*

The Trustee, on the written instructions of the Manager, may borrow for the account of a Product (up to 10% of the total Net Asset Value of each Product unless otherwise specified in the Appendix) for various reasons, such as facilitating redemptions or to acquire investments for the account of the relevant Product. Borrowing involves an increased degree of financial risk and may increase the exposure of a Product to factors such as rising interest rates, downturns in the economy or deterioration in the conditions of the assets underlying its investments. There can be no assurance that a Product will be able to borrow on favourable terms, or that the relevant Product's indebtedness will be accessible or be able to be refinanced by the relevant Product at any time.

#### *Cost of Trading Units Risk*

As investors will pay certain charges (e.g. trading fees and brokerage fees) to buy or sell Units on the SEHK, investors may pay more than the Net Asset Value per Unit when buying Units on the SEHK, and may receive less than the Net Asset Value per Unit when selling Units on the SEHK.



In addition, investors on the secondary market will also incur the cost of the trading spread, being the difference between what investors are willing to pay for the Units (bid price) and the price at which they are willing to sell Units (ask price).

#### *No Right to Control the Product's Operation Risk*

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

#### *Secondary Market Trading Risk*

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

#### *Reliance on the Manager Risk*

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

#### *Reliance on Market Maker Risk*

Although it is a requirement that the Manager uses its best endeavours to put in place arrangements so that at least one Market Maker will maintain a market for the Units of each Product, there may be circumstances such as the revocation of the relevant market making approvals or registration or other changes beyond the control of the Manager that may result in the sudden loss of a Market Maker for a Product. If there is no Market Maker for the Units of a Product, the Product may be required by the SFC to be terminated. Termination will take place at about the same time as the resignation of the last Market Maker becoming effective and advance notice of termination will be issued to investors pursuant to the Code. The Manager will seek to mitigate this risk by using its best endeavours to put in place arrangements so that at least one Market Maker (with relevant experience in leveraged or inverse product, as the case may be) for the Units of each Product gives not less than 3 months' notice prior to terminating market making under the relevant market making agreement(s). It is possible that there is only one SEHK Market Maker to a Product or the Manager may not be able to engage a substitute Market Maker within the termination notice period of a Market Maker. There is also no guarantee that any market making activity will be effective. There is also a risk that the Market Makers may only offer a relatively wide spread on a swap-based Product that tracks the inverse or leveraged performance of an index.

#### *Reliance on Participating Dealer Risk*

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

to appoint an alternative agent or delegate, or if the agent or delegate ceases to be a CCASS participant, the creation or realisation of Units by such Participating Dealer may also be affected.

#### *Trading Time Differences Risk*

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

### **Risks Associated with the Indices**

#### *Fluctuations Risk*

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

#### *Licence to Use Index May Be Terminated Risk*

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

#### *Compilation of Index Risk*

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

#### *Composition of an Index May Change Risk*

The Securities and/or Futures Contracts constituting an Index will change as the Securities and/or Futures Contracts of the Index are delisted, or as the Securities and/or Futures Contracts mature or are redeemed or as new Securities and/or Futures Contracts are included in the Index. When this happens the weightings or composition of the Securities and/or Futures Contracts owned by the Products (either directly or indirectly) will change as considered appropriate by the Manager to achieve the investment objective. Thus, an investment in Units will generally reflect the performance, the leveraged performance or the inverse performance (as the case may be) of the

relevant Index as its constituents change and not necessarily the way the relevant Index is comprised at the time of an investment in Units.

## **Risks Associated with Regulation**

### *Withdrawal of SFC Authorisation Risk*

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

### *General Legal and Regulatory Risk*

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

### *Units May be Delisted from the SEHK Risk*

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

### *Taxation Risk*

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

### *Legal and Compliance Risk*

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

### *FATCA Related Risks*

The US Foreign Account Tax Compliance Act (“FATCA”) imposes a 30% withholding tax on certain US source withholdable payments to foreign financial institution(s) (the “FFI” or “FFIs”) (such as the Products) that are not FATCA compliant. The US Internal Revenue Service (the “IRS”) has released regulations and other guidance that provide for the phased implementation of FATCA, whereby an FFI that is not otherwise exempt or treated as deemed-compliant should register with the IRS, perform due diligence, withholding and reporting obligations with respect to financial accounts maintained by the FFI. The United States Department of the Treasury and Hong Kong have entered into an intergovernmental agreement based on the “Model 2” format (“Model 2 IGA”) effective from 30 June 2014. In order to comply with FATCA and to avoid the above-mentioned withholding tax, the Trust and each Product have completed their FATCA registration with the IRS. Under the Model 2 IGA, the Products will, with the consent from the Unitholders, provide the IRS with information on the identity, account balance and income received by Unitholders that are specified US persons (within the meaning of the Internal Revenue Code) (“Specified US Persons”) or, in case of a Non-US Entity that is classified as passive nonfinancial foreign entity (“Passive NFFE”), on information of any controlling persons that are Specified US Persons. Please note that Unitholders that are found reportable but do not provide consent to the Products would still be reported to the IRS. Although the Manager, the Trust and the Products will endeavor to satisfy any obligations imposed on the Trust or Products to avoid the imposition of FATCA withholding tax, no assurance can be given that the Trust and each Product will be able to fully satisfy these obligations. If any of the Products becomes subject to a withholding tax as a result of FATCA, the Net Asset Value of such Product may be adversely affected and such Product and its Unitholders may suffer material loss.

The Trust’s and each Product’s ability to comply with FATCA will depend on each Unitholder providing the Manager with information that the Manager requests concerning the Unitholder or its direct and indirect owners, if applicable.

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

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

### *Valuation and Accounting Risk*

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

### *Contagion Across Products risk*

The Trust Deed allows the Trustee and the Manager to issue Units in separate Products as separate trusts. The Trust Deed provides for the manner in which the liabilities are to be attributed across the various Products under the Trust (liabilities are to be attributed to the specific Product in respect of which the liability was incurred). A person to whom such a liability is owed has no direct recourse against the assets of the relevant Product (in the absence of the Trustee

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

#### *Non-Recognition of Product Segregation Risk*

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

## MANAGEMENT OF THE TRUST

### The Manager

The Manager of the Trust and each Product is Mirae Asset Global Investments (Hong Kong) Limited 未來資產環球投資(香港)有限公司, a company incorporated in 2003 under the laws of Hong Kong and licenced by the SFC to carry on Types 1 (dealing in securities), 4 (advising on securities) and 9 (asset management) regulated activities in Hong Kong under the SFO.

The Manager is part of the Mirae Asset Global Investments Co., Ltd (“Mirae Asset”), which was the first to open up the mutual fund market in Korea in 1998. Currently, Mirae Asset has a presence in Hong Kong (as its global headquarter), Australia, Brazil, Canada, China, India, Taiwan, United Kingdom, USA and Vietnam in addition to its home office in Korea. The Mirae Asset includes one of the largest team of investment professionals globally dedicated to asset management in Asia and other emerging markets.

The Manager may appoint additional sub-managers or investment advisers in relation to specific Products. The Manager shall be responsible for paying the fees of any additional sub-managers or investment advisers appointed by the Manager.

The Manager has put in place a proper risk management policy which enables it to effectively monitor and measure at any time the risk of the FDIs used by any Product for investment purposes. Each Product is subject to daily risk management and control procedures such as, but not limited to:

- (A) daily calculation of tracking difference and tracking error;
- (B) calculation and monitoring of net derivative exposure;
- (C) liquidity guidelines on each open futures or option contract such as maximum holding compared to daily average volume for the contract; and
- (D) historical and hypothetical stress tests which aim to simulate adverse market scenarios.

The Manager is also manager of the following exchange traded funds: Global X MSCI China ETF, Global X Hang Seng High Dividend Yield ETF, Global X CSI 300 ETF, Global X China Biotech ETF, Global X China Cloud Computing ETF, Global X S&P Crude Oil Futures Enhanced ER ETF, Global X China Consumer Brand ETF, Global X China Electric Vehicle ETF, Global X China Clean Energy ETF, Global X China Semiconductor ETF and Global X China Robotics and AI ETF.

The directors of the Manager are as follows:

*Rhee, Jung Ho*

Mr. Jung Ho Rhee, CFA, is the President and Chief Executive Officer of the Manager, where he is responsible for leading the firm’s investment management, distribution and product development activities. He has over 25 years of investment and research experience. Mr. Rhee also serves as the Head of Asia Pacific of the Mirae Asset Global Investments Group and is responsible for overseeing the long-term growth of the Group’s businesses in the region.

Prior to being appointed as Chief Executive Officer, Mr. Rhee headed the Global Asset Allocation Division of the Manager from 2011 to 2012 and was instrumental in formulating macro and country/sector allocation strategies for the Mirae Asset Global Investments Group. Previously, he worked for Mirae Asset Securities in Hong Kong, where he served as Chief Financial Officer and headed up the firm’s proprietary investment team, from 2009 to 2011.

Mr. Rhee has extensive experience as a research analyst. He served as a Managing Director of Global Research at Mirae Asset Securities in Hong Kong from 2008 to 2009, and as the Head of

Asia Pacific Research and Head of Investment Strategy at Mirae Asset Securities in Korea from 2000 to 2008. Prior to joining Mirae Asset Securities in Korea in 2000, he worked as an investment strategist at Daewoo Securities from 1994 to 2000 and as a Financial Management Officer at the Republic of Korea Air Force from 1991 to 1994.

Mr. Rhee holds a Master's degree in Economics from the University of Hong Kong and a Bachelor's degree in Economics from Yonsei University.

#### *Kim, Byung Ha*

Mr. Byung Ha Kim is Chief Operating Officer of the Manager. He directs and oversees the firm's operational policies and initiatives. Prior to his current role, he was Co-Chief Investment Officer from 2013 to 2017 and was responsible for co-managing the firm's investment activities.

Mr. Kim started his career at Mirae Asset Global Investments Co., Ltd. in 1999 as a research analyst covering Korean equities. Later he was promoted to portfolio manager and managed various retail funds and institutional mandates. From 2004 to 2005 he served as portfolio manager and strategist at the Mirae Asset Economic Research Institute, where in addition to managing segregated portfolios for institutional clients, he led and managed a team of research analysts to produce market analysis and research reports for external distribution on behalf of the Mirae Asset Global Investments Group. He transferred to the Manager in 2005 to take up the role of Senior Portfolio Manager.

Mr. Kim holds a bachelor's degree in Business Administration from Seoul National University in Korea.

#### *Kapala, Srinivasa Rao*

Dr. Srinivasa Rao Kapala is the Chief Risk Officer of the Manager overseeing various business segments, such as active management business, alternative investments, ETFs and other strategic initiatives. He is responsible for the measurement, monitoring, and reporting of return and risk parameters for the funds and investment solutions of the Manager and oversees the firm's investment and risk management processes, policies and controls.

Dr. Kapala began his financial career in 2004 with ICRA Limited, an Indian Associate of Moody's Investors Service, working as a Senior Analyst. He also worked at Infosys Consulting as a Consultant in Financial Securities for ABN AMRO Asset Management, Amsterdam, and later joined the India office of ABN AMRO Asset Management in 2006 as Assistant Vice President, responsible for product development and management, including marketing and promotion.

Dr. Kapala's service with the Mirae Asset Global Investment Group dates back to 2007, when he joined Mirae Asset Global Investments (India) as Senior Vice President and Head of the Product Structuring/Development Division and he oversaw the development and management, including marketing and business development of retail and wealth management products across various asset classes, including equity, fixed income, commodities and structured products.

Dr. Kapala holds a PhD in Management (Specialisation in derivatives) from the Indian Institute of Management, Bangalore.

### **The Trustee and Registrar**

The Trustee of the Trust is HSBC Institutional Trust Services (Asia) Limited. The Trustee also acts as the Registrar of the Products, and provides services in respect of the establishment and maintenance of the register of the Unitholders.

The Trustee was incorporated with limited liability in Hong Kong in 1974 and is registered as a trust company under the Trustee Ordinance (Cap. 29) of Hong Kong and approved by the Mandatory Provident Funds Scheme Authority as trustee of registered MPF Schemes under the Mandatory

Provident Fund Schemes Ordinance (Cap. 485) of Hong Kong. HSBC Institutional Trust Services (Asia) Limited is an indirectly wholly owned subsidiary of HSBC Holdings plc, a public company incorporated in England and Wales.

Under the Trust Deed, the Trustee is responsible for the safe-keeping of the assets of the Trust and the Products, subject to the provisions of the Trust Deed.

The Trustee may from time to time appoint such person or persons as it thinks fit (including, without limitation, any of its Connected Persons) to hold as custodian, nominee, agent or delegate, all or any of the investments, cash, assets or other property comprised in the Trust Fund or any of the Products and may empower any such custodian, nominee, agent or delegate to appoint, with the prior consent in writing of the Trustee, co-custodians and/or sub-custodians (each such custodian, nominee, agent, delegate, co-custodian and sub-custodian a "Correspondent"). The Trustee is required to (a) exercise reasonable care, skill and diligence in the selection, appointment and monitoring of Correspondents and (b) be satisfied that Correspondents retained remain suitably qualified and competent on an ongoing basis to provide the relevant custodial services to the Products. The Trustee shall be liable for the acts and omissions of any Correspondent which is a Connected Person of the Trustee as if the same were the acts or omissions of the Trustee, but provided that the Trustee has discharged its obligations set out in (a) and (b) as set out in this paragraph, the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any Correspondent which is not a Connected Person of the Trustee.

The Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of Euro-clear Clearing System Limited or Clearstream Banking S.A. or any other recognised depository or clearing system which may from time to time be approved by the Trustee and the Manager.

Subject as provided in the Trust Deed, the Trustee shall not be liable for losses caused by the performance of investments made by the Trust and/or any Product.

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

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

The Trustee will not participate in transactions and activities, or make any payments denominated in US dollars, which, if carried out by a US person, would be subject to sanctions by The Office of Foreign Assets Control (the "OFAC") of the US Department of the Treasury. The OFAC administers and enforces economic sanction programs primarily against countries and groups of individuals, such as terrorists and narcotics traffickers by using the blocking of assets and trade restrictions to accomplish foreign policy and national security goals. In enforcing economic sanctions, OFAC acts to prevent "prohibited transactions", which are described by OFAC as trade or financial transactions and other dealings in which US persons may not engage unless authorised by OFAC or expressly exempted by statute. OFAC has the authority to grant exemptions to prohibitions on such transactions, either by issuing a general licence for certain categories of transactions, or by specific licences issued on a case-by-case basis. HSBC group of companies has adopted a policy of compliance with the sanctions issued by OFAC. As part of its policy, the Trustee may request for additional information if deemed necessary.



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

The Trustee is entitled to the fees set under the section on “Fees and Expenses Payable by the Product” and to be reimbursed for all costs and expenses in accordance with the provisions of the Trust Deed.

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

### **The Service Agent**

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

### **The Auditor**

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

### **The Participating Dealer**

A Participating Dealer may act for its own account or for your account as its clients in making Creation Applications and Redemption Applications. Different Products may have different Participating Dealers. The latest list of the Participating Dealers in respect of each Product is available at <https://www.globalxetfs.com.hk/> (which has not been reviewed by the SFC).

### **The Market Maker**

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

Subject to applicable regulatory requirements, the Manager will use its best endeavours to put in place arrangements so that there is at all times at least one Market Maker for Units. If the SEHK withdraws its permit to the existing Market Maker(s), the Manager will use its best endeavours to put in place arrangements so that there is at least one other Market Maker per Product to facilitate the efficient trading of Units. The Manager will use its best endeavours to put in place arrangements so that at least one Market Maker per Product gives not less than 3 months’ notice prior to terminating market making under the relevant market making agreement. The latest list of Market Makers for each Product is available at <https://www.hkex.com.hk> and <https://www.globalxetfs.com.hk/> (which have not been reviewed by the SFC). Please refer to the section on “Website Information” for the warning and the disclaimer regarding information contained in such website.

### **The Listing Agent**

Altus Capital Limited has been appointed by the Manager as the Listing Agent for Global X Hang Seng Index Daily (-1x) Inverse Product, Global X Hang Seng Index Daily (2x) Leveraged Product,

Global X Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Global X Hang Seng China Enterprises Index Daily (2x) Leveraged Product in accordance with The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in respect of these Products' listing on the SEHK. The Listing Agent is a licenced corporation which holds, amongst others, a Type 6 (advising on corporate finance) regulated activity licence under the SFO with CE Number AGH102.

### **Conflicts of Interest and Soft Dollars**

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

In addition:

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

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

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

be no increase in the overall total of annual management fees (or other costs and charges payable to the Manager or any of its Connected Persons) borne by the relevant Product.

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

The Manager, the Investment Adviser or any Connected Persons of each may receive, and are entitled to retain, research products and services (known as soft dollar benefits) which are of demonstrable benefit to a Product (as may be permitted under the Code, applicable rules and regulations) from brokers and other persons through whom investment transactions are carried out ("brokers") provided that the quality of transaction execution is consistent with best execution standards and the brokerage rates are not in excess of customary institutional full-service brokerage rates, adequate prior disclosure is made in the Product's offering document, periodic disclosure is made in the Product's annual report in the form of a statement describing the soft dollar policies and practices of the Manager or the Investment Adviser, including a description of the goods and services received by them, and the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer.

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

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

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

## STATUTORY AND GENERAL INFORMATION

### Reports

The financial year-end of the Trust (and each Product) is 31 March every year. Audited annual financial reports are to be prepared (in accordance with IFRS) and published on the Manager's website at <https://www.globalxetfs.com.hk/> (which has not been reviewed by the SFC) within 4 months of each financial year-end. Half-yearly unaudited reports are also to be prepared up to 30 September of each year and published on the Manager's website within 2 months of such date. Once these financial reports are made available on the Manager's website, investors will be notified within the relevant timeframe.

Only an English version of the audited annual financial report and the half-yearly unaudited financial report of the Product will be available. Printed copies may be requested free of charge from the Manager by contacting it, as described below under "Notices".

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

### Trust Deed

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

### Indemnities of the Trustee and Manager

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

### Liability of Unitholders

No Unitholder shall incur or assume any liability or be required to make any payment to the Trustee or the Manager in respect of its Units. The liability of Unitholders is limited to their investment in Units.

### Modification of the Trust Deed

The Trustee and the Manager may agree to modify, alter or add to the provisions of the Trust Deed by supplemental deed provided that in the opinion of the Trustee and the Manager such modification, alteration or addition (i) does not materially prejudice the interests of Unitholders, does not operate to release to any material extent the Trustee or the Manager or any other person from any responsibility to the Unitholders and (with the exception of the costs incurred in

connection with the relevant supplemental deed) does not increase the costs and charges payable out of the assets of the Products or (ii) is necessary in order to make possible compliance with any fiscal, statutory, regulatory or official requirement (whether or not having the force of law) or (iii) is necessary to correct a manifest error. In all other cases, modifications, alterations and additions involving any material changes require the sanction of an extraordinary resolution of the Unitholders affected. The SFC must (where such approval is required) also give its prior approval to all amendments to the Trust Deed.

The Manager will notify affected Unitholders of the amendments as soon as practicable after they are made if such notification is required under the Code.

### **Meetings of Unitholders**

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

### **Voting Rights**

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

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

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

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

### **Termination**

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

The Manager may, in its absolute discretion, by notice in writing to the Trustee, terminate the Trust if: (i) after one year from the date of the Trust Deed, the aggregate Net Asset Value of all the Units in each Product outstanding is less than HKD500 million; (ii) any law or regulation is

passed or amended or any regulatory directive or order is imposed that affects the Trust and which renders the Trust illegal or in the good faith opinion of the Manager, makes it impracticable or inadvisable to continue the Trust; or (iii) within a reasonable time and using commercially reasonable endeavours, the Manager is unable to find a person acceptable to act as the new trustee after deciding to remove the Trustee in accordance with the Trust Deed.

The Manager may, in its absolute discretion, by notice in writing to the Trustee, terminate a Product if: (i) after one year from the date of establishment of the Product, the aggregate Net Asset Value of all the Units in the relevant Product outstanding is less than HKD500 million or such other amount specified in the relevant Supplemental Deed; (ii) any law or regulation is passed or amended or any regulatory directive or order is imposed that affects the relevant Product and which renders the relevant Product illegal or in the good faith opinion of the Manager makes it impracticable or inadvisable to continue that Product; (iii) its Index is no longer available for benchmarking or if the Units of the relevant Product are no longer listed on the SEHK or any such other stock exchange from time to time determined by the Manager; (iv) at any time, the relevant Product ceases to have any Participating Dealer; (v) the Manager is unable to implement its investment strategy; or (vi) there are no Market Makers for the relevant Product. Further, the Unitholders may at any time authorise termination of the Trust or the relevant Products by extraordinary resolution.

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

Notice of the termination of the Trust or the Products will be given to the Unitholders after the SFC has approved the notice. The notice will contain the reasons for the termination, the consequences to Unitholders of terminating the Trust or the Products and the alternatives available to them, and any other information required by the Code. Any unclaimed proceeds or other monies held by the Trustee in the event of a termination may at the expiration of twelve calendar months from the date upon which the same became payable be paid into court.

## **Distribution Policy**

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

## **Inspection of Documents**

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

- (a) Trust Deed;
- (b) Service Agreement;

- (c) Participation Agreement(s); and
- (d) The most recent annual financial reports of the Trust and the Products (if any) and the most recent interim financial statements of the Trust and the Products (if any).

## **Part XV of the SFO**

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

## **Anti-money Laundering Regulations**

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

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

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

## **Automatic Exchange of Financial Account Information**

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

A Product is required to comply with the requirements of the Ordinance, which means that a Product and/or its agents shall collect and provide to the IRD the required information relating to Unitholders and prospective investors and provide such information to the IRD.

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

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

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

### **Certification for Compliance with FATCA or Other Applicable Laws**

Each investor (i) shall be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for a Product (a) to prevent withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Product receives payments and/or (b) to satisfy reporting or other obligations under the IRS Code and the United States Treasury Regulations promulgated under the IRS Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority in any jurisdiction, (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments or when such form, certificate or other information is no longer accurate, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction (including any law, rule and requirement relating to AEOI) and reporting obligations that may be imposed by future legislation.

### **Power to Disclose Information to Authorities**

Subject to applicable laws and regulations in Hong Kong, the Manager, the Trustee or any of their authorised person (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the IRS and the IRD), certain information in relation to a Unitholder, including but not limited to the Unitholder's name, address, jurisdiction of birth, tax residence, tax identification number (if any), social security number (if any) and certain information relating to the Unitholder's holdings, account balance/value, and income or sale or realisation proceeds, to enable a Product to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law (including any law, rule and requirement relating to AEOI), regulation or agreement under FATCA) Each investor shall provide consent to the Trustee or the Manager to report such information to the appropriate tax authority, including but not limited to the US under FATCA.

### **Liquidity Risk Management**

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

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



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

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

### **Index Licence Agreements**

Please refer to the relevant Appendix for details in respect of each Index.

### **Material Changes to an Index**

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

### **Replacement of an Index**

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

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

The Manager may change the name of the Product if the relevant Index changes or for any other

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

### Information Available on the Internet

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

- (a) this Prospectus and the product key facts statements in respect of the Products (as revised from time to time);
- (b) the latest annual financial reports and interim unaudited financial report (in English only);
- (c) any notices relating to material changes to any Product which may have an impact on its investor such as material alterations or additions to this Prospectus or the Product's constitutive documents;
- (d) any public announcements made by the Products, including information with regard to the Products and Index, the notices of the suspension of the creation and redemption of units, the suspension of the calculation of the Net Asset Value, changes in fees and the suspension and resumption of trading;
- (e) the near real time indicative Net Asset Value per Unit updated every 15 seconds throughout each Dealing Day in Base Currency and trading currency;
- (f) the last Net Asset Value of each Product in Base Currency and trading currency, and last Net Asset Value per Unit of each Product in Base Currency and trading currency;
- (g) the actual daily tracking difference, the actual average daily tracking difference and the tracking error of each Product;
- (h) the ongoing charges figures and the past performance information of each Product;
- (i) a "performance simulator" of the Product which allows investors to select a historical time period and simulate the performance of the Product vis-à-vis the Index during that period based on historical data;
- (j) the last closing level of the Index;
- (k) the latest list of the Participating Dealers and Market Makers for each Product;
- (l) in respect of a Product investing in Swaps:
  - (i) the gross and net exposure to each Swap Counterparty;
  - (ii) the composition of the Asset Portfolio;
  - (iii) total Asset Portfolio (expressed as a percentage of the Product's Net Asset Value);
  - (iv) the list of Swap Counterparties (including hyperlinks to the websites of Swap Counterparties and their guarantors (if applicable));
  - (v) pictorial presentation of Asset Portfolio information by way of pie charts showing the following:
    - a breakdown by asset type, e.g. equity, bond and cash and cash equivalents;

- for equity, further breakdown by (1) primary listing (i.e. stock exchanges), (2) index constituents, and (3) sector;
- for bond, further breakdown by (1) types of bonds, (2) countries of issuers/guarantors, and (3) credit rating; and

(vi) top 10 holdings in the Asset Portfolio (including name, percentage of the Product's Net Asset Value, type, primary listing for equities and country of issuers),

where items (i), (ii) and (iii) will be updated on a daily basis and items (iv), (v) and (vi) will be updated on a weekly basis and uploaded onto the website within three working days of the end of each week; and

(m) in respect of a Product investing in Futures Contracts, the portfolio holdings of such Products (updated on a daily basis unless otherwise specified in the relevant Appendix).

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

## Notices

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

### **Manager**

Mirae Asset Global Investments (Hong Kong) Limited  
 未來資產環球投資(香港)有限公司  
 Room 1101, 11/F, Lee Garden Three  
 1 Sunning Road, Causeway Bay  
 Hong Kong

### **Trustee**

HSBC Institutional Trust Services (Asia) Limited  
 1 Queen's Road Central  
 Hong Kong

## Website Information

The offer of the Units is made solely on the basis of information contained in this Prospectus (including the Product Key Facts Statements). All references in this Prospectus to other websites and sources where further information may be obtained are merely intended to assist you to access further information relating to the subject matter indicated and such information does not form part of this Prospectus. None of the Listing Agent, the Manager or the Trustee accepts any responsibility for ensuring that the information contained in such other websites and sources, if available, is accurate, complete and/or up-to-date, and no liability is accepted by the Listing Agent, the Manager and the Trustee in relation to any person's use of or reliance on the information contained in these other websites and sources save, in respect of the Manager, its website <https://www.globalxetfs.com.hk/> (the contents of which and of other websites referred to in this Prospectus have not been reviewed by the SFC). The information and materials included in these websites have not been reviewed by the SFC or any regulatory body. Investors should exercise an appropriate degree of caution when assessing the value of such information.

## HONG KONG TAXATION AND FATCA

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

### **Taxation of the Trust and Products**

#### *Profits Tax*

The Products are not expected to be subject to Hong Kong tax in respect of any of their authorised activities.

#### *Stamp Duty*

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

### **Taxation of the Unitholders**

#### *Profits Tax*

No tax will be payable by Unitholders in Hong Kong in respect of income distributions of a Product or in respect of any capital gains arising on a sale, redemption or other disposal of Units, except that Hong Kong profits tax may arise where such transactions form part of a trade, profession or business carried on in Hong Kong.

#### *Stamp Duty*

Pursuant to the Stamp Duty (Amendment) Ordinance 2015, stamp duty payable in respect of any transfer in the shares or units of an exchange traded fund (as defined in Part 1 to Schedule 8 of the Stamp Duty Ordinance (Cap. 117) of Hong Kong) on the SEHK is not payable. Accordingly transfers of Units do not attract stamp duty and no stamp duty is payable by Unitholders on any transfer.

### **FATCA and Compliance with US Withholding Requirements**

The US Hiring Incentives to Restore Employment Act (the "HIRE Act") was signed into US law in March 2010 and includes provisions commonly referred to as the "Foreign Account Tax Compliance Act" or "FATCA". Broadly, the FATCA provisions are set out in sections 1471 to 1474 of the Internal Revenue Code, which impose a new reporting regime with respect to financial accounts held by specified US persons (within the meaning of the Internal Revenue Code) ("Specified US Persons") with foreign financial institutions ("FFIs"), such as the Trust and each Product. US source withholdable payments, including US source interests and dividends paid from securities of US issuers and gross proceeds from the sale of such securities, made to a financial account may be subject to withholding at a rate of 30%, unless the account holders provide sufficient information to the financial institutions to enable the financial institutions to identify such account holder's FATCA classification. To avoid such withholding on payments received, FFIs (including banks, brokers, custodians and investment funds), such as the Trust and each Product, located in jurisdictions that have not signed intergovernmental agreements for

implementation of FATCA (each an “IGA”), will be required to register and enter into an agreement (an “FFI Agreement”) with the IRS to be treated as a participating FFI (but see paragraph below regarding IGA status of Hong Kong). Participating FFIs are required to identify all investors that are Specified US Persons and report information concerning such Specified US Persons to the IRS. The FFI Agreement will also generally require that a participating FFI deduct and withhold 30% from US source withholdable payments made by the participating FFI to investors who fail to cooperate with certain information requests made by the participating FFI (“FATCA Withholding”).

FATCA Withholding applies to (i) payments of US source FDAP (fixed, determinable, annual or periodical) income, including US source dividends and interest, made after 30 June 2014; and (ii) payments of gross proceeds of sale or other disposal of property that can produce US source FDAP income after 31 December 2018. The 30% withholding could also apply to payments otherwise attributable to US source income (also known as “foreign passthru payments”). Withholding agents (which includes participating FFIs) have generally been required to begin withholding on US source withholdable payments made after 30 June 2014. The first reporting deadline for information on relevant financial accounts (e.g. account held by Specified US Persons) for FFIs that have entered into the FFI Agreement was 31 March 2015 with respect to information relating to the 2014 calendar year.

The United States Department of the Treasury and Hong Kong entered into a Model 2 IGA (the “Model 2 IGA”) effective from 30 June 2014. The Model 2 IGA modifies the foregoing requirements but generally requires similar information to be disclosed to the IRS. Further, withholding may continue to apply to US source withholdable payments if the Trust and each Product cannot satisfy the applicable requirements and is determined to be non-FATCA compliant.

The Trust has been registered with the IRS as a Single Foreign Financial Institution with Global Intermediary Identification Number of 9Y0HHR.99999.SL.344. Global X S&P 500 Daily (-1x) Inverse Product\* (\*This is a synthetic product), Global X Hang Seng Index Daily (-1x) Inverse Product, Global X Hang Seng Index Daily (2x) Leveraged Product, Global X Hang Seng China Enterprises Index Daily (-1x) Inverse Product and Global X Hang Seng China Enterprises Index Daily (2x) Leveraged Product have been registered with the IRS as Single Foreign Financial Institutions with Global Intermediary Identification Number of 2ELLS.99999.SL.344, PZ06UL.99999.SL.344, ZY3JRG.99999.SL.344, XQAGTS.99999.SL.344 and NHWD2Y.99999.SL.344 respectively. In order to protect Unitholders’ interests in the Trust and avoid being subject to FATCA Withholding, it is the Manager’s intention to endeavour to satisfy the requirements imposed under FATCA. Hence it is possible that this may require the Trust (through its agents or service providers) as far as legally permitted, to report information on the holdings or investment returns of Unitholders that are identified as Specified US Persons to the IRS or the local authorities pursuant to the terms of an applicable IGA (as the case may be) including certain Unitholders who fail to provide relevant information and documents required to identify their FATCA status, or fail to provide consent to the Trust to report, or who are non-FATCA compliant financial institutions or who fail within other categories specified in the FATCA provisions. Reporting and FATCA Withholding may also be required on Unitholders that are identified as non-FATCA compliant financial institutions (i.e. non-participating FFIs).

Although the Manager, the Trust and the Product(s) will attempt to satisfy any obligations imposed on them to avoid the imposition of FATCA withholding tax, no assurance can be given that the Manager, the Trust and the Product(s) will be able to fully satisfy these obligations. If any Product becomes subject to a withholding tax as a result of FATCA, the Net Asset Value of such Product may be adversely affected and such Product and its Unitholders may suffer material loss.

**The FATCA provisions are complex and certain implications may be uncertain at this time. The above description is provided based in part on regulations, official guidance and model IGAs currently available, all of which are subject to change or may be implemented in a materially different form. Nothing in this section constitutes or purports to constitute tax advice and Unitholders should not rely on any information set out in this section for the purposes of making any investment decision, tax decision or otherwise. All Unitholders should therefore consult their own tax and professional advisers regarding the FATCA**

**requirements, possible implications and related tax consequences with respect to their own situation. In particular, Unitholders who hold their Units through intermediaries should confirm the FATCA compliance status of those intermediaries to ensure that they do not suffer the above mentioned withholding tax on their investment returns.**

## **PART 2 – SPECIFIC INFORMATION RELATING TO EACH PRODUCT**

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

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

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

## APPENDIX 1: GLOBAL X S&P 500 DAILY (-1X) INVERSE PRODUCT\*

(\*This is a synthetic ETF)

### Key Information

Set out below is a summary of key information in respect of the Global X S&P 500 Daily (-1x) Inverse Product\* (\*This is a synthetic ETF) (the “Product”) which should be read together with the full text of this Appendix and the Prospectus.

<b>Investment Objective</b>	To provide investment results that, before fees and expenses, closely correspond to the <u>inverse daily</u> performance of the Index
<b>Index</b>	S&P 500 Index
<b>Listing Date (SEHK)</b>	11 October 2016
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	07322
<b>Short Stock Name</b>	XI GX S&P500
<b>Trading Board Lot Size</b>	100 Units
<b>Base Currency</b>	USD
<b>Trading Currency<sup>#</sup></b>	HKD
<b>Distribution Policy</b>	The Manager does not intend to pay or make any distributions or dividends.
<b>Application Unit Size for creation and redemption (only by or through Participating Dealers)</b>	Minimum 250,000 Units (or multiples thereof)
<b>Participating Dealers*</b>	ABN AMRO Clearing Hong Kong Limited BNP Paribas Securities Services China Merchants Securities (HK) Company Limited CIMB Securities Ltd Guotai Junan Securities (Hong Kong) Limited Haitong International Securities Company Limited KGI Securities (Hong Kong) Limited Mirae Asset Securities (HK) Limited Yue Kun Research Limited



<b>Market Makers*</b>	BNP Paribas Securities (Asia) Limited SG Securities (HK) Limited
<b>Creation / Redemption Policy</b>	Cash (USD) only
<b>Dealing Deadline for creation and redemption</b>	4:00 p.m. on the relevant Dealing Day, or such other time as the Manager (with the approval of the Trustee) may determine
<b>Management Fee</b>	Currently 0.85% per year of the Net Asset Value
<b>Trustee Fee</b>	Currently 0.12% per year of the Net Asset Value, subject to a monthly minimum of USD 10,000 (minimum fee waived from October 2016 to September 2018)
<b>Website</b>	<a href="https://www.globalxetfs.com.hk/">https://www.globalxetfs.com.hk/</a>

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

# The near real time estimated Net Asset Value per Unit in HKD and the last closing Net Asset Value per Unit in HKD that are made available on the Manager's website are indicative and for reference purposes only.

### What is the Investment Objective?

The investment objective of the Product is to provide investment results that, before fees and expenses, closely correspond to the inverse (-1x) Daily performance of the Index (net of swap fees). **The Product does not seek to achieve its stated investment objective over a period of time greater than one day.**

The swap fees represent a variable spread (which can be positive or negative) plus LIBOR which reflects the Swap Counterparty's costs of financing the underlying hedge in order to provide the inverse performance of the Index. If the swap fee is a positive figure, the swap fees will be borne by the investors and may have a substantial adverse impact on the Net Asset Value and the performance of the Product and may result in higher tracking error. On the contrary, if the swap fee is a negative figure, the Swap Counterparty will pay the swap fee to the Product.

There can be no assurance that the Product will achieve its investment objective.

### What is the Investment Strategy?

The Manager intends to adopt a synthetic replication swap-based investment strategy using unfunded swap structure to achieve the investment objective of the Product. Please refer to the section "Investment Strategy" in Part 1 of this Prospectus for an explanation on this strategy.

The investment strategy of the Product is subject to the investment and borrowing restrictions set out in Part 1 of this Prospectus. The investments made by the Product, other than Swap, shall comply with the requirements in 7.36 to 7.38 of the Code.

The Manager will publish, *inter alia*, the latest list of the identity of the Swap Counterparty of the Product, as well as the Product's gross and net exposure to each such Swap Counterparty (updated on a daily basis), on the Manager's website at <https://www.globalxetfs.com.hk/> (which has not been reviewed by the SFC).

## **Use of Derivatives**

The Product's net derivative exposure may be more than 100% of the Product's Net Asset Value.

## **Distribution Policy**

The Manager does not intend to pay or make any distributions or dividends.

## **The Index**

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

### **General Information on the Index**

The S&P 500 Index (the "Index") is an index that measures large-cap US stock market performance. It comprises approximately 500 large cap stocks which are common equities primarily listed on the US publicly traded stock market, and covers approximately 80% of available US market capitalisation.

The Index is a price return, float-adjusted market capitalisation weighted index. A price return index calculates the performance of the index constituents on the basis that any dividends or distributions are not included in the index returns.

As at 31 March 2022, it comprised 504 constituent stocks with total market capitalisation of approximately USD 39,903 billion.

The Index was launched on 4 March 1957 and had a base level of 10 on 1941-1943.

The Index is denominated in USD.

### **Index Provider**

The Index is compiled and managed by S&P Dow Jones Indices LLC ("S&P").

The Manager (and each of its Connected Persons) is independent of S&P, the Index Provider.

### **Index Methodology**

To be eligible for inclusion in the Index, a stock must meet the following criteria:

- (a) Market capitalisation: Stocks which have an unadjusted market capitalisation of USD5.3 billion or more.
- (b) Liquidity: Stocks which have adequate liquidity and are reasonably priced. Using composite pricing and volume, the ratio of annual dollar value traded to float adjusted market capitalisation is 1.00 or greater, and the company trades a minimum of 250,000 shares in each of the six months leading up to the evaluation date.
- (c) Domicile: Stocks which are US companies.
- (d) Public float: Public float of at least 50% of the stock.
- (e) Sector classification: Stocks which contribute to sector balance maintenance.
- (f) Financial viability: Stocks where the sum of the most recent four consecutive quarters'

as-reported earnings are positive, as should the most recent quarter.

- (g) Treatment of Initial public offerings (“IPOs”) – IPOs should be seasoned for 6 to 12 months before being considered for addition to the Index.
- (h) Eligible securities – Eligible securities include all US common equities listed on NYSE, NYSE Arca, NYSE MKT, NASDAQ Global Select Market, NASDAQ Select Market and NASDAQ Capital Market.

### ***Index Calculation***

On any given day, the Index value is the quotient of the total float-adjusted market capitalisation of the Index’s constituents and its divisor. Continuity in Index values is maintained by adjusting the divisor for all changes in the constituents’ share capital after the base date. This includes additions and deletions to the Index, rights issues, share buybacks and issuances and non-zero price spin-offs. The divisor’s time series is, in effect, a chronological summary of all changes affecting the base capital of the index. The divisor is adjusted such that the Index value at an instant just prior to a change in base capital equals the Index value at an instant immediately following that change.

### ***Index Constituents***

You can obtain the list of the constituents of the Index, their respective weightings and additional information of the Index including the index methodology and the closing level of the Index from the website of the Index Provider at <https://supplemental.spindices.com/supplemental-data/hong-kong> (this website has not been reviewed by the SFC).

### ***Index Codes***

Bloomberg: SPX

Reuters: .SPFIV

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

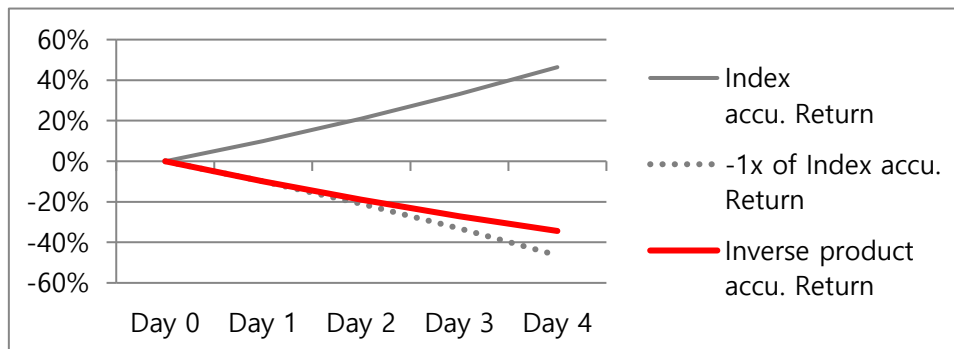
The Product’s objective is to provide return which is the inverse Daily performance of the Index. The Product is subject to a leverage factor of one time (-1x). As such, the Product’s performance may not track -1x the cumulative Index return over a period greater than 1 Business Day. This means that the return of the Index over a period of time greater than a single day multiplied by -100% generally will not equal the Product’s performance over that same period. The Product may underperform the return of -100% of the Index in a trendless or flat market. This is caused by compounding, which is the cumulative effect of previous earnings generating earning or losses in addition to the principal amount, and will be amplified by the volatility of the market and the holding period of the Product. The following scenarios illustrate how the Product’s performance may deviate from that of the cumulative Index return (-1x) over a longer period of time in various market conditions. All the scenarios are based on a hypothetical USD10 investment in the Product.

#### ***Scenario I: Continuous Upward Trend***

In a continuous upward trend, where the Index rises steadily for more than 1 Business Day, the Product’s accumulated loss will be less than -1x the cumulative Index gain. As illustrated in the scenario below, where an investor has invested in the Product on day 0 and the Index grows by 10% daily for 4 Business Days, by day 4 the Product would have an accumulated loss of 34%, compared with a 46% loss which is -1x the cumulative Index return.

	Index daily return	Index level	Index cumulative return	Inverse product daily return	Inverse product NAV	Cumulative performance - Inverse product	Cumulative performance - -1x of Index
Day 0		100.00	0%		HKD10.00	0%	0%
Day 1	10%	110.00	10%	-10%	HKD9.00	-10%	-10%
Day 2	10%	121.00	21%	-10%	HKD8.10	-19%	-21%
Day 3	10%	133.10	33%	-10%	HKD7.29	-27%	-33%
Day 4	10%	146.41	46%	-10%	HKD6.56	-34%	-46%

The chart below further illustrates the difference between the Product's performance versus -1x the cumulative Index return in a continuous upward market trend over a period greater than 1 Business Day.

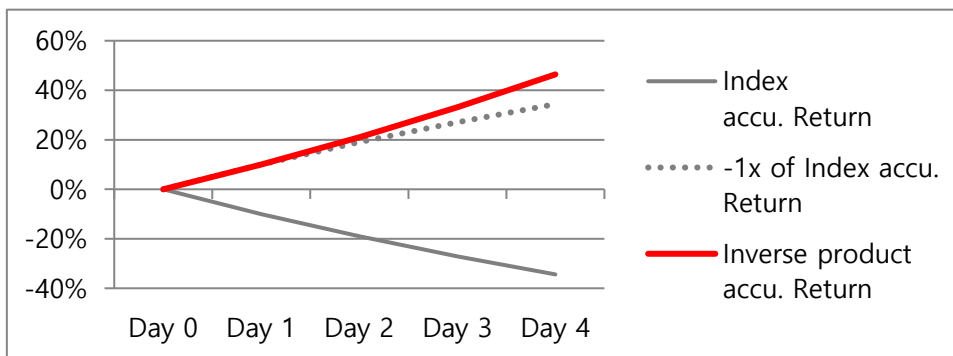


## Scenario II: Continuous Downward Trend

In a continuous downward trend, where the Index falls steadily for more than 1 Business Day, the Product's accumulated gains will be greater than -1x the cumulative Index return. As illustrated in the scenario below, where an investor has invested in the Product on day 0 and the Index falls by 10% daily for 4 Business Days, by day 4 the Product would have an accumulated gain of 46%, compared with a 34% gain which is -1x the cumulative Index return.

	Index daily return	Index level	Index cumulative return	Inverse product daily return	Inverse product NAV	Cumulative performance - Inverse product	Cumulative performance - -1x of Index
Day 0		100.00	0%		HKD10.00	0%	0%
Day 1	-10%	90.00	-10%	10%	HKD11.00	10%	10%
Day 2	-10%	81.00	-19%	10%	HKD12.10	21%	19%
Day 3	-10%	72.90	-27%	10%	HKD13.31	33%	27%
Day 4	-10%	65.61	-34%	10%	HKD14.64	46%	34%

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

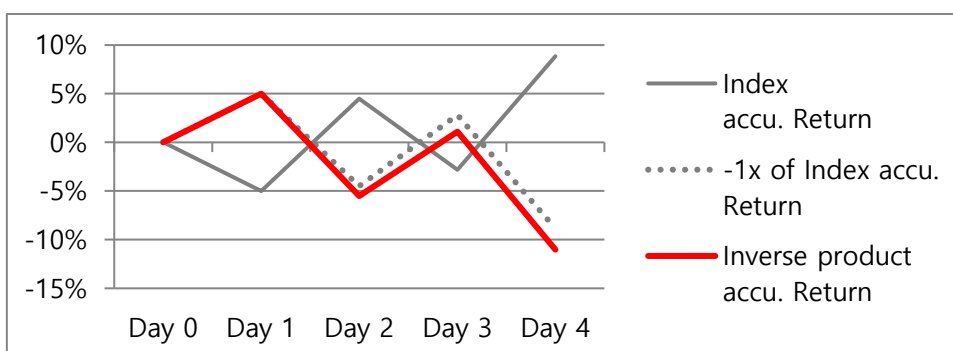


### Scenario III: Volatile Upward Trend

In a volatile upward trend, where the Index generally moves upward over a period longer than 1 Business Day but with intraday volatility, the Product's performance may be adversely affected in that the Product's performance may fall short of -1x the cumulative Index return. As illustrated in the scenario below, where the Index grows by 9% over 5 Business Days but with intraday volatility, the Product would have an accumulated loss of 11%, compared with a 9% loss which is -1x the cumulative Index return.

	Index daily return	Index level	Index cumulative return	Inverse product daily return	Inverse product NAV	Cumulative performance - Inverse product	Cumulative performance - -1x of Index
Day 0		100.00	0%		HKD10.00	0%	0%
Day 1	-5%	95.00	-5%	5%	HKD10.50	5%	5%
Day 2	10%	104.50	5%	-10%	HKD9.45	-5%	-5%
Day 3	-7%	97.19	-3%	7%	HKD10.11	1%	3%
Day 4	12%	108.85	9%	-12%	HKD8.90	-11%	-9%

The chart below further illustrates the difference between the Product's performance versus -1x the Index accumulated return in a volatile upward market trend over a period greater than 1 Business Day.

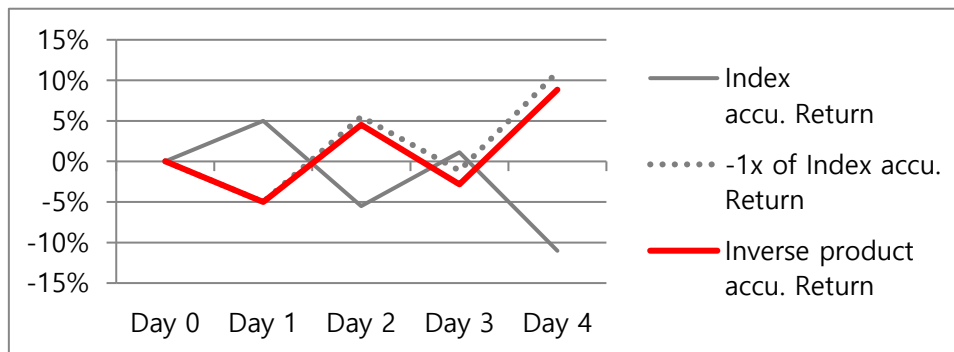


### Scenario IV: Volatile Downward Trend

In a volatile downward trend, where the Index generally moves downward over a period longer than 1 Business Day but with intraday volatility, the Product's performance may be adversely affected in that the Product's performance may fall short of -1x the cumulative Index return. As illustrated in the scenario below, where the Index falls by 11% over 5 Business Days but with intraday volatility, the Product would have an accumulated gain of 9%, compared with a 11% gain which is -1x the cumulative Index return.

	Index daily return	Index level	Index cumulative return	Inverse product daily return	Inverse product NAV	Cumulative performance - Inverse product	Cumulative performance - -1x of Index
Day 0		100.00	0%		HKD10.00	0%	0%
Day 1	5%	105.00	5%	-5%	HKD9.50	-5%	-5%
Day 2	-10%	94.50	-6%	10%	HKD10.45	5%	6%
Day 3	7%	101.12	1%	-7%	HKD9.72	-3%	-1%
Day 4	-12%	88.98	-11%	12%	HKD10.88	9%	11%

The chart below further illustrates the difference between the Product's performance versus -1x the cumulative Index return in a volatile downward market trend over a period greater than 1 Business Day.

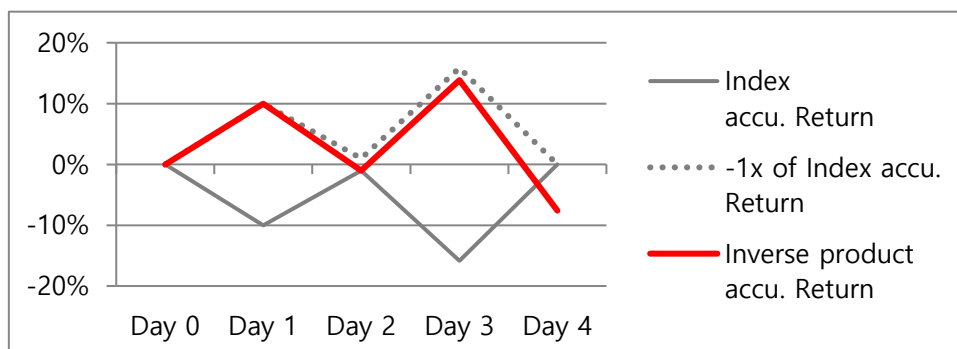


### Scenario V: Volatile Market with Flat Index Performance

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

	Index daily return	Index level	Index cumulative return	Inverse product daily return	Inverse product NAV	Cumulative performance - Inverse product	Cumulative performance - -1x of Index
Day 0		100.00	0%		HKD10.00	0%	0%
Day 1	-10%	90.00	-10%	10%	HKD11.00	10%	10%
Day 2	10%	99.00	-1%	-10%	HKD9.90	-1%	1%
Day 3	-15%	84.15	-16%	15%	HKD11.39	14%	16%
Day 4	19%	100.00	0%	-19%	HKD9.22	-8%	0%

The chart below further illustrates the difference between the Product's performance versus -1x the cumulative Index return in a volatile market with flat index performance over a period greater than 1 Business Day.



As illustrated in the graphs and the tables, the cumulative performance of the Product is not “symmetrical” to the cumulative performance of the Index over a period longer than 1 Business Day.

Investors should note that due to the effect of “path dependency” (as explained below) and compounding of the Daily returns of the Index, the inverse performance of the Index (and as a result the performance of the Product before deduction of fees and expenses) for periods longer than a single day, especially in periods of market volatility which has a negative impact on the cumulative return of the Product, may be completely uncorrelated to the extent of change of the Index over the same period.

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

### **Explanation on Path Dependency**

As explained above, the Product tracks the inverse performance of the Index if observed on a Daily basis. However, due to path dependency of the Index and the Daily inverse performance of the Index, when comparing the Index and the inverse performance of the Index for a period longer than one day (i.e. comparison of the point-to-point performance), the historical inverse performance of the Index will not be equal to the simple inverse performance of the Index over the same period of time.

Below is an example which illustrates the “path dependency” of the Index and the inverse performance of the Index. *Please note that figures used are for illustration purposes only and are not indicative of the actual return likely to be achieved.*

	Index		Product (Inverse of Index)	
	Daily movement (in %)	Closing level	Daily movement (in %)	Closing NAV
Day 1		100.00		100.00
Day 2	+10.00%	110.00	-10.00%	90.00
Day 3	-9.09%	<u>100.00</u>	+9.09%	<u>98.18</u>

Assuming the Product tracks the inverse performance of Index perfectly on a Daily basis, the absolute percentage change in the Daily movement of both the Index and the Product will be the same. That is, the Net Asset Value of the Product will fall by 10.00% if the Index rises by 10.00%, and the Net Asset Value of the Product will rise by 9.09% if the Index falls by 9.09%. On the basis of such Daily movements, the respective closing levels of the Index and closing Net Asset Values of the Product are as set out in the example above.

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

### **Index Licence Agreement**

The initial term of the licence of the Index commenced on 15 October 2015 and should continue until 15 October 2020 on which date the licence should be automatically and continually renewed for successive terms of 3 years unless either party to the licence agreement serves a written notice of termination of at least 90 days prior to the end of the then current term to the other party. The licence agreement may otherwise be terminated in accordance with the provisions of the licence agreement.

### **Index Disclaimer**

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### **Termination Amount**

The Product may be terminated by the Manager without approval of the Unitholders where the aggregate Net Asset Value of all Units is less than USD10,000,000.

### **The Offering**

Dealings in the Units on the SEHK commenced on 11 October 2016.

The current Dealing Deadline After Listing is 4:00 p.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager (with the approval of Trustee) may determine on any day when the trading hours of the SEHK are reduced.

All Creation Applications must be made in cash (in USD only). Settlement in cash for subscribing Units is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

The attention of investors is drawn to the section entitled "The Offering Phases" in Part 1 of this Prospectus

### **Exchange Listing and Trading (Secondary Market)**

Dealings on the SEHK in Units traded in HKD began on 11 October 2016. Units are traded on the SEHK in board lots of 100 Units.

Units are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Units on one or more other stock exchanges. Investors' attention is drawn to the section entitled "Exchange Listing and Trading (Secondary Market)" in Part 1 of this Prospectus for further information.

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

### **Redemptions**

Units can be redeemed directly (through a Participating Dealer). Redemption proceeds shall be paid in USD only.

### **Risk Factors Specific to the Product**

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

**New Product Risk.** The Product is a listed inverse product which aims to provide investment results that, before fees and expenses, closely correspond to the inverse performance of the Index on a Daily basis. The novelty and untested nature of such a Product and the fact that the Product is the first of its kind in Hong Kong makes the Product riskier than traditional exchange traded funds (“ETFs”) which track the “long” performance rather than inverse performance of an index.

**Inverse Performance Risk.** The Product tracks the inverse Daily performance of the Index. Should the value of the Index increase, it could have a negative effect on the performance of the Product. Unitholders could, in certain circumstances including a bull market, face minimal or no returns, or may even suffer a complete loss, on such investments.

**Short Selling by the Swap Counterparty.** The Swap Counterparty to the Product may need to short sell the constituents of the Index or Securities relating to the Index for the purposes of hedging. Many regulators have banned “naked” short selling (a practice that has been prohibited in Hong Kong since short selling was first introduced) or completely suspended short selling for certain stocks. Any such bans with the effect of prohibiting the short selling of Securities, in particular Securities relating to the Index, may affect a Swap Counterparty’s ability to hedge its position and may trigger an early termination of the OTC Swap Transaction. Such early termination could impair the Product’s ability to achieve its investment objective and subject the Product to substantial loss. Investors’ attention is drawn to the sections “Risk Factors - Risk Associated with Investing in Swaps” in Part 1 of this Prospectus.

**Long Term Holding Risk.** The Product is not intended for holding longer than one day as the performance of the Product over a period longer than one day will very likely differ in amount and possibly direction from the inverse performance of the Index over that same period (e.g. the loss may be more than -1 times the increase in the Index). The effect of compounding becomes more pronounced on the Product’s performance as the Index experiences volatility. With higher Index volatility, the deviation of the Product’s performance from the inverse performance of the Index will increase, and the performance of the Product will generally be adversely affected. As a result of Daily rebalancing, the Index’s volatility and the effects of compounding of each day’s return over time, it is even possible that the Product will lose money over time while the Index’s performance falls or is flat.

**Inverse Product vs. Short Selling Risk.** Investing in the Product is different from taking a short position. The return profile of the Product is not the same as that of a short position over a period of more than one day. In a volatile market with frequent directional swings, the performance of the Product may deviate from a short position.

**Unconventional Return Pattern Risk.** The investment outcome of the Product is the opposite of conventional investment funds. If the value of the Index increases for extended periods, the Product will likely to lose most or all of its value.

**Intraday Investment Risk.** The leverage factor of the Product is normally reset to -1 at the end of a Business Day. As such, return for investors that invest for a period less than a full trading day may be greater than or less than the inverse investment exposure to the Index, depending upon the movement of the Index from the end of the Business Day until the time of purchase.

**Path Dependency.** The objective of the Product is to provide investment results that, before fees and expenses, closely correspond to the inverse performance of the Index on a Daily basis only. Therefore the Product should not be equated with seeking a short position for periods longer than a day. Investors in the Product should note that the point-to-point accumulated performance of the historical Daily inverse performance of the Index over a certain period may not be symmetrical to the point-to-point performance of the Index over the same period of time due to the effect of “path dependency” and compounding of the Daily returns of the Index. As such, the performance of the Product is not inversely correlated to the performance of the Index over a certain period of time. Please refer to the section “Explanation on Path Dependency” above.

**United States Markets Risk.** The recent financial crisis and/or economic recession, decreasing United States imports, new trade regulations, changes in the US dollar exchange

rates, and increasing public debt pose concerns on the development of the United States economy. This may have an adverse impact on the United States Securities in which the Product invests. The Product's investment in the United States Securities may also be subject to United States taxes.

**Appendix dated 29 April 2022**

## APPENDIX 2: GLOBAL X HANG SENG INDEX DAILY (-1X) INVERSE PRODUCT

### Key Information

Set out below is a summary of key information in respect of the Global X Hang Seng Index Daily (-1x) Inverse Product (the “Product”) which should be read together with the full text of this Appendix and the Prospectus.

<b>Investment Objective</b>	To provide investment results that, before fees and expenses, closely correspond to the <u>inverse (-1x) Daily</u> performance of the Index
<b>Index</b>	Hang Seng Index (HSI)
<b>Listing Date (SEHK)</b>	14 March 2017
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	07336
<b>Short Stock Name</b>	FI GX HSI
<b>Trading Board Lot Size</b>	100 Units
<b>Base Currency</b>	HKD
<b>Trading Currency</b>	HKD
<b>Distribution Policy</b>	The Manager does not intend to pay or make any distributions or dividends
<b>Application Unit Size for creation and redemption (only by or through Participating Dealers)</b>	Minimum 100,000 Units (or multiples thereof)
<b>Participating Dealers*</b>	ABN AMRO Clearing Hong Kong Limited BNP Paribas Securities Services China Merchants Securities (HK) Co. Limited Goldman Sachs (Asia) Securities Limited Guotai Junan Securities (Hong Kong) Limited Haitong International Securities Company Limited Merrill Lynch Far East Limited Mirae Asset Securities (HK) Limited Yue Kun Research Limited
<b>Market Makers*</b>	Flow Traders Hong Kong Limited

	Head & Shoulders Securities Limited IMC Asia Pacific Limited SG Securities (HK) Limited
<b>Creation / Redemption Policy</b>	Cash (HKD) only
<b>Dealing Deadline for creation and redemption</b>	4:00 p.m. on the relevant Dealing Day, or such other time as the Manager (with the approval of the Trustee) may determine
<b>Management Fee</b>	Currently 0.65% per year of the Net Asset Value
<b>Trustee Fee</b>	Currently 0.12% per year of the Net Asset Value, subject to a monthly minimum of HKD78,000 (minimum fee waived from 10 March 2017 to 10 March 2019)
<b>Website</b>	<a href="https://www.globalxetfs.com.hk/">https://www.globalxetfs.com.hk/</a>

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

### What is the Investment Objective?

The investment objective of the Product is to provide investment results that, before fees and expenses, closely correspond to the inverse (-1x) Daily performance of the Index. There can be no assurance that the Product will achieve its investment objective. The Product does not seek to achieve its stated investment objective over a period of time greater than one day.

### What is the Investment Strategy?

In seeking to achieve the Product's investment objective, the Manager will adopt a futures-based replication investment strategy through investing directly in the spot month Futures Contracts on the Index ("HSI Futures Contracts") and in the spot month Mini-Hang Seng Index futures contracts ("Mini-Hang Seng Index Futures Contracts"), subject to the rolling strategy discussed below, to obtain the required exposure to the Index. For the purpose of this Appendix, any reference to HSI Futures Contracts shall include Mini-Hang Seng Index Futures Contracts, unless the context requires otherwise.

In entering into the spot month HSI Futures Contracts, the Manager anticipates that not more than 20% of the Net Asset Value of the Product from time to time will be used as margin to acquire the HSI Futures Contracts. Under exceptional circumstances (e.g. increased margin requirement by the exchange and/or brokers in extreme market turbulence), the margin requirement may increase substantially.

Not less than 80% of the Net Asset Value of the Product (this percentage may be reduced proportionally under exceptional circumstances when there is a higher margin requirement, as described above) will be invested in cash and cash equivalents (e.g. short term deposits) denominated in HKD. Yield in HKD from such cash and investment products will be used to meet the Product's fees and expenses and after deduction of such fees and expenses, the remainder (if any) will be reinvested into the Product.

Other than HSI Futures Contracts, the Manager will not invest the Product in any FDIs (including structured products or instruments) for hedging or non-hedging (i.e. investment) purposes. The

Product will not enter into securities lending transactions, sale and repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions. The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to Unitholders, where required, before the Manager engages in any such investments.

The Product's global exposure to FDIs will not exceed -100% of its Net Asset Value (i) at the time of Daily rebalancing of the Product; and (ii) between each Daily rebalancing, unless due to market movement. In calculating the Product's global exposure to FDIs, the commitment approach will be used, whereby the derivative position of the Product is converted into the equivalent position in the underlying assets embedded in those derivatives, taking into account the prevailing value of the underlying assets, i.e. the constituents of the Index, the counterparty risk, future market movements and the time available to liquidate the positions.

### Daily Rebalancing of the Product

The Product as an inverse product will rebalance its position on a day when the HKFE and SEHK are open for trading (i.e. a Business Day). On such days the Product will rebalance its position at or around the close of trading of the underlying market, by decreasing exposure in response to the Index's Daily gains or increasing exposure in response to the Index's Daily losses, so that its Daily inverse exposure ratio to the Index is consistent with the Product's investment objective.

The table below illustrates how the Product as an inverse product will rebalance its position following the movement of the Index by the end of the day.\* Assuming that the initial Net Asset Value of the Product is 100 on day 0, the Product will need to have a futures exposure of -100 to meet the objective of the Product. If the Index decreases by 10% during the day, the Net Asset Value of the Product would have increased to 110, making the futures exposure of the Product -90. As the Product needs a futures exposure of -110, which is -1x the Product's Net Asset Value at closing, the Product will need to rebalance its position by an additional -20. Day 1 illustrates the rebalancing requirements if the Index increases by 5% on the subsequent day.

	Calculation	Day 0	Day 1	Day 2
(a) Initial Product NAV		100	110	104.5
(b) Initial futures exposure	(b) = (a) × -1	-100	-110	-104.5
(c) Daily Index change (%)		-10%	5%	-5%
(d) Profit / loss on futures	(d) = (b) × (c)	10	-5.5	5.225
(e) Closing Product NAV	(e) = (a) + (d)	110	104.5	109.725
(f) Futures exposure	(f) = (b) × (1+(c))	-90	-115.5	-99.275
(g) Target futures exposure	(g) = (e) × -1	-110	-104.5	-109.73
(h) Required rebalancing amounts	(h) = (g) - (f)	-20	11	-10.45

\*The above figures are calculated before fees and expenses.

### Futures Roll

As the Index is not a futures index, the Product does not follow any predetermined roll-over schedule. The Manager will use its discretion to carry out the roll-over of the spot month HSI Futures Contracts into next month HSI Futures Contracts with the goal that, by one Business Day before the last trading day of the spot month HSI Futures Contracts, all roll-over activities would have occurred.

### What are HSI Futures Contracts?

#### HSI Futures Contracts

HSI Futures Contracts (commonly known as "HSI futures" in Hong Kong), are equity index products and major products of HKEx's derivatives market in terms of trading volume. The Hong

Kong Futures Exchange Limited, a wholly-owned subsidiary of HKEx, first introduced HSI Futures Contracts in May 1986. The underlying asset of HSI Futures Contracts is the HSI.

HSI Futures Contracts have the following key specifications:

<b>Underlying index</b>	Hang Seng Index
<b>Exchange</b>	The Hong Kong Futures Exchange Limited (“HKFE”)
<b>Trading hours</b>	<ul style="list-style-type: none"> <li>• Morning Session: 09:15 - 12:00 (Pre-Market Opening Period: 08:45 - 09:15)</li> <li>• Afternoon Session: 13:00 - 16:30 (Pre-Market Opening Period: 12:30 - 13:00)</li> <li>• After-Hours Trading Session: 17:15 - 23:45</li> </ul> <p>The period during which the HKFE is open for normal trading may be reduced as a result of a Number 8 or above Typhoon Signal or Black Rainstorm warning.</p> <p>There is no afternoon or after-hours trading session on the eves of Christmas, New Year and Lunar New Year. The trading hours of the morning trading session on those three days shall be 9:15 a.m. – 12:30 p.m.</p> <p>There is no after-hours trading session if it is a bank holiday in both the United Kingdom and the United States.</p> <p>Expiring contract month closes at 4:00 pm on the last trading day. There shall be no afternoon or after-hours trading session if the last trading day falls on Christmas Eve, New Year’s Eve or Lunar New Year’s Eve.</p>
<b>Contract expiry</b>	Monthly
<b>Last trading day</b>	The business day immediately preceding the last business day of the contract month
<b>Contract size</b>	HKD50 x Hang Seng Index
<b>Settlement method</b>	Cash settlement
<b>Final settlement price</b>	The average of quotations taken at (i) five minute intervals from five minutes after the start of, and up to five minutes before the end of, the continuous trading session of SEHK; and (ii) the close of trading on SEHK on the last trading day.
<b>Position limit</b>	<p>10,000 position delta for long or short (on a net basis) combined in all contract months.</p> <p>The position limit applies to a person such as the Manager, i.e. the Manager cannot hold or control HSI Futures Contracts over this limit.</p>
<b>Volatility Control Mechanism (VCM)</b>	<p>A price limit VCM model is implemented for the HSI Futures Contracts market, under which a cooling-off period will be triggered by abrupt price volatility detected at the instrument level:</p> <ul style="list-style-type: none"> <li>• The VCM is triggered and a 5-minute cooling-off period will</li> </ul>

	<p>start if the price of a HSI Futures Contract deviates by more than 5% from the last traded price 5 minutes ago (the “VCM Reference Price”).</p> <ul style="list-style-type: none"> <li>• During the 5-minute cooling-off period, trading for the HSI Futures Contracts will continue within a fixed price band (<math>\pm 5\%</math> from the VCM Reference Price).</li> <li>• Normal trading without restriction will resume after the cooling-off period.</li> </ul>
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For more information, please refer to “Hang Seng Index Futures & Options” under “Products & Services > Derivatives Products” on the HKEx website (the contents of which has not been reviewed by the SFC).

HSI Futures Contracts have the following characteristics:

- (a) The underlying asset (the HSI) is a benchmark for the performance of Hong Kong-listed stocks. Since the HSI is widely used as a benchmark for the performance of Hong Kong-listed stocks, HSI Futures Contracts can be used as a hedging tool by investors to manage their risks from exposure to the Hong Kong stock market. Investors can also buy or sell HSI Futures Contracts for pure directional trading whenever they are bullish or bearish about the Hong Kong stock market.
- (b) HSI Futures Contracts are leveraged because they are traded on a margin basis. The margin to carry an open position is only a small percentage. As of 14 August 2019, the margin requirement for HSI August 2019 Futures Contracts is HKD113,914 (approximately 8.7% of current contract value) and the margin requirement for Mini-Hang Seng Index August 2019 Futures Contracts is HKD22,782 (approximately 8.7% of current contract value).
- (c) As the total value of high-capitalisation stocks represented in each HSI Futures Contract is substantial and as commission is only charged once for each transaction in Futures Contracts, transaction costs are considered low compared to purchasing or selling the constituent stocks.
- (d) As with other Futures Contracts traded on HKFE, HSI Futures Contracts are registered, cleared and guaranteed by the HKFE Clearing Corporation Limited (“HKCC”), a subsidiary of HKEx. HKCC acts as the counterparty to all open contracts, which effectively eliminates counterparty risks between HKCC participants.

The contract multiplier for HSI Futures Contracts is 50 per HSI point. The contract months for HSI Futures Contracts are spot, next calendar and next two calendar quarter months.

#### *Futures Liquidity*

As of 31 July 2019, the daily average volume and open interest of the HSI Futures Contracts for the past year are 234,358 contracts and 133,543 contracts respectively. The Manager believes that such liquidity is sufficiently abundant in terms of turnover and open interest for the Product to operate as an inverse product tracking the Index.

#### *Mini-Hang Seng Index Futures Contracts*

Mini-Hang Seng Index Futures Contracts share the same characteristics of HSI Futures Contracts, except that the contract multiplier for Mini-Hang Seng Index Futures Contracts is 10 per HSI point, and the transaction costs per contract for trading Mini-Hang Seng Index Futures Contracts are lower than those of HSI Futures Contracts.

#### **Use of Derivatives**



The Product's net derivative exposure may be more than 50% but up to 100% of the Product's Net Asset Value.

## **Distribution Policy**

The Manager does not intend to pay or make any distributions or dividends.

## **The Index**

*This section is a brief overview of the Index. It contains a summary of the principal features of the Index and is not a complete description of the Index. As at the date of this Prospectus, the summary of the Index in this section is accurate and consistent with the complete description of the Index. Complete information on the Index appears in the website identified below. Such information may change from time to time and details of the changes will appear on that website. Terms not otherwise defined in this section have the same meaning as provided for in the Index Methodology General Guide published by Hang Seng Indexes Company Limited ("HSIL").* **General Information on the Index**

The Hang Seng Index, commonly referred to as HSI (the "Index"), measures the performance of the largest and most liquid companies listed in Hong Kong. It comprises a representative sample of stocks quoted on the SEHK.

The Index adopts a freefloat-adjusted market capitalisation weighted methodology with a specified cap-level on individual constituent weightings.

The Index has four sub-indices, being finance, commerce and industry, properties and utilities, and each constituent belongs to one of these sub-indices based on the industry classification of the Hang Seng Industry Classification System ("HSICS").

The Index is a price return index. A price return index calculates the performance of the Index constituents without adjustments for cash dividends or warrant bonuses.

As at 31 March 2022, it comprised 66 constituent stocks with total market capitalisation of approximately HKD23,316,725 million. The number of Index constituents is targeted to increase to 80 through the regular index reviews by mid-2022 and, ultimately, to fix the number at 100.

The Index was launched on 24 November 1969 and had a base level of 100 on 31 July 1964.

The Index is denominated in HKD.

## **Index Provider**

The Index is compiled and managed by HSIL, a wholly-owned subsidiary of Hang Seng Bank Limited.

The Manager (and each of its Connected Persons) is independent of HSIL, the Index Provider.

The Index is calculated on a 2-second basis during trading hours of the SEHK and its closing value is based on the official closing prices of the constituent stocks announced by the SEHK.

## **Index Methodology**

Constituent stocks of the Index are selected by a rigorous process of detailed analysis, supported by extensive external consultation.

The compilation of the Index is based on a free float-adjusted market capitalisation weighted formula with a specified cap-level on individual stock weightings. Details are as follows:

- (a) Freefloat adjustment: A Freefloat-Adjusted Factor (“FAF”) is assigned to each constituent in index calculation.
- (b) Capping: Prior to the June 2021 index rebalancing, the cap-level on individual constituents is as follows:

<i>Category</i>	<i>Cap level</i>
Secondary-listed constituents	5%
Weighted voting rights constituents (“WVRs”)	5%
Other constituents	10%

With effect from the June 2021 index rebalancing, all individual constituents, including WVRs, secondary-listed constituents and other constituents, will be subject to an aligned weighting cap of 8%.

- (c) Re-capping frequency: A re-capping exercise will normally be conducted at quarterly intervals to coincide with the regular update of the FAF.

Greater China region (i.e. Hong Kong, Mainland China, Macau and Taiwan) WVRs will be considered as non freefloat shares. For secondary-listed Greater China companies, a company’s market capitalisation will be based solely on the Hong Kong registered portion of its shares (“HK Shares”). Any of the HK Shares held by a depositary or its custodian as underlying for overseas depositary receipts will be considered as non-freefloat shares.

### ***Constituent Eligibility***

#### Prior to the May 2021 index review

The universe of securities (the “Universe”) for the Index includes securities of Greater China companies that are listed on the Main Board of the SEHK. It includes primary or secondary listed shares of companies and real estate investment trusts (“REITs”). It excludes Stapled Securities, Foreign Companies, Biotech Companies with stock names end with marker “B” and Investment Companies listed under Chapter 21 of the Listing Rules. If a company has two classes of listed shares, each class of shares will be considered separately.

A security is eligible for constituent selection if it fulfils the following eligibility criteria:

- (a) Market capitalisation requirement

The security must be among those that constitute the top 90th percentile of the total market value (i.e. market capitalisation) of the Universe (market value refers to the average of month-end market values for the past 12 months of any review period).

Market value is defined as number of issued share times share price. Number of issued shares refers to the number of shares as per that particular security. For secondary listed companies, number of issued shares refers to the number of shares registered in Hong

Kong;

(b) Turnover requirement

Each eligible security will also need to meet the turnover requirement where its turnover in the past 24 months is assessed for eight quarterly sub-periods. The turnover requirement adopts a scoring approach and the details are as follows:

- (i) for each quarterly sub-period, a security will be regarded as passing the turnover requirement in that period if it is among the top 90th percentile of the aggregate market turnover of the Universe; and
- (ii) two points will be assigned to each “pass” achieved over the latest four sub-periods, and one point will be assigned for each “pass” attained over the previous four sub-periods.

The highest score for turnover requirement is 12 points. Securities should obtain at least 8 points to meet the turnover requirement.

(c) Listing history requirement

A security should normally be listed for at least 24 months before becoming eligible for inclusion. Securities with a very large market value but with a listing history of less than 24 months may be considered for inclusion if it satisfies more stringent market capitalisation requirements.

For a security with a listing history of less than or equal to 12 months, it will pass the turnover requirement if it is among the top 90th percentile of the aggregate market turnover of the Universe for each quarterly sub-period. For a security with a listing history of over 12 months, it will pass the turnover requirement should its score reach the minimum requirement, i.e. 8 points, above.

Companies or REITs meeting all the eligibility requirements will be considered for inclusion in the Index. The final selection will be decided by the Advisory Committee of the Index Provider taking into consideration the following principles:

- (a) Market capitalisation and turnover rank of securities;
- (b) Representation of the relevant sub-sector within the Index directly reflecting that of the market; and
- (c) Financial performance.

With effect from the May 2021 index review

The Universe of the Index constituents refer to the Hang Seng Composite LargeCap & MidCap Index as of index review data cut-off date, and excludes Foreign Companies, Stapled Securities and Biotech Companies with stock names end with marker “B”. Constituent stocks of the Index are selected by a process of detailed analysis. To be eligible for selection, a company:

- (a) must be a Hang Seng Composite LargeCap & MidCap Index constituent;
- (b) must be defined as a Greater China Company by HSIL;
- (c) must pass the Velocity Test for Tradable Index (minimum velocity of 0.1% on monthly basis, with details set out in the Index Methodology General Guide); and

- (d) must have a listing history of at least 3 months on the SEHK, counting up to the Index review meeting date.

Selection by Industry Group

Eligible candidates will be assigned to one of the below industry groups according to their industry classification of the HSICS:

Industry Group	HSICS	
	Code	Industry
1	50	Financials
2	70	Information Technology
3	23	Consumer Discretionary
	25	Consumer Staples
4	60	Properties & Construction
5	35	Telecommunications
	40	Utilities
6	28	Healthcare
7	00	Energy
	05	Materials
	10	Industrials
	80	Conglomerates

The combination of the industry groups will be reviewed at least every two years.

Considerations for Deciding the Constituent Number for Each Industry Group

The number of constituents in each industry group will be decided by the below principles:

- (a) Target to cover at least 50%, in terms of market capitalisation, for each industry group;
- (b) Characteristics of the industry group which include the distribution of the listed companies in terms of their size and number; and
- (c) The industry group weighting in the Index compared to the market.

The Index will also maintain 20 to 25 constituents that are classified as “Hong Kong” companies and this number will be reviewed at least every two years.

Principles of Constituent Selection

In general, eligible securities will be evaluated within each industry group according to the following considerations:

- (a) Representativeness;
- (b) Market capitalisation;
- (c) Turnover; and

(d) Financial performance.

Cross-industry group constituent changes might take place to restore sectoral balance.

In each review, there may or may not be constituent additions or deletions.

Existing constituents failing to meet the eligibility requirements may be considered for removal. Even if existing constituents fulfil all the eligibility requirements, the smallest constituents and the constituents with lowest liquidity within the industry group may be considered for removal from the Index subject to the availability of appropriate replacement candidates.

The final constituent selection will be decided by the Advisory Committee of the Index after taking the above into consideration.

### ***Index Reviews***

HSIL undertakes regular quarterly reviews of the Index constituents with data cut-off dates of end of March, June, September and December each year. In each review, there may or may not be constituent additions or deletions.

### ***Index Rebalancing***

Regular rebalancing is usually implemented after market close on the first Friday in March, June, September and December, and comes into effect on the next trading day.

Ad hoc rebalancing will be conducted to maintain continuity, and a minimum notice period of two trading days prior to the implementation will be given to subscribers of data products issued by HSIL for any ad hoc rebalance.

Please refer to the Index Operation Guide (available on the website of HSIL) for further details about corporate actions adjustments and index rebalancing.

### ***Index Constituents***

You can obtain the list of the constituents of the Index, their respective weightings and additional information of the Index including the index methodology and the closing level of the Index from the website of the Index Provider at [www.hsi.com.hk](http://www.hsi.com.hk) (the contents of which have not been reviewed by the SFC).

### ***Index Codes***

Bloomberg: HSI

Reuters: .HSI

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

The Product's objective is to provide return which is the inverse Daily performance of the Index. The Product is subject to a leverage factor of one time (-1x). As such, the Product's performance may not track -1x the cumulative Index return over a period greater than 1 Business Day. This means that the return of the Index over a period of time greater than a single day multiplied by -100% generally will not equal the Product's performance over that same period. The Product may underperform the return of -100% of the Index in a trendless or flat market. This is caused by compounding, which is the cumulative effect of previous earnings generating earning or losses in addition to the principal amount, and will be amplified by the volatility of the market and the holding period of the Product. The following scenarios illustrate how the Product's performance may deviate from that of the cumulative Index return (-1x) over a longer

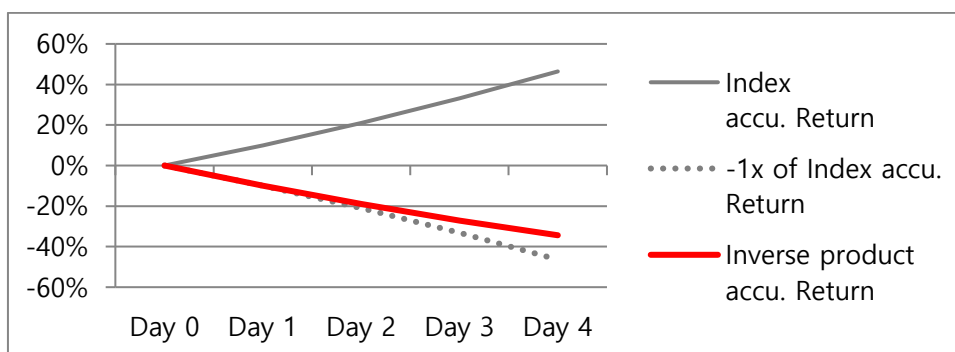
period of time in various market conditions. All the scenarios are based on a hypothetical HKD10 investment in the Product.

### Scenario I: Continuous Upward Trend

In a continuous upward trend, where the Index rises steadily for more than 1 Business Day, the Product's accumulated loss will be less than -1x the cumulative Index gain. As illustrated in the scenario below, where an investor has invested in the Product on day 0 and the Index grows by 10% daily for 4 Business Days, by day 4 the Product would have an accumulated loss of 34%, compared with a 46% loss which is -1x the cumulative Index return.

	Index daily return	Index level	Index cumulative return	Inverse product daily return	Inverse product NAV	Cumulative performance - Inverse product	Cumulative performance - -1x of Index
Day 0		100.00	0%		HKD10.00	0%	0%
Day 1	10%	110.00	10%	-10%	HKD9.00	-10%	-10%
Day 2	10%	121.00	21%	-10%	HKD8.10	-19%	-21%
Day 3	10%	133.10	33%	-10%	HKD7.29	-27%	-33%
Day 4	10%	146.41	46%	-10%	HKD6.56	-34%	-46%

The chart below further illustrates the difference between the Product's performance versus -1x the cumulative Index return in a continuous upward market trend over a period greater than 1 Business Day.



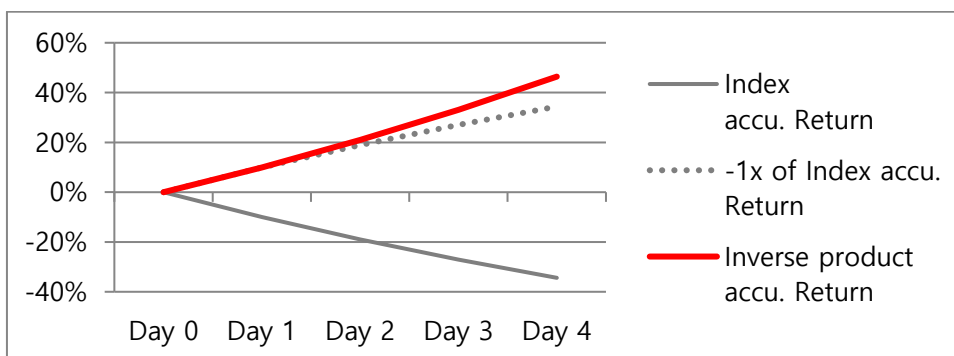
### Scenario II: Continuous Downward Trend

In a continuous downward trend, where the Index falls steadily for more than 1 Business Day, the Product's accumulated gains will be greater than -1x the cumulative Index return. As illustrated in the scenario below, where an investor has invested in the Product on day 0 and the Index falls by 10% daily for 4 Business Days, by day 4 the Product would have an accumulated gain of 46%, compared with a 34% gain which is -1x the cumulative Index return.

	Index daily return	Index level	Index cumulative return	Inverse product daily return	Inverse product NAV	Cumulative performance - Inverse product	Cumulative performance - -1x of Index
Day 0		100.00	0%		HKD10.00	0%	0%
Day 1	-10%	90.00	-10%	10%	HKD11.00	10%	10%
Day 2	-10%	81.00	-19%	10%	HKD12.10	21%	19%
Day 3	-10%	72.90	-27%	10%	HKD13.31	33%	27%
Day 4	-10%	65.61	-34%	10%	HKD14.64	46%	34%

The chart below further illustrates the difference between the Product's performance versus -1x

the cumulative Index return in a continuous downward market trend over a period greater than 1 Business Day.

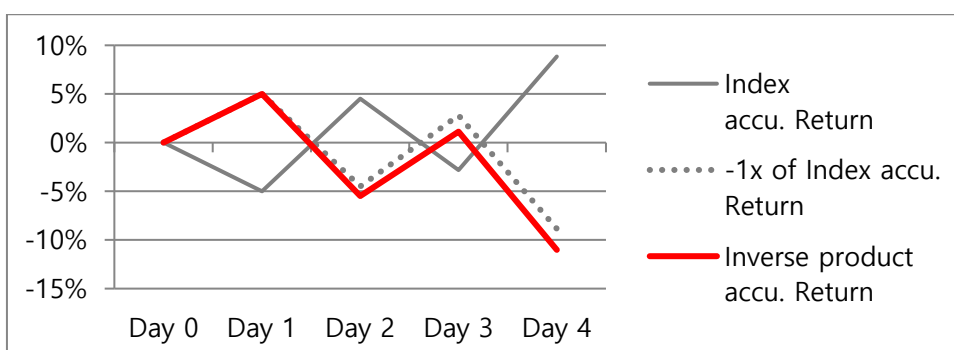


### Scenario III: Volatile Upward Trend

In a volatile upward trend, where the Index generally moves upward over a period longer than 1 Business Day but with intraday volatility, the Product's performance may be adversely affected in that the Product's performance may fall short of -1x the cumulative Index return. As illustrated in the scenario below, where the Index grows by 9% over 5 Business Days but with intraday volatility, the Product would have an accumulated loss of 11%, compared with a 9% loss which is -1x the cumulative Index return.

	Index daily return	Index level	Index cumulative return	Inverse product daily return	Inverse product NAV	Cumulative performance - Inverse product	Cumulative performance - -1x of Index
Day 0		100.00	0%		HKD10.00	0%	0%
Day 1	-5%	95.00	-5%	5%	HKD10.50	5%	5%
Day 2	10%	104.50	5%	-10%	HKD9.45	-5%	-5%
Day 3	-7%	97.19	-3%	7%	HKD10.11	1%	3%
Day 4	12%	108.85	9%	-12%	HKD8.90	-11%	-9%

The chart below further illustrates the difference between the Product's performance versus -1x the Index accumulated return in a volatile upward market trend over a period greater than 1 Business Day.



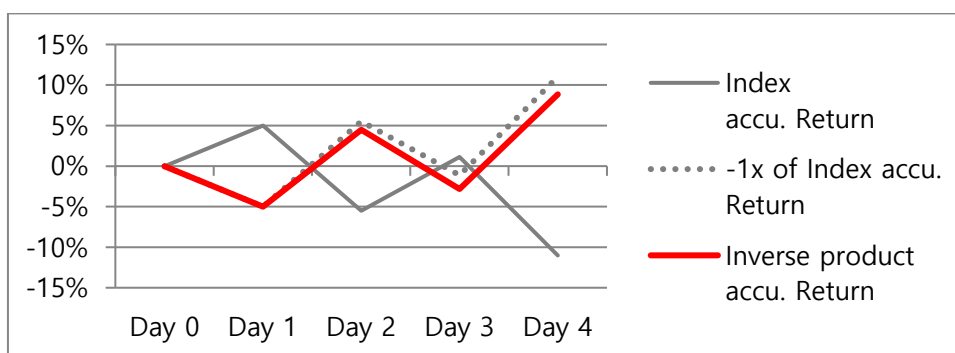
### Scenario IV: Volatile Downward Trend

In a volatile downward trend, where the Index generally moves downward over a period longer than 1 Business Day but with intraday volatility, the Product's performance may be adversely affected in that the Product's performance may fall short of -1x the cumulative Index return. As

illustrated in the scenario below, where the Index falls by 11% over 5 Business Days but with intraday volatility, the Product would have an accumulated gain of 9%, compared with a 11% gain which is -1x the cumulative Index return.

	Index daily return	Index level	Index cumulative return	Inverse product daily return	Inverse product NAV	Cumulative performance - Inverse product	Cumulative performance - -1x of Index
Day 0		100.00	0%		HKD10.00	0%	0%
Day 1	5%	105.00	5%	-5%	HKD9.50	-5%	-5%
Day 2	-10%	94.50	-6%	10%	HKD10.45	5%	6%
Day 3	7%	101.12	1%	-7%	HKD9.72	-3%	-1%
Day 4	-12%	88.98	-11%	12%	HKD10.88	9%	11%

The chart below further illustrates the difference between the Product's performance versus -1x the cumulative Index return in a volatile downward market trend over a period greater than 1 Business Day.



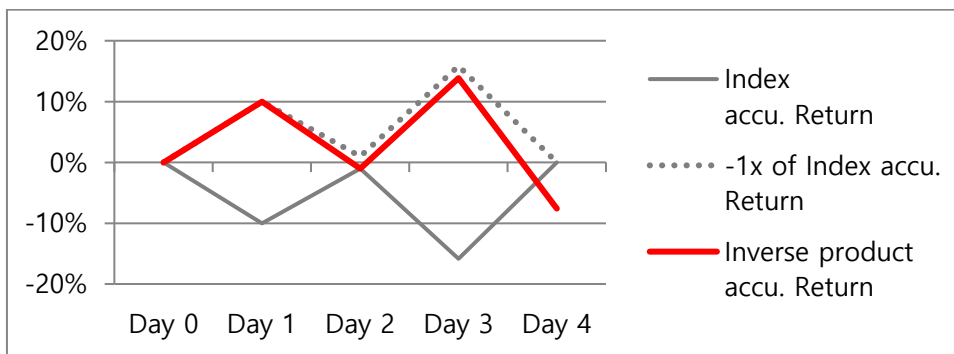
### Scenario V: Volatile Market with Flat Index Performance

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

	Index daily return	Index level	Index cumulative return	Inverse product daily return	Inverse product NAV	Cumulative performance - Inverse product	Cumulative performance - -1x of Index
Day 0		100.00	0%		HKD10.00	0%	0%
Day 1	-10%	90.00	-10%	10%	HKD11.00	10%	10%
Day 2	10%	99.00	-1%	-10%	HKD9.90	-1%	1%
Day 3	-15%	84.15	-16%	15%	HKD11.39	14%	16%
Day 4	19%	100.00	0%	-19%	HKD9.22	-8%	0%

The chart below further illustrates the difference between the Product's performance versus -1x the cumulative Index return in a volatile market with flat index performance over a period greater than 1 Business Day.





As illustrated in the graphs and the tables, the cumulative performance of the Product is not “symmetrical” to the cumulative performance of the Index over a period longer than 1 Business Day.

Investors should note that due to the effect of “path dependency” (as explained below) and compounding of the Daily returns of the Index, the inverse performance of the Index (and as a result the performance of the Product before deduction of fees and expenses) for periods longer than a single day, especially in periods of market volatility which has a negative impact on the cumulative return of the Product, may be completely uncorrelated to the extent of change of the Index over the same period.

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

### Explanation on Path Dependency

As explained above, the Product aims to track the inverse performance of the Index on a Daily basis. However, due to path dependency of the Index and the Daily inverse performance of the Index, when comparing the Index and the inverse performance of the Index for a period longer than one day (i.e. comparison of the point-to-point performance), the historical inverse performance of the Index will not be equal to the simple inverse performance of the Index over the same period of time.

Below is an example which illustrates the “path dependency” of the Index and the inverse performance of the Index. *Please note that figures used are for illustration purposes only and are not indicative of the actual return likely to be achieved.*

	Index		Product (Inverse of Index)	
	Daily movement (in %)	Closing level	Daily movement (in %)	Closing NAV
Day 1		100.00		100.00
Day 2	+10.00%	110.00	-10.00%	90.00
Day 3	-9.09%	<u>100.00</u>	+9.09%	<u>98.18</u>

Assuming the Product tracks the inverse performance of the Index perfectly on a Daily basis, the absolute percentage change in the Daily movement of both the Index and the Product will be the same. That is, the Net Asset Value of the Product will fall by 10.00% if the Index rises by 10.00%, and the Net Asset Value of the Product will rise by 9.09% if the Index falls by 9.09%. On the basis of such Daily movements, the respective closing levels of the Index and closing Net Asset Values of the Product are as set out in the example above.

On day 3, the closing level of the Index is 100 which is the same as its closing level on day 1 but

the closing Net Asset Value of the Product is 98.18 which is lower than its closing Net Asset Value on day 1. Hence, when comparing the performance of the Index and the performance of the Product from day 1 to day 3, it is clear that the performance of the Product is not a simple inverse performance of the Index.

### **Index Licence Agreement**

The initial term of the licence of the Index commenced on 22 February 2017 and should continue until terminated by either party with at least three months' prior written notice to the other party. The licence agreement may otherwise be terminated in accordance with the provisions of the licence agreement.

### **Index Disclaimer**

The Hang Seng Index (the "Index") is published and compiled by Hang Seng Indexes Company Limited pursuant to a licence from Hang Seng Data Services Limited. The mark and name "Hang Seng Index" are proprietary to Hang Seng Data Services Limited. Hang Seng Indexes Company Limited and Hang Seng Data Services Limited have agreed to the use of, and reference to, the Index by Mirae Asset Global Investments (Hong Kong) Limited in connection with Global X Hang Seng Index Daily (-1x) Inverse Product (the "Product"), **BUT NEITHER HANG SENG INDEXES COMPANY LIMITED NOR HANG SENG DATA SERVICES LIMITED WARRANTS OR REPRESENTS OR GUARANTEES TO ANY BROKER OR HOLDER OF THE PRODUCT OR ANY OTHER PERSON (i) THE ACCURACY OR COMPLETENESS OF THE INDEX AND ITS COMPUTATION OR ANY INFORMATION RELATED THERETO; OR (ii) THE FITNESS OR SUITABILITY FOR ANY PURPOSE OF THE INDEX OR ANY COMPONENT OR DATA COMPRISED IN IT; OR (iii) THE RESULTS WHICH MAY BE OBTAINED BY ANY PERSON FROM THE USE OF THE INDEX OR ANY COMPONENT OR DATA COMPRISED IN IT FOR ANY PURPOSE, AND NO WARRANTY OR REPRESENTATION OR GUARANTEE OF ANY KIND WHATSOEVER RELATING TO THE INDEX IS GIVEN OR MAY BE IMPLIED.** The process and basis of computation and compilation of the Index and any of the related formula or formulae, constituent stocks and factors may at any time be changed or altered by Hang Seng Indexes Company Limited without notice. The level of the Index at any time for the purposes of the Product will be the level as calculated by Hang Seng Indexes Company Limited in its sole discretion. **TO THE EXTENT PERMITTED BY APPLICABLE LAW, NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY HANG SENG INDEXES COMPANY LIMITED OR HANG SENG DATA SERVICES LIMITED (i) IN RESPECT OF THE USE OF AND/OR REFERENCE TO THE INDEX BY MIRAE ASSET GLOBAL INVESTMENTS (HONG KONG) LIMITED IN CONNECTION WITH THE PRODUCT; OR (ii) FOR ANY INACCURACIES, OMISSIONS, MISTAKES OR ERRORS OF HANG SENG INDEXES COMPANY LIMITED IN THE COMPUTATION OF THE INDEX; OR (iii) FOR ANY INACCURACIES, OMISSIONS, MISTAKES, ERRORS OR INCOMPLETENESS OF ANY INFORMATION USED IN CONNECTION WITH THE COMPUTATION OF THE INDEX WHICH IS SUPPLIED BY ANY OTHER PERSON; OR (iv) FOR ANY ECONOMIC OR OTHER LOSS WHICH MAY BE DIRECTLY OR INDIRECTLY SUSTAINED BY ANY BROKER OR HOLDER OF THE PRODUCT OR ANY OTHER PERSON DEALING WITH THE PRODUCT AS A RESULT OF ANY OF THE AFORESAID, AND NO CLAIMS, ACTIONS OR LEGAL PROCEEDINGS MAY BE BROUGHT AGAINST HANG SENG INDEXES COMPANY LIMITED AND/OR HANG SENG DATA SERVICES LIMITED** in connection with the Product in any manner whatsoever by any broker, holder or other person dealing with the Product. Any broker, holder or other person dealing with the Product does so therefore in full knowledge of this disclaimer and can place no reliance whatsoever on Hang Seng Indexes Company Limited and Hang Seng Data Services Limited. For the avoidance of doubt, this disclaimer does not create any contractual or quasi-contractual relationship between any broker, holder or other person and Hang Seng Indexes Company Limited and/or Hang Seng Data Services Limited and must not be construed to have created such relationship. An investor, by subscribing or purchasing an interest in the Product, will be regarded as having acknowledged, understood and accepted this disclaimer and will be bound by it.

### **Borrowing Restriction**

Borrowing for the account of the Product is allowed up to a maximum of 10% of its latest available

Net Asset Value and may only be effected on a temporary basis for the purposes of meeting redemption requests or defraying operating expenses.

### **Termination Amount**

The Product may be terminated by the Manager without approval of the Unitholders where the aggregate Net Asset Value of all Units is less than HKD80,000,000.

### **The Offering**

Dealings in the Units on the SEHK commenced on 14 March 2017.

The current Dealing Deadline After Listing is 4:00 p.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager (with the approval of Trustee) may determine on any day when the trading hours of the SEHK are reduced.

All Creation Applications must be made in cash (in HKD only). Settlement in cash for subscribing Units is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

The attention of investors is drawn to the section entitled “The Offering Phases” in Part 1 of this Prospectus.

### **Exchange Listing and Trading (Secondary Market)**

Dealings on the SEHK in Units traded in HKD began on 14 March 2017. Units are traded on the SEHK in board lots of 100 Units.

Units are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Units on one or more other stock exchanges. Investors’ attention is drawn to the section entitled “Exchange Listing and Trading (Secondary Market)” in Part 1 of this Prospectus for further information.

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

### **Redemptions**

Units can be redeemed directly (through a Participating Dealer). Redemption proceeds shall be paid in HKD only.

### **Risk Factors Specific to the Product**

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

#### **Risks relating to Futures Contracts**

**Rolling of Futures Contracts Risk.** Investment in Futures Contracts exposes the Product to a liquidity risk linked to Futures Contracts which may affect the value of such Futures Contracts. A “roll” occurs when an existing Futures Contract is about to expire and is replaced with a Futures Contract representing the same underlying but with a later expiration date. The value of the Product’s portfolio (and so the Net Asset Value per Unit) may be adversely affected by the cost of rolling positions forward as the Futures Contracts approach expiry. The change in price of a Futures Contract may reflect many factors such as perceived economic changes or political circumstances as well as increased demand.

**Contango and Backwardation Risk.** As the HSI Futures Contracts included in the Product’s

portfolio come to expiration, they are replaced by contracts that have a later expiration. For example, a contract entered into a short position and held until September may specify a September expiration. As time passes, the contract expiring in September is replaced by a contract for expiration in October. This is accomplished by buying the September contract and entering into a short position of the October contract. This process is referred to as “short rolling”. Excluding other considerations, if the market for these contracts is in “contango”, where the prices are higher in the distant expiration months than in the nearer expiration months, the purchase of the September contract would take place at a price that is lower than the price of the December contract. Accordingly proceeds from closing out the September short position when rolling (buying and then selling the HSI Futures Contracts) would take place at a price that is lower than the price of the October contract, thereby creating a positive “roll yield”. By contrast, if the market for these contracts is in “backwardation”, where the prices are lower in the distant expiration months than in the nearer expiration months, the closing out of the September short position would take place at a price that is higher than the price of the October contract, thereby creating a negative “roll yield” which adversely affects the Net Asset Value.

**Margin Risk.** Generally, most leveraged transactions, such as Futures Contracts, involve the posting of margin or collateral. Because of the low margin deposits or collateral normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a Futures Contract may result in a proportionally high impact and substantial losses to the Product having a material adverse effect on the Net Asset Value of the Product. Like other leveraged investments, a futures transaction by the Product may result in losses in excess of the amount invested by the Product. Additional funds may need to be posted as margin or collateral to meet such calls based upon daily marking to market of Futures Contracts. Increases in the amount of margin or collateral or similar payments may result in the need for the Product to liquidate its investments at unfavourable prices in order to meet margin or collateral calls. This may result in substantial losses to Unitholders.

**Futures Contracts Market Risk.** Futures Contracts markets, such as that for the Index, may be uncorrelated to traditional markets (such as equities markets) and are subject to greater risks than other markets. It is a feature of Futures Contracts generally that they are subject to rapid change and the risks involved may change relatively quickly. The price of Futures Contracts can be highly volatile. Such price movements are influenced by, among other things, interest rates, changing market supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments. In some cases, far-reaching political changes may result in constitutional and social tensions, instability and reaction against market reforms.

**Clearing House’s Failure Risk.** In the event of the bankruptcy of the exchange’s clearing house, the Product could be exposed to a risk of loss with respect to its assets that are posted as margin. If such a bankruptcy were to occur, the Product would be afforded the protections granted to participants to transactions cleared through a clearing house, under applicable law and regulations. Such provisions generally provide for a pro rata distribution to customers of customer property held by the bankrupt exchange’s clearing house if the exchange’s clearing house is insufficient to satisfy all customer claims. In any case, there can be no assurance that these protections will be effective in allowing the Product to recover all, or even any, of the amounts it has deposited as margin.

**Regulatory Change Risk.** The regulation of Futures Contracts, and futures transactions in general, is a rapidly changing area of law and is subject to modification by government and judicial action. The effect of any such regulatory changes on the Product is impossible to predict, but could be substantial and adverse. To the extent possible, the Manager will attempt to monitor such changes to determine the impact such changes may have on the Product and what can be done, if anything, to try and limit such impact.

## **Risks relating to the Product**

**Inverse Performance Risk.** The Product tracks the inverse Daily performance of the Index. Should the value of the Index increase, it could have a negative effect on the performance of the Product. Unitholders could, in certain circumstances including a bull market, face minimal or no

returns, or may even suffer a complete loss, on such investments.

**Long Term Holding Risk.** The Product is not intended for holding longer than one day as the performance of the Product over a period longer than one day will very likely differ in amount and possibly direction from the inverse performance of the Index over that same period (e.g. the loss may be more than -1 times the increase in the Index). The effect of compounding becomes more pronounced on the Product's performance as the Index experiences volatility. With higher Index volatility, the deviation of the Product's performance from the inverse performance of the Index will increase, and the performance of the Product will generally be adversely affected. As a result of Daily rebalancing, the Index's volatility and the effects of compounding of each day's return over time, it is even possible that the Product will lose money over time while the Index's performance falls or is flat.

**Inverse Product vs. Short Selling Risk.** Investing in the Product is different from taking a short position. Because of rebalancing the return profile of the Product is not the same as that of a short position. In a volatile market with frequent directional swings, the performance of the Product may deviate from a short position.

**Unconventional Return Pattern Risk.** Inverse products aim to deliver the opposite of the daily return of the Index. If the value of the Index increases for extended periods, the Product will likely to lose most or all of its value.

**Risk of Rebalancing Activities.** There is no assurance that the Product can rebalance their portfolio on a Daily basis to achieve their investment objectives. Market disruption, regulatory restrictions or extreme market volatility may adversely affect the Product's ability to rebalance its portfolio.

**Liquidity Risk.** The rebalancing activities of the Product typically take place near the end of a trading day, at or around the close of trading of the underlying market, to minimise tracking difference. As a result, the Product may be more exposed to the market conditions during a shorter interval and may be more subject to liquidity risk.

**Volatility Risk.** Prices of the Product may be more volatile than conventional ETFs because of the Daily rebalancing activities.

**Intraday Investment Risk.** Leverage factor of the Product may change during a trading day when market moves but it will not be rebalanced immediately. The Product is normally rebalanced near the end of a Business Day, at or around the close of trading of the underlying market. As such, return for investors that invest for a period less than a full trading day will generally be greater than or less than the inverse (-1x) investment exposure to the Index, depending upon the movement of the Index from the last rebalancing until the time of purchase.

**Portfolio Turnover Risk.** Daily rebalancing of Product's holdings causes a higher level of portfolio transactions than compared to the conventional ETFs. High levels of transactions increase brokerage and other transaction costs.

**Path Dependency.** The objective of the Product is to provide investment results that, before fees and expenses, closely correspond to the inverse performance of the Index on a Daily basis only. Therefore the Product should not be equated with seeking a short position for periods longer than a day. Investors in the Product should note that the point-to-point accumulated performance of the historical Daily inverse performance of the Index over a certain period may not be symmetrical to the point-to-point performance of the Index over the same period of time due to the effect of "path dependency" and compounding of the Daily returns of the Index. As such, the performance of the Product is not inversely correlated to the performance of the Index over a certain period of time. Please refer to the section "Explanation on Path Dependency" above.

**Holding of HSI Futures Contracts Restriction in Number Risk.** The current restriction in the Securities and Futures (Contracts Limits and Reportable Position) Rules (the "Rules") made under the SFO limits the holding by a person for his own account, or for another person but which he controls, of futures contracts or stock options contracts. As such, not only are the positions

held or controlled by the Product subject to the prescribed position limit, the positions held or controlled by the Manager, including positions held for the Manager's own account or for the funds under its management (such as the Product) but controlled by the Manager, may also not in aggregate exceed the relevant maximum. Accordingly, the Product's ability to acquire further HSI Futures Contracts may be affected by other futures/option contracts held or controlled by the Manager (including Mini-Hang Seng Index futures contracts and options contracts, Hang Seng Index options contracts and positions held or controlled for other funds/products). Because Unitholders will not themselves hold HSI Futures Contracts or control the Product, holdings of Units by a Unitholder will not render such Unitholder to be subject to the requirements of the Rules. Whilst the Manager does not anticipate that this will have any immediate effect on the Product, if the position held or controlled by the Manager reaches the relevant position limit or if the Net Asset Value of the Product grows significantly, the restrictions under the Rules may prevent creations of Units due to the inability under the Rules of the Product to acquire further HSI Futures Contracts. This may cause a divergence between the trading price of a Unit on the SEHK and the Net Asset Value per Unit. The investment exposure could also deviate from the target exposure which adds tracking error to the Product.

**Index Constituents and Futures Contracts Price Limit Risk.** The Product's investment objective is to provide investment results that closely correspond to the inverse (-1x) Daily performance of the Index. Although the Index is an equity index, the Product invests in HSI Futures Contracts. The HKEx has adopted a volatility control mechanism ("VCM") for securities including constituents of the Index. During the continuous trading session of the constituents of the Index, the VCM is triggered if the price of a security is deviated more than  $\pm 10\%$  away from the last traded price 5 minutes ago, and a 5 minutes cooling-off period will start. During the cooling off period, trading is allowed within a fixed price band ( $\pm 10\%$  of the last trading price). There will be a maximum of one VCM trigger in each trading session (morning session and afternoon session are counted as two separate trading sessions). VCM also applies to the HSI Futures Contracts. If there is an attempt to trade a HSI Futures Contract at a price more than 5% away from its last traded price 5 minutes ago, it will trigger a 5-minute cooling-off period where trading of the HSI Futures Contracts can still continue but within a band. As a result, the price movement of the Index may be greater than the HSI Futures Contracts' price movement. If the VCM cooling off period is triggered around the close of trading of the underlying market on any Business Day, this may result in imperfect Daily rebalancing of the Product.

**Trading Hours Differences Risk.** The HKFE and the SEHK have different trading hours. As the HKFE may be open when Units in the Product are not priced, the value of the HSI Futures Contracts in the Product's portfolio may change at times when investors will not be able to purchase or sell the Product's Units. Difference in trading hours between the HKFE and the SEHK may increase the level of premium/discount of the Unit price to its Net Asset Value. Trading of the Index constituents closes earlier than trading of the HSI Futures Contracts so there may continue to be price movements for HSI Futures Contracts when Index constituents are not trading. There may be imperfect correlation between the value of the Index constituents and the HSI Futures Contracts, which may prevent the Product from achieving its investment objective.

**Suspension of Creation Risk.** There can be no assurance that there are sufficient HSI Futures Contracts in the market available to the Product to fully satisfy subscription requests. This may result in a need for the Manager to close the Product to further creations. This may result in divergence between the trading price of the Unit and the Net Asset Value per Unit. In extreme circumstances, the Product may incur significant loss due to limited investment capabilities, or may not be able fully to implement or pursue its investment objectives or strategies, due to illiquidity of the HSI Futures Contracts, and delay or disruption in execution of trades or in settlement of trades.

**Concentration Risk.** To the extent that the Index constituents concentrate in Hong Kong listed securities (including H-shares and Red-chip shares) of a particular sector or market, the investment of the Product may be similarly concentrated. The value of the Product may be more volatile than that of a fund having a more diverse portfolio of investments. The value of the Product may be more susceptible to adverse conditions in such particular sector or market.



## APPENDIX 3: GLOBAL X HANG SENG INDEX DAILY (2X) LEVERAGED PRODUCT

### Key Information

Set out below is a summary of key information in respect of the Global X Hang Seng Index Daily (2x) Leveraged Product (the "Product") which should be read together with the full text of this Appendix and the Prospectus.

<b>Investment Objective</b>	To provide investment results that, before fees and expenses, closely correspond to <u>twice</u> the <u>Daily</u> performance of the Index
<b>Index</b>	Hang Seng Index (HSI)
<b>Listing Date (SEHK)</b>	14 March 2017
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	07231
<b>Short Stock Name</b>	FL2 GX HSI
<b>Trading Board Lot Size</b>	100 Units
<b>Base Currency</b>	HKD
<b>Trading Currency</b>	HKD
<b>Distribution Policy</b>	The Manager does not intend to pay or make any distributions or dividends
<b>Application Unit Size for creation and redemption (only by or through Participating Dealers)</b>	Minimum 100,000 Units (or multiples thereof)
<b>Participating Dealers*</b>	ABN AMRO Clearing Hong Kong Limited BNP Paribas Securities Services China Merchants Securities (HK) Company Limited Goldman Sachs (Asia) Securities Limited Guotai Junan Securities (Hong Kong) Limited Haitong International Securities Company Limited Merrill Lynch Far East Limited Mirae Asset Securities (HK) Limited Yue Kun Research Limited
<b>Market Makers*</b>	Flow Traders Hong Kong Limited



	Head & Shoulders Securities Limited IMC Asia Pacific Limited SG Securities (HK) Limited
<b>Creation / Redemption Policy</b>	Cash (HKD) only
<b>Dealing Deadline for creation and redemption</b>	4:00 p.m. on the relevant Dealing Day, or such other time as the Manager (with the approval of the Trustee) may determine
<b>Management Fee</b>	Currently 0.65% per year of the Net Asset Value
<b>Trustee Fee</b>	Currently 0.12% per year of the Net Asset Value, subject to a monthly minimum of HKD78,000 (minimum fee waived from 10 March 2017 to 10 March 2019)
<b>Website</b>	<a href="https://www.globalxetfs.com.hk/">https://www.globalxetfs.com.hk/</a>

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

### What is the Investment Objective?

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

### What is the Investment Strategy?

In seeking to achieve the Product's investment objective, the Manager will adopt a futures-based replication investment strategy through investing directly in the spot month Futures Contracts on the Index ("HSI Futures Contracts") and in the spot month Mini-Hang Seng Index futures contracts ("Mini-Hang Seng Index Futures Contracts"), subject to the rolling strategy discussed below, to obtain the required exposure to the Index. For the purpose of this Appendix, any reference to HSI Futures Contracts shall include Mini-Hang Seng Index Futures Contracts, unless the context requires otherwise.

In entering into the spot month HSI Futures Contracts, the Manager anticipates that not more than 40% of the Net Asset Value of the Product from time to time will be used as margin to acquire the HSI Futures Contracts. Under exceptional circumstances (e.g. increased margin requirement by the exchange and/or brokers in extreme market turbulence), the margin requirement may increase substantially.

Not less than 50% of the Net Asset Value of the Product (this percentage may be reduced proportionally under exceptional circumstances when there is a higher margin requirement, as described above) will be invested in cash and cash equivalents (e.g. short term deposits) denominated in HKD. Yield in HKD from such cash and investment products will be used to meet the Product's fees and expenses and after deduction of such fees and expenses, the remainder (if any) will be reinvested into the Product. In addition, the Product will invest up to 10% of its Net Asset Value in exchange traded funds listed in Hong Kong, the investment objective of which are to track the performance of the Index, and which are not managed by any member of the Mirae Asset Group ("HSI ETFs").

Other than HSI Futures Contracts, the Manager will not invest the Product in any FDIs (including structured products or instruments) for hedging or non-hedging (i.e. investment) purposes. The Product will not enter into securities lending transactions, sale and repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions. The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to Unitholders, where required, before the Manager engages in any such investments.

The Product's global exposure to FDIs and HSI ETFs will not exceed 200% of its Net Asset Value (i) at the time of Daily rebalancing of the Product; and (ii) between each Daily rebalancing, unless due to market movement. In calculating the Product's global exposure to FDIs, the commitment approach will be used, whereby the derivative position of the Product is converted into the equivalent position in the underlying assets embedded in those derivatives, taking into account the prevailing value of the underlying assets, i.e. the constituents of the Index, the counterparty risk, future market movements and the time available to liquidate the positions.

### Daily Rebalancing of the Product

The Product as a leveraged product will rebalance its position on a day when the HKFE and SEHK are open for trading (i.e. a Business Day). On such days the Product will rebalance its position at or around the close of trading of the underlying markets, by increasing exposure in response to the Index's Daily gains or reducing exposure in response to the Index's Daily losses, so that its Daily leverage exposure ratio to the Index is consistent with the Product's investment objective.

The table below illustrates how the Product as a leveraged product will rebalance its position following the movement of the Index by the end of the day.\* Assuming that the initial Net Asset Value of the Product is 100 on day 0, the Product will need to have a futures exposure of 200 to meet the objective of the Product. If the Index increases by 10% during the day, the Net Asset Value of the Product would have increased to 120, making the futures exposure of the Product 220. As the Product needs a futures exposure of 240, which is 2x the Product's Net Asset Value at closing, the Product will need to rebalance its position by an additional 20. Day 1 illustrates the rebalancing requirements if the Index falls by 5% on the subsequent day.

	Calculation	Day 0	Day 1	Day 2
(a) Initial Product NAV		100	120	108
(b) Initial futures exposure	(b) = (a) × 2	200	240	216
(c) Daily Index change (%)		10%	-5%	5%
(d) Profit / loss on futures	(d) = (b) × (c)	20	-12	10.8
(e) Closing Product NAV	(e) = (a) + (d)	120	108	118.8
(f) Futures exposure	(f) = (b) × (1+(c))	220	228	226.8
(g) Target futures exposure to maintain leverage ratio	(g) = (e) × 2	240	216	237.6
(h) Required rebalancing amounts	(h) = (g) - (f)	20	-12	10.8

\* The above figures are calculated before fees and expenses.

### Futures Roll

As the Index is not a futures index, the Product does not follow any predetermined roll-over schedule. The Manager will use its discretion to carry out the roll-over of the spot month HSI Futures Contracts into next month HSI Futures Contracts with the goal that, by one Business Day before the last trading day of the spot month HSI Futures Contracts, all roll-over activities would have occurred.

### What are HSI Futures Contracts?

## HSI Futures Contracts

HSI Futures Contracts (commonly known as “HSI futures” in Hong Kong), are equity index products and major products of HKEX’s derivatives market in terms of trading volume. The Hong Kong Futures Exchange Limited, a wholly-owned subsidiary of HKEX, first introduced HSI Futures Contracts in May 1986. The underlying asset of HSI Futures Contracts is the HSI.

HSI Futures Contracts have the following key specifications:

<b>Underlying index</b>	Hang Seng Index
<b>Exchange</b>	The Hong Kong Futures Exchange Limited (“HKFE”)
<b>Trading hours</b>	<ul style="list-style-type: none"> <li>• Morning Session: 09:15 - 12:00 (Pre-Market Opening Period: 08:45 - 09:15)</li> <li>• Afternoon Session: 13:00 - 16:30 (Pre-Market Opening Period: 12:30 - 13:00)</li> <li>• After-Hours Trading Session: 17:15 - 23:45</li> </ul> <p>The period during which the HKFE is open for normal trading may be reduced as a result of a Number 8 or above Typhoon Signal or Black Rainstorm warning.</p> <p>There is no afternoon or after-hours trading session on the eves of Christmas, New Year and Lunar New Year. The trading hours of the morning trading session on those three days shall be 9:15 a.m. – 12:30 p.m.</p> <p>There is no after-hours trading session if it is a bank holiday in both the United Kingdom and the United States.</p> <p>Expiring contract month closes at 4:00 pm on the last trading day. There shall be no afternoon or after-hours trading session if the last trading day falls on Christmas Eve, New Year’s Eve or Lunar New Year’s Eve.</p>
<b>Contract expiry</b>	Monthly
<b>Last trading day</b>	The business day immediately preceding the last business day of the contract month
<b>Contract size</b>	HKD50 x Hang Seng Index
<b>Settlement method</b>	Cash settlement
<b>Final settlement price</b>	The average of quotations taken at (i) five minute intervals from five minutes after the start of, and up to five minutes before the end of, the continuous trading session of SEHK; and (ii) the close of trading on SEHK on the last trading day.
<b>Position limit</b>	<p>10,000 position delta for long or short (on a net basis) combined in all contract months.</p> <p>The position limit applies to a person such as the Manager, i.e. the Manager cannot hold or control HSI Futures Contracts over this limit.</p>

<b>Volatility Control Mechanism (VCM)</b>	<p>A price limit VCM model is implemented for the HSI Futures Contracts market, under which a cooling-off period will be triggered by abrupt price volatility detected at the instrument level:</p> <ul style="list-style-type: none"> <li>• The VCM is triggered and a 5-minute cooling-off period will start if the price of a HSI Futures Contract deviates by more than 5% from the last traded price 5 minutes ago (the “VCM Reference Price”).</li> <li>• During the 5-minute cooling-off period, trading for the HSI Futures Contracts will continue within a fixed price band (<math>\pm 5\%</math> from the VCM Reference Price).</li> <li>• Normal trading without restriction will resume after the cooling-off period.</li> </ul>
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For more information, please refer to “Hang Seng Index Futures & Options” under “Products & Services > Derivatives Products” on the HKEx website (the contents of which has not been reviewed by the SFC).

HSI Futures Contracts have the following characteristics:

- (a) The underlying asset (the HSI) is a benchmark for the performance of Hong Kong-listed stocks. Since the HSI is widely used as a benchmark for the performance of Hong Kong-listed stocks, HSI Futures Contracts can be used as a hedging tool by investors to manage their risks from exposure to the Hong Kong stock market. Investors can also buy or sell HSI Futures Contracts for pure directional trading whenever they are bullish or bearish about the Hong Kong stock market.
- (b) HSI Futures Contracts are leveraged because they are traded on a margin basis. The margin to carry an open position is only a small percentage. As of 14 August 2019, the margin requirement for HSI August 2019 Futures Contracts is HKD113,914 (approximately 8.7% of current contract value) and the margin requirement for Mini-Hang Seng Index August 2019 Futures Contracts is HKD22,782 (approximately 8.7% of current contract value).
- (c) As the total value of high-capitalisation stocks represented in each HSI Futures Contract is substantial and as commission is only charged once for each transaction in Futures Contracts, transaction costs are considered low compared to purchasing or selling the constituent stocks.
- (d) As with other Futures Contracts traded on HKFE, HSI Futures Contracts are registered, cleared and guaranteed by the HKFE Clearing Corporation Limited (“HKCC”), a subsidiary of HKEx. HKCC acts as the counterparty to all open contracts, which effectively eliminates counterparty risks between HKCC participants.

The contract multiplier for HSI Futures Contracts is 50 per HSI point. The contract months for HSI Futures Contracts are spot, next calendar and next two calendar quarter months.

#### *Futures Liquidity*

As of 31 July 2019, the daily average volume and open interest of the HSI Futures Contracts for the past year are 234,358 contracts and 133,543 contracts respectively. The Manager believes that such liquidity is sufficiently abundant in terms of turnover and open interest for the Product to operate as a leveraged product tracking the Index.

#### *Mini-Hang Seng Index Futures Contracts*

Mini-Hang Seng Index Futures Contracts share the same characteristics of HSI Futures Contracts, except that the contract multiplier for Mini-Hang Seng Index Futures Contracts is 10 per HSI point, and the transaction costs per contract for trading Mini-Hang Seng Index Futures

Contracts are lower than those of HSI Futures Contracts.

### **Use of Derivatives**

The Product's net derivative exposure may be more than 100% of the Product's Net Asset Value.

### **Distribution Policy**

The Manager does not intend to pay or make any distributions or dividends.

### **The Index**

*This section is a brief overview of the Index. It contains a summary of the principal features of the Index and is not a complete description of the Index. As at the date of this Prospectus, the summary of the Index in this section is accurate and consistent with the complete description of the Index. Complete information on the Index appears in the website identified below. Such information may change from time to time and details of the changes will appear on that website. Terms not otherwise defined in this section have the same meaning as provided for in the Index Methodology General Guide published by Hang Seng Indexes Company Limited ("HSIL").*

#### **General Information on the Index**

The Hang Seng Index, commonly referred to as HSI (the "Index"), measures the performance of the largest and most liquid companies listed in Hong Kong. It comprises a representative sample of stocks quoted on the SEHK.

The Index adopts a freefloat-adjusted market capitalisation weighted methodology with a specified cap-level on individual constituent weightings. The Index has four sub-indices, being finance, commerce and industry, properties and utilities, and each constituent belongs to one of these sub-indices based on the industry classification of the Hang Seng Industry Classification System ("HSICS").

The Index is a price return index. A price return index calculates the performance of the Index constituents without adjustments for cash dividends or warrant bonuses.

As at 31 March 2022, it comprised 66 constituent stocks with total market capitalisation of approximately HKD23,316,725 million. The number of Index constituents is targeted to increase to 80 through the regular index reviews by mid-2022 and, ultimately, to fix the number at 100.

The Index was launched on 24 November 1969 and had a base level of 100 on 31 July 1964.

The Index is denominated in HKD.

#### **Index Provider**

The Index is compiled and managed by HSIL, a wholly-owned subsidiary of Hang Seng Bank Limited.

The Manager (and each of its Connected Persons) is independent of HSIL, the Index Provider.

The Index is calculated on a 2-second basis during trading hours of the SEHK and its closing value is based on the official closing prices of the constituent stocks announced by the SEHK.

#### **Index Methodology**

Constituent stocks of the Index are selected by a rigorous process of detailed analysis, supported by extensive external consultation.

The compilation of the Index is based on a free float-adjusted market capitalisation weighted formula with a specified cap-level on individual stock weightings. Details are as follows:

- (a) Freefloat adjustment: A Freefloat-Adjusted Factor (“FAF”) is assigned to each constituent in index calculation.
- (b) Capping: Prior to the June 2021 index rebalancing, the cap-level on individual constituents is as follows:

<i>Category</i>	<i>Cap level</i>
Secondary-listed constituents	5%
Weighted voting rights constituents (“WVRs”)	5%
Other constituents	10%

With effect from the June 2021 index rebalancing, all individual constituents, including WVRs, secondary-listed constituents and other constituents, will be subject to an aligned weighting cap of 8%.

- (c) Re-capping frequency: A re-capping exercise will normally be conducted at quarterly intervals to coincide with the regular update of the FAF.

Greater China region (i.e. Hong Kong, Mainland China, Macau and Taiwan) WVRs will be considered as non freefloat shares. For secondary-listed Greater China companies, a company’s market capitalisation will be based solely on the Hong Kong registered portion of its shares (“HK Shares”). Any of the HK Shares held by a depositary or its custodian as underlying for overseas depositary receipts will be considered as non-freefloat shares.

### ***Constituent Eligibility***

#### Prior to the May 2021 index review

The universe of securities (the “Universe”) for the Index includes securities of Greater China companies that are listed on the Main Board of the SEHK. It includes primary or secondary listed shares of companies and real estate investment trusts (“REITs”). It excludes Stapled Securities, Foreign Companies, Biotech Companies with stock names end with marker “B” and Investment Companies listed under Chapter 21 of the Listing Rules. If a company has two classes of listed shares, each class of shares will be considered separately.

A security is eligible for constituent selection if it fulfils the following eligibility criteria:

- (a) Market capitalisation requirement

The security must be among those that constitute the top 90th percentile of the total market value (i.e. market capitalisation) of the Universe (market value refers to the average of month-end market values for the past 12 months of any review period).

Market value is defined as number of issued share times share price. Number of issued shares refers to the number of shares as per that particular security. For secondary listed companies, number of issued shares refers to the number of shares registered in Hong

Kong;

(b) Turnover requirement

Each eligible security will also need to meet the turnover requirement where its turnover in the past 24 months is assessed for eight quarterly sub-periods. The turnover requirement adopts a scoring approach and the details are as follows:

- (iii) for each quarterly sub-period, a security will be regarded as passing the turnover requirement in that period if it is among the top 90th percentile of the aggregate market turnover of the Universe; and
- (iv) two points will be assigned to each “pass” achieved over the latest four sub-periods, and one point will be assigned for each “pass” attained over the previous four sub-periods.

The highest score for turnover requirement is 12 points. Securities should obtain at least 8 points to meet the turnover requirement.

(c) Listing history requirement

A security should normally be listed for at least 24 months before becoming eligible for inclusion. Securities with a very large market value but with a listing history of less than 24 months may be considered for inclusion if it satisfies more stringent market capitalisation requirements.

For a security with a listing history of less than or equal to 12 months, it will pass the turnover requirement if it is among the top 90th percentile of the aggregate market turnover of the Universe for each quarterly sub-period. For a security with a listing history of over 12 months, it will pass the turnover requirement should its score reach the minimum requirement, i.e. 8 points, above.

Companies or REITs meeting all the eligibility requirements will be considered for inclusion in the Index. The final selection will be decided by the Advisory Committee of the Index Provider taking into consideration the following principles:

- (d) Market capitalisation and turnover rank of securities;
- (e) Representation of the relevant sub-sector within the Index directly reflecting that of the market; and
- (f) Financial performance.

With effect from the May 2021 index review

The Universe of the Index constituents refer to the Hang Seng Composite LargeCap & MidCap Index as of index review data cut-off date, and excludes Foreign Companies, Stapled Securities and Biotech Companies with stock names end with marker “B”.

Constituent stocks of the Index are selected by a process of detailed analysis. To be eligible for selection, a company:

- (a) must be a Hang Seng Composite LargeCap & MidCap Index constituent;
- (b) must be defined as a Greater China Company by HSIL;

- (c) must pass the Velocity Test for Tradable Index (minimum velocity of 0.1% on monthly basis, with details set out in the Index Methodology General Guide); and
- (d) must have a listing history of at least 3 months on the SEHK, counting up to the Index review meeting date.

Selection by Industry Group

Eligible candidates will be assigned to one of the below industry groups according to their industry classification of the HSICS:

Industry Group	HSICS	
	Code	Industry
1	50	Financials
2	70	Information Technology
3	23	Consumer Discretionary
	25	Consumer Staples
4	60	Properties & Construction
5	35	Telecommunications
	40	Utilities
6	28	Healthcare
7	00	Energy
	05	Materials
	10	Industrials
	80	Conglomerates

The combination of the industry groups will be reviewed at least every two years.

Considerations for Deciding the Constituent Number for Each Industry Group

The number of constituents in each industry group will be decided by the below principles:

- (d) Target to cover at least 50%, in terms of market capitalisation, for each industry group;
- (e) Characteristics of the industry group which include the distribution of the listed companies in terms of their size and number; and
- (f) The industry group weighting in the Index compared to the market.

The Index will also maintain 20 to 25 constituents that are classified as “Hong Kong” companies and this number will be reviewed at least every two years.

Principles of Constituent Selection

In general, eligible securities will be evaluated within each industry group according to the following considerations:

- (a) Representativeness;
- (b) Market capitalisation;



- (c) Turnover; and
- (d) Financial performance.

Cross-industry group constituent changes might take place to restore sectoral balance.

In each review, there may or may not be constituent additions or deletions.

Existing constituents failing to meet the eligibility requirements may be considered for removal. Even if existing constituents fulfil all the eligibility requirements, the smallest constituents and the constituents with lowest liquidity within the industry group may be considered for removal from the Index subject to the availability of appropriate replacement candidates.

The final constituent selection will be decided by the Advisory Committee of the Index after taking the above into consideration.

### ***Index Reviews***

HSIL undertakes regular quarterly reviews of the Index constituents with data cut-off dates of end of March, June, September and December each year. In each review, there may or may not be constituent additions or deletions.

### ***Index Rebalancing***

Regular rebalancing is usually implemented after market close on the first Friday in March, June, September and December, and comes into effect on the next trading day.

Ad hoc rebalancing will be conducted to maintain continuity, and a minimum notice period of two trading days prior to the implementation will be given to subscribers of data products issued by HSIL for any ad hoc rebalance.

Please refer to the Index Operation Guide (available on the website of HSIL) for further details about corporate actions adjustments and index rebalancing.

### ***Index Constituents***

You can obtain the list of the constituents of the Index, their respective weightings and additional information of the Index including the index methodology and the closing level of the Index from the website of the Index Provider at [www.hsi.com.hk](http://www.hsi.com.hk) (the contents of which have not been reviewed by the SFC).

### ***Index Codes***

Bloomberg: HSI  
Reuters: .HSI

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

The Product's objective is to provide return which is of a predetermined leverage factor (2x) of the Daily performance of the Index. As such, the Product's performance may not track twice the cumulative Index return over a period greater than 1 Business Day. This means that the return of the Index over a period of time greater than a single day multiplied by 200% generally will not equal the Product's performance over that same period. The Product may underperform the return of 200% of the Index in a trendless or flat market. This is caused by compounding, which is the cumulative effect of previous earnings generating earning or losses in addition to the principal amount, and will be amplified by the volatility of the market and the holding period of the

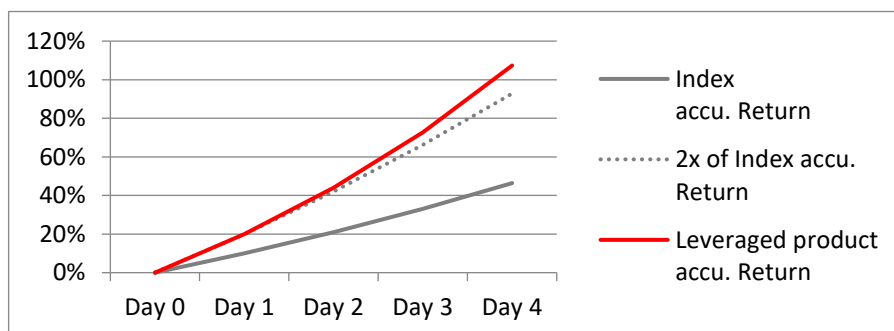
Product. In addition, the effects of volatility are magnified in the Product due to leverage. The following scenarios illustrate how the Product's performance may deviate from that of the cumulative Index return (2x) over a longer period of time in various market conditions. All the scenarios are based on a hypothetical HKD10 investment in the Product.

### Scenario I: Continuous Upward Trend

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

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

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



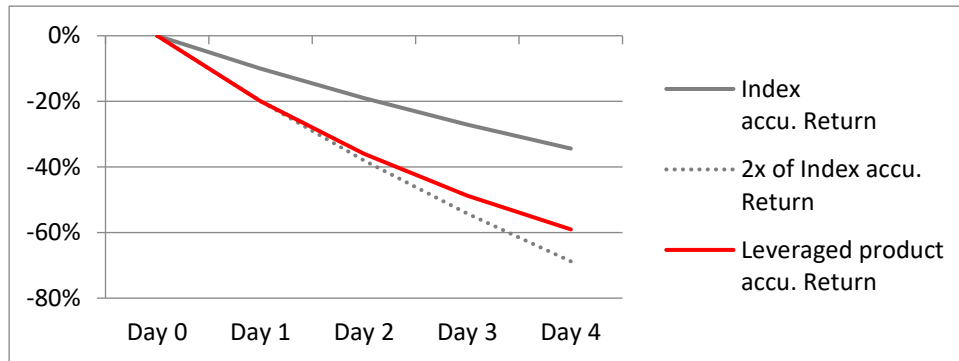
### Scenario II: Continuous Downward Trend

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

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

compared with a 69% loss which is twice the cumulative Index return.

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

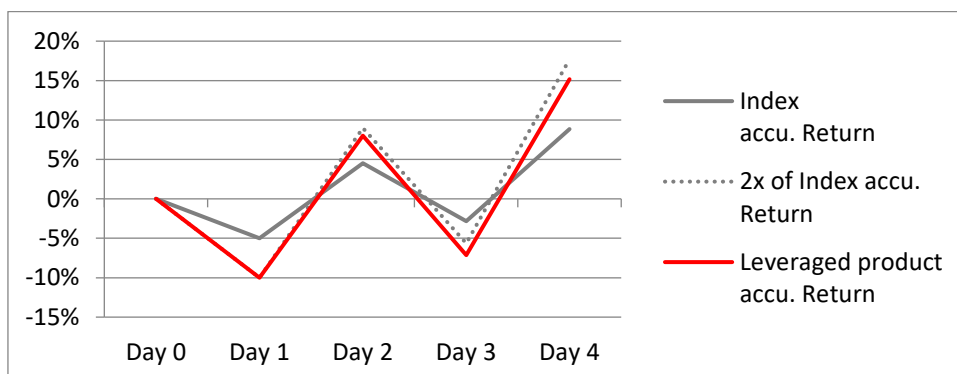


### Scenario III: Volatile Upward Trend

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

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

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

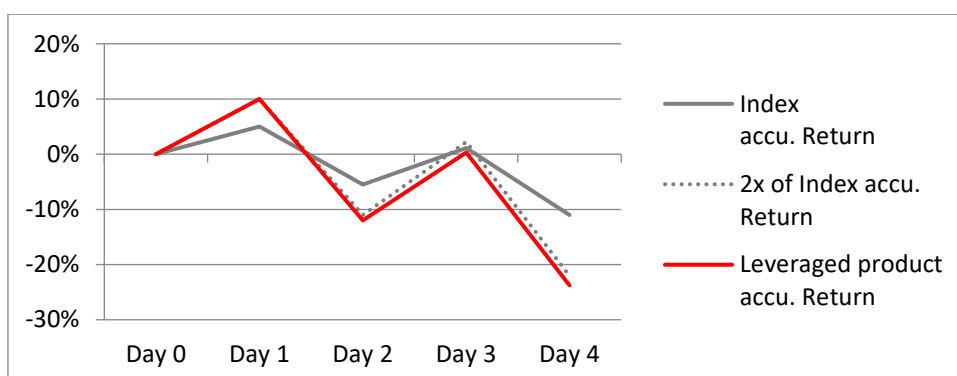


## Scenario IV: Volatile Downward Trend

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

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

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



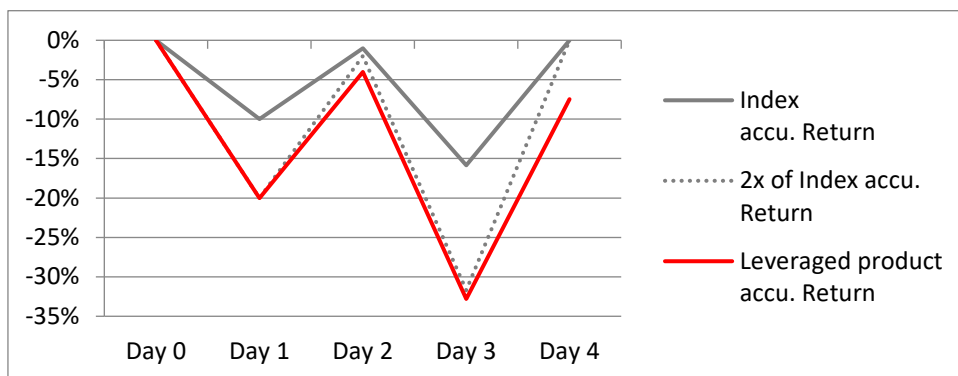
## Scenario V: Volatile Market with Flat Index Performance

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

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

The chart below further illustrates the difference between the Product's performance versus twice the cumulative Index return in a volatile market with flat index performance over a period greater

than 1 Business Day.



As illustrated in the graphs and the tables, the cumulative performance of the Product is not equal to twice the cumulative performance of the Index over a period longer than 1 Business Day.

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

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

### ***Explanation on Path Dependency***

As explained above, the Product aims to track two times the performance of the Index on a Daily basis. However, due to path dependency of the Index and twice the Daily performance of the Index, when comparing the Index and two times the performance of the Index for a period longer than one day (i.e. comparison of the point-to-point performance), the historical two times performance of the Index will not be equal to the simple two times performance of the Index over the same period of time.

Below is an example which illustrates the “path dependency” of the Index and two times the performance of the Index. *Please note that figures used are for illustration purposes only and are not indicative of the actual return likely to be achieved.*

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

Assuming the Product tracks twice the performance of the Index perfectly on a Daily basis, the absolute percentage change in the Daily movement of the Product will be twice of the Index. That is, the Net Asset Value of the Product will rise by 20.00% if the Index rises by 10.00%, and the Net Asset Value of the Product will fall by 18.18% if the Index falls by 9.09%. On the basis of such Daily

movements, the respective closing levels of the Index and closing Net Asset Values of the Product are as set out in the example above.

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

### Index Licence Agreement

The initial term of the licence of the Index commenced on 22 February 2017 and should continue until terminated by either party with at least three months' prior written notice to the other party. The licence agreement may otherwise be terminated in accordance with the provisions of the licence agreement.

### Index Disclaimer

The Hang Seng Index (the "Index") is published and compiled by Hang Seng Indexes Company Limited pursuant to a licence from Hang Seng Data Services Limited. The mark and name "Hang Seng Index" are proprietary to Hang Seng Data Services Limited. Hang Seng Indexes Company Limited and Hang Seng Data Services Limited have agreed to the use of, and reference to, the Index by Mirae Asset Global Investments (Hong Kong) Limited in connection with Global X Hang Seng Index Daily (2x) Leveraged Product (the "Product"), **BUT NEITHER HANG SENG INDEXES COMPANY LIMITED NOR HANG SENG DATA SERVICES LIMITED WARRANTS OR REPRESENTS OR GUARANTEES TO ANY BROKER OR HOLDER OF THE PRODUCT OR ANY OTHER PERSON (i) THE ACCURACY OR COMPLETENESS OF THE INDEX AND ITS COMPUTATION OR ANY INFORMATION RELATED THERETO; OR (ii) THE FITNESS OR SUITABILITY FOR ANY PURPOSE OF THE INDEX OR ANY COMPONENT OR DATA COMPRISED IN IT; OR (iii) THE RESULTS WHICH MAY BE OBTAINED BY ANY PERSON FROM THE USE OF THE INDEX OR ANY COMPONENT OR DATA COMPRISED IN IT FOR ANY PURPOSE, AND NO WARRANTY OR REPRESENTATION OR GUARANTEE OF ANY KIND WHATSOEVER RELATING TO THE INDEX IS GIVEN OR MAY BE IMPLIED.** The process and basis of computation and compilation of the Index and any of the related formula or formulae, constituent stocks and factors may at any time be changed or altered by Hang Seng Indexes Company Limited without notice. The level of the Index at any time for the purposes of the Product will be the level as calculated by Hang Seng Indexes Company Limited in its sole discretion. **TO THE EXTENT PERMITTED BY APPLICABLE LAW, NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY HANG SENG INDEXES COMPANY LIMITED OR HANG SENG DATA SERVICES LIMITED (i) IN RESPECT OF THE USE OF AND/OR REFERENCE TO THE INDEX BY MIRAE ASSET GLOBAL INVESTMENTS (HONG KONG) LIMITED IN CONNECTION WITH THE PRODUCT; OR (ii) FOR ANY INACCURACIES, OMISSIONS, MISTAKES OR ERRORS OF HANG SENG INDEXES COMPANY LIMITED IN THE COMPUTATION OF THE INDEX; OR (iii) FOR ANY INACCURACIES, OMISSIONS, MISTAKES, ERRORS OR INCOMPLETENESS OF ANY INFORMATION USED IN CONNECTION WITH THE COMPUTATION OF THE INDEX WHICH IS SUPPLIED BY ANY OTHER PERSON; OR (iv) FOR ANY ECONOMIC OR OTHER LOSS WHICH MAY BE DIRECTLY OR INDIRECTLY SUSTAINED BY ANY BROKER OR HOLDER OF THE PRODUCT OR ANY OTHER PERSON DEALING WITH THE PRODUCT AS A RESULT OF ANY OF THE AFORESAID, AND NO CLAIMS, ACTIONS OR LEGAL PROCEEDINGS MAY BE BROUGHT AGAINST HANG SENG INDEXES COMPANY LIMITED AND/OR HANG SENG DATA SERVICES LIMITED** in connection with the Product in any manner whatsoever by any broker, holder or other person dealing with the Product. Any broker, holder or other person dealing with the Product does so therefore in full knowledge of this disclaimer and can place no reliance whatsoever on Hang Seng Indexes Company Limited and Hang Seng Data Services Limited. For the avoidance of doubt, this disclaimer does not create any contractual or quasi-contractual relationship between any broker, holder or other person and Hang Seng Indexes Company Limited and/or Hang Seng Data Services Limited and must not be construed to have created such relationship. An investor, by subscribing or purchasing an interest in the Product, will be regarded as having acknowledged, understood and accepted this disclaimer and will be bound by it.

## **Borrowing Restriction**

Borrowing for the account of the Product is allowed up to a maximum of 10% of its latest available Net Asset Value and may only be effected on a temporary basis for the purposes of meeting redemption requests or defraying operating expenses.

## **Termination Amount**

The Product may be terminated by the Manager without approval of the Unitholders where the aggregate Net Asset Value of all Units is less than HKD80,000,000.

## **The Offering**

Dealings in the Units on the SEHK commenced on 14 March 2017.

The current Dealing Deadline After Listing is 4:00 p.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager (with the approval of Trustee) may determine on any day when the trading hours of the SEHK are reduced.

All Creation Applications must be made in cash (in HKD only). Settlement in cash for subscribing Units is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

The attention of investors is drawn to the section entitled “The Offering Phases” in Part 1 of this Prospectus.

## **Exchange Listing and Trading (Secondary Market)**

Dealings on the SEHK in Units traded in HKD began on 14 March 2017. Units are traded on the SEHK in board lots of 100 Units.

Units are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Units on one or more other stock exchanges. Investors’ attention is drawn to the section entitled “Exchange Listing and Trading (Secondary Market)” in Part 1 of this Prospectus for further information.

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

## **Redemptions**

Units can be redeemed directly (through a Participating Dealer). Redemption proceeds shall be paid in HKD only.

## **Risk Factors Specific to the Product**

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

### ***Risks relating to Futures Contracts***

**Rolling of Futures Contracts Risk.** Investment in Futures Contracts exposes the Product to a liquidity risk linked to Futures Contracts which may affect the value of such Futures Contracts. A “roll” occurs when an existing Futures Contract is about to expire and is replaced with a Futures Contract representing the same underlying but with a later expiration date. The value of the Product’s portfolio (and so the Net Asset Value per Unit) may be adversely affected by the cost of rolling positions forward (due to the higher price of the Futures Contract with a later expiration date) as the Futures Contracts approach expiry. The change in price of a Futures Contract may

reflect many factors such as perceived economic changes or political circumstances as well as increased demand.

**Contango and Backwardation Risk.** As the HSI Futures Contracts included in the Product's portfolio come to expiration, they are replaced by contracts that have a later expiration. For example, a contract entered into a long position and held until September may specify a September expiration. As time passes, the contract expiring in September is replaced by a contract for expiration in October. This is accomplished by selling the September contract and entering into a long position of the October contract. This process is referred to as "long rolling". Excluding other considerations, if the market for these contracts is in "contango", where the prices are higher in the distant expiration months than in the nearer expiration months, the sale of the September contract would take place at a price that is lower than the price of the October contract. Accordingly sale proceeds when rolling (selling and then buying the HSI Futures Contracts) will not be sufficient to purchase the same number of HSI Futures Contracts which have a higher price, thereby creating a negative "roll yield" which adversely affects the Net Asset Value. By contrast, if the market for these contracts is in "backwardation", where the prices are lower in the distant expiration months than in the nearer expiration months, the sale of the September contract would take place at a price that is higher than the price of the October contract, thereby creating a positive "roll yield".

**Margin Risk.** Generally, most leveraged transactions, such as Futures Contracts, involve the posting of margin or collateral. Because of the low margin deposits or collateral normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a Futures Contract may result in a proportionally high impact and substantial losses to the Product having a material adverse effect on the Net Asset Value of the Product. Like other leveraged investments, a futures transaction by the Product may result in losses in excess of the amount invested by the Product. Additional funds may need to be posted as margin or collateral to meet such calls based upon daily marking to market of Futures Contracts. Increases in the amount of margin or collateral or similar payments may result in the need for the Product to liquidate its investments at unfavourable prices in order to meet margin or collateral calls. This may result in substantial losses to Unitholders.

**Futures Contracts Market Risk.** Futures Contracts markets, such as that for the Index, may be uncorrelated to traditional markets (such as equities markets) and are subject to greater risks than other markets. It is a feature of Futures Contracts generally that they are subject to rapid change and the risks involved may change relatively quickly. The price of Futures Contracts can be highly volatile. Such price movements are influenced by, among other things, interest rates, changing market supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments. In some cases, far-reaching political changes may result in constitutional and social tensions, instability and reaction against market reforms.

**Clearing House's Failure Risk.** In the event of the bankruptcy of the exchange's clearing house, the Product could be exposed to a risk of loss with respect to its assets that are posted as margin. If such a bankruptcy were to occur, the Product would be afforded the protections granted to participants to transactions cleared through a clearing house, under applicable law and regulations. Such provisions generally provide for a pro rata distribution to customers of customer property held by the bankrupt exchange's clearing house if the exchange's clearing house is insufficient to satisfy all customer claims. In any case, there can be no assurance that these protections will be effective in allowing the Product to recover all, or even any, of the amounts it has deposited as margin.

**Regulatory Change Risk.** The regulation of Futures Contracts, and futures transactions in general, is a rapidly changing area of law and is subject to modification by government and judicial action. The effect of any such regulatory changes on the Product is impossible to predict, but could be substantial and adverse. To the extent possible, the Manager will attempt to monitor such changes to determine the impact such changes may have on the Product and what can be done, if anything, to try and limit such impact.

### ***Risks relating to the Product***



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

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

**Risk of Rebalancing Activities.** There is no assurance that the Product can rebalance their portfolio on a Daily basis to achieve their investment objectives. Market disruption, regulatory restrictions or extreme market volatility may adversely affect the Product's ability to rebalance its portfolio.

**Liquidity Risk.** The rebalancing activities of the Product typically take place near the end of a trading day, at or around the close of trading of the underlying markets, to minimise tracking difference. As a result, the Product may be more exposed to the market conditions during a shorter interval and may be more subject to liquidity risk.

**Volatility Risk.** Prices of the Product may be more volatile than conventional ETFs because of using leverage and the Daily rebalancing activities.

**Intraday Investment Risk.** Leverage factor of the Product may change during a trading day when market moves but it will not be rebalanced immediately. The Product is normally rebalanced near the end of a Business Day, at or around the close of trading of the underlying markets. As such, return for investors that invest for a period less than a full trading day will generally be greater than or less than two times (2x) leveraged investment exposure to the Index, depending upon the movement of the Index from the last rebalancing until the time of purchase.

**Portfolio Turnover Risk.** Daily rebalancing of Product's holdings causes a higher level of portfolio transactions than compared to the conventional ETFs. High levels of transactions increase brokerage and other transaction costs.

**Path Dependency.** The objective of the Product is to provide investment results that, before fees and expenses, closely correspond to the two times performance of the Index on a Daily basis only. Therefore the Product should not be equated with seeking a two times position for periods longer than a day. Investors in the Product should note that the point-to-point accumulated performance of the historical Daily two times performance of the Index over a certain period may not be twice the point-to-point performance of the Index over the same period of time due to the effect of "path dependency" and compounding of the Daily returns of the Index. Please refer to the section "Explanation on Path Dependency" above.

**Holding of HSI Futures Contracts Restriction in Number Risk.** The current restriction in the Securities and Futures (Contracts Limits and Reportable Position) Rules (the "Rules") made under the SFO limits the holding by a person for his own account, or for another person but which he controls, of futures contracts or stock options contracts. As such, not only are the positions held or controlled by the Product subject to the prescribed position limit, the positions held or controlled by the Manager, including positions held for the Manager's own account or for the funds under its management (such as the Product) but controlled by the Manager, may also not in aggregate exceed the relevant maximum. Accordingly, the Product's ability to acquire further

HSI Futures Contracts may be affected by other futures/option contracts held or controlled by the Manager (including Mini-Hang Seng Index futures contracts and options contracts, Hang Seng Index options contracts and positions held or controlled for other funds/products). Because Unitholders will not themselves hold HSI Futures Contracts or control the Product, holdings of Units by a Unitholder will not render such Unitholder to be subject to the requirements of the Rules. Whilst the Manager does not anticipate that this will have any immediate effect on the Product, if the position held or controlled by the Manager reaches the relevant position limit or if the Net Asset Value of the Product grows significantly, the restrictions under the Rules may prevent creations of Units due to the inability under the Rules of the Product to acquire further HSI Futures Contracts. This may cause a divergence between the trading price of a Unit on the SEHK and the Net Asset Value per Unit. The investment exposure could also deviate from the target exposure which adds tracking error to the Product.

**Index Constituents and Futures Contracts Price Limit Risk.** The Product's investment objective is to provide investment results that closely correspond to the leveraged (2x) of the Daily performance of the Index. Although the Index is an equity index, the Product invests in HSI Futures Contracts. The HKEx has adopted a volatility control mechanism ("VCM") for securities including constituents of the Index. During the continuous trading session of the constituents of the Index, the VCM is triggered if the price of a security is deviated more than  $\pm 10\%$  away from the last traded price 5 minutes ago, and a 5 minutes cooling-off period will start. During the cooling off period, trading is allowed within a fixed price band ( $\pm 10\%$  of the last trading price). There will be a maximum of one VCM trigger in each trading session (morning session and afternoon session are counted as two separate trading sessions). VCM also applies to the HSI Futures Contracts. If there is an attempt to trade a HSI Futures Contract at a price more than 5% away from its last traded price 5 minutes ago, it will trigger a 5-minute cooling-off period where trading of the HSI Futures Contracts can still continue but within a band. As a result, the price movement of the Index may be greater than the HSI Futures Contracts' price movement. If the VCM cooling off period is triggered around the close of trading of the underlying market on any Business Day, this may result in imperfect Daily rebalancing of the Product.

**Trading Hours Differences Risk.** The HKFE and the SEHK have different trading hours. As the HKFE may be open when Units in the Product are not priced, the value of the HSI Futures Contracts in the Product's portfolio may change at times when investors will not be able to purchase or sell the Product's Units. Difference in trading hours between the HKFE and the SEHK may increase the level of premium/discount of the Unit price to its Net Asset Value. Trading of the Index constituents closes earlier than trading of the HSI Futures Contracts so there may continue to be price movements for HSI Futures Contracts when Index constituents are not trading. There may be imperfect correlation between the value of the Index constituents and the HSI Futures Contracts, which may prevent the Product from achieving its investment objective.

**Suspension of Creation Risk.** There can be no assurance that there are sufficient HSI Futures Contracts in the market available to the Product to fully satisfy subscription requests. This may result in a need for the Manager to close the Product to further creations. This may result in divergence between the trading price of the Unit and the Net Asset Value per Unit. In extreme circumstances, the Product may incur significant loss due to limited investment capabilities, or may not be able fully to implement or pursue its investment objectives or strategies, due to illiquidity of the HSI Futures Contracts, and delay or disruption in execution of trades or in settlement of trades.

**Concentration Risk.** To the extent that the Index constituents concentrates in Hong Kong listed securities (including H-shares and Red-chip shares) of a particular sector or market, the investment of the Product may be similarly concentrated. The value of the Product may be more volatile than that of a fund having a more diverse portfolio of investments. The value of the Product may be more susceptible to adverse conditions in such particular sector or market.

**Investment in Other Exchange Traded Funds Risk.** As part of the Product's investment strategy, the Manager may invest in other exchange traded funds, namely the HSI ETFs. The Product is therefore exposed to the risk of investing in another management company's funds with all the related risks which attach to such funds generally. The Product does not have control of the

investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved which may have a negative impact to the Net Asset Value of the Product. In addition, there may be additional costs involved when investing into these underlying funds, and as an investor in such funds, the Product will ultimately bear the fees and expenses of the underlying funds including management fees charged by the underlying management company. These charges will be in addition to the fees payable by the Product to the Manager. There is also no guarantee that the underlying funds will always have sufficient liquidity to meet the Product's redemption requests as and when made.

**Appendix dated 29 April 2022**

## APPENDIX 4: GLOBAL X HANG SENG CHINA ENTERPRISES INDEX DAILY (-1X) INVERSE PRODUCT

### Key Information

*Set out below is a summary of key information in respect of the Global X Hang Seng China Enterprises Index Daily (-1x) Inverse Product (the “Product”) which should be read together with the full text of this Appendix and the Prospectus.*

<b>Investment Objective</b>	To provide investment results that, before fees and expenses, closely correspond to the <u>inverse (-1x) Daily</u> performance of the Index
<b>Index</b>	Hang Seng China Enterprises Index (HSCEI)
<b>Listing Date (SEHK)</b>	14 March 2017
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	07362
<b>Short Stock Name</b>	FI GX HSCEI
<b>Trading Board Lot Size</b>	100 Units
<b>Base Currency</b>	HKD
<b>Trading Currency</b>	HKD
<b>Distribution Policy</b>	The Manager does not intend to pay or make any distributions or dividends
<b>Application Unit Size for creation and redemption (only by or through Participating Dealers)</b>	Minimum 100,000 Units (or multiples thereof)
<b>Participating Dealers*</b>	ABN AMRO Clearing Hong Kong Limited BNP Paribas Securities Services China Merchants Securities (HK) Company Limited Goldman Sachs (Asia) Securities Limited Guotai Junan Securities (Hong Kong) Limited Haitong International Securities Company Limited Merrill Lynch Far East Limited Mirae Asset Securities (HK) Limited Yue Kun Research Limited

<b>Market Makers*</b>	Flow Traders Hong Kong Limited Head & Shoulders Securities Limited IMC Asia Pacific Limited SG Securities (HK) Limited
<b>Creation / Redemption Policy</b>	Cash (HKD) only
<b>Dealing Deadline for creation and redemption</b>	4:00 p.m. on the relevant Dealing Day, or such other time as the Manager (with the approval of the Trustee) may determine
<b>Management Fee</b>	Currently 0.65% per year of the Net Asset Value
<b>Trustee Fee</b>	Currently 0.12% per year of the Net Asset Value, subject to a monthly minimum of HKD78,000 (minimum fee waived from 10 March 2017 to 10 March 2019)
<b>Website</b>	<a href="https://www.globalxetfs.com.hk/">https://www.globalxetfs.com.hk/</a>

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

### What is the Investment Objective?

The investment objective of the Product is to provide investment results that, before fees and expenses, closely correspond to the inverse (-1x) Daily performance of the Index. There can be no assurance that the Product will achieve its investment objective. The Product does not seek to achieve its stated investment objective over a period of time greater than one day.

### What is the Investment Strategy?

In seeking to achieve the Product's investment objective, the Manager will adopt a futures-based replication investment strategy through investing directly in the spot month Futures Contracts on the Index ("HSCEI Futures Contracts") and in the spot month Mini-Hang Seng China Enterprises Index futures contracts ("Mini-Hang Seng China Enterprises Index Futures Contracts"), subject to the rolling strategy discussed below, to obtain the required exposure to the Index. For the purpose of this Appendix, any reference to HSCEI Futures Contracts shall include Mini-Hang Seng China Enterprises Index Futures Contracts, unless the context requires otherwise.

In entering into the spot month HSCEI Futures Contracts, the Manager anticipates that not more than 20% of the Net Asset Value of the Product from time to time will be used as margin to acquire the HSCEI Futures Contracts. Under exceptional circumstances (e.g. increased margin requirement by the exchange and/or brokers in extreme market turbulence), the margin requirement may increase substantially.

Not less than 80% of the Net Asset Value of the Product (this percentage may be reduced proportionally under exceptional circumstances when there is a higher margin requirement, as described above) will be invested in cash and cash equivalents (e.g. short term deposits) denominated in HKD. Yield in HKD from such cash and investment products will be used to meet the Product's fees and expenses and after deduction of such fees and expenses, the remainder (if any) will be reinvested into the Product.

Other than HSCEI Futures Contracts, the Manager will not invest the Product in any FDIs (including structured products or instruments) for hedging or non-hedging (i.e. investment) purposes. The Product will not enter into securities lending transactions, sale and repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions. The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to Unitholders, where required, before the Manager engages in any such investments.

The Product's global exposure to FDIs will not exceed -100% of its Net Asset Value (i) at the time of Daily rebalancing of the Product; and (ii) between each Daily rebalancing, unless due to market movement. In calculating the Product's global exposure to FDIs, the commitment approach will be used, whereby the derivative position of the Product is converted into the equivalent position in the underlying assets embedded in those derivatives, taking into account the prevailing value of the underlying assets, i.e. the constituents of the Index, the counterparty risk, future market movements and the time available to liquidate the positions.

### Daily Rebalancing of the Product

The Product as an inverse product will rebalance its position on a day when the HKFE and SEHK are open for trading (i.e. a Business Day). On such days the Product will rebalance its position at or around the close of trading of the underlying market, by decreasing exposure in response to the Index's Daily gains or increasing exposure in response to the Index's Daily losses, so that its Daily inverse exposure ratio to the Index is consistent with the Product's investment objective.

The table below illustrates how the Product as an inverse product will rebalance its position following the movement of the Index by the end of the day.\* Assuming that the initial Net Asset Value of the Product is 100 on day 0, the Product will need to have a futures exposure of -100 to meet the objective of the Product. If the Index decreases by 10% during the day, the Net Asset Value of the Product would have increased to 110, making the futures exposure of the Product -90. As the Product needs a futures exposure of -110, which is -1x the Product's Net Asset Value at closing, the Product will need to rebalance its position by an additional -20. Day 1 illustrates the rebalancing requirements if the Index increases by 5% on the subsequent day.

	Calculation	Day 0	Day 1	Day 2
(a) Initial Product NAV		100	110	104.5
(b) Initial futures exposure	(b) = (a) × -1	-100	-110	-104.5
(c) Daily Index change (%)		-10%	5%	-5%
(d) Profit / loss on futures	(d) = (b) × (c)	10	-5.5	5.225
(e) Closing Product NAV	(e) = (a) + (d)	110	104.5	109.725
(f) Futures exposure	(f) = (b) × (1+(c))	-90	-115.5	-99.275
(g) Target futures exposure	(g) = (e) × -1	-110	-104.5	-109.73
(h) Required rebalancing amounts	(h) = (g) - (f)	-20	11	-10.45

\*The above figures are calculated before fees and expenses.

### Futures Roll

As the Index is not a futures index, the Product does not follow any predetermined roll-over schedule. The Manager will use its discretion to carry out the roll-over of the spot month HSCEI Futures Contracts into next month HSCEI Futures Contracts with the goal that, by one Business Day before the last trading day of the spot month HSCEI Futures Contracts, all roll-over activities would have occurred.

### What are HSCEI Futures Contracts?

#### HSCEI Futures Contracts

HSCEI Futures Contracts are equity index products and major products of HKEx's derivatives market in terms of trading volume. The Hong Kong Futures Exchange Limited, a wholly-owned subsidiary of HKEx, first introduced HSCEI Futures Contracts in December 2003. The underlying asset of HSCEI Futures Contracts is the HSCEI.

HSCEI Futures Contracts have the following key specifications:

<b>Underlying index</b>	Hang Seng China Enterprises Index
<b>Exchange</b>	The Hong Kong Futures Exchange Limited ("HKFE")
<b>Trading hours</b>	<ul style="list-style-type: none"> <li>• Morning Session: 09:15 - 12:00 (Pre-Market Opening Period: 08:45 - 09:15)</li> <li>• Afternoon Session: 13:00 - 16:30 (Pre-Market Opening Period: 12:30 - 13:00)</li> <li>• After-Hours Trading Session: 17:15 - 23:45</li> </ul> <p>The period during which the HKFE is open for normal trading may be reduced as a result of a Number 8 or above Typhoon Signal or Black Rainstorm warning.</p> <p>There is no afternoon or after-hours trading session on the eves of Christmas, New Year and Lunar New Year. The trading hours of the morning trading session on those three days shall be 9:15 a.m. – 12:30 p.m.</p> <p>There is no after-hours trading session if it is a bank holiday in both the United Kingdom and the United States.</p> <p>Expiring contract month closes at 4:00 pm on the last trading day. There shall be no afternoon or after-hours trading session if the last trading day falls on Christmas Eve, New Year's Eve or Lunar New Year's Eve.</p>
<b>Contract expiry</b>	Monthly
<b>Last trading day</b>	The business day immediately preceding the last business day of the contract month
<b>Contract size</b>	HKD50 x Hang Seng China Enterprises Index
<b>Settlement method</b>	Cash settlement
<b>Final settlement price</b>	The average of quotations taken at (i) five minute intervals from five minutes after the start of, and up to five minutes before the end of, the continuous trading session of SEHK; and (ii) the close of trading on SEHK on the last trading day.
<b>Position limit</b>	<p>12,000 position delta for long or short (on a net basis) combined in all contract months.</p> <p>The position limit applies to a person such as the Manager, i.e. the Manager cannot hold or control HSCEI Futures Contracts over this limit.</p>

<b>Volatility Control Mechanism (VCM)</b>	<p>A price limit VCM model is implemented for the HSCEI Futures Contracts market, under which a cooling-off period will be triggered by abrupt price volatility detected at the instrument level:</p> <ul style="list-style-type: none"> <li>• The VCM is triggered and a 5-minute cooling-off period will start if the price of a HSCEI Futures Contract deviates by more than 5% from the last traded price 5 minutes ago (the “VCM Reference Price”).</li> <li>• During the 5-minute cooling-off period, trading for the HSCEI Futures Contracts will continue within a fixed price band (<math>\pm 5\%</math> from the VCM Reference Price).</li> <li>• Normal trading without restriction will resume after the cooling-off period.</li> </ul>
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For more information, please refer to ““Hang Seng China Enterprise Index Futures” under “Products > Listed Derivatives > Equity Index > Hang Seng China Enterprise Index” on the HKEx website (the contents of which has not been reviewed by the SFC).

HSCEI Futures Contracts have the following characteristics:

- (a) The underlying asset (the HSCEI) is a benchmark for the performance of Mainland securities (as defined below) listed on the SEHK. Since the HSCEI is widely used as a benchmark for the performance of Mainland securities, HSCEI Futures Contracts can be used as a hedging tool by investors to manage their risks from exposure to Mainland securities. Investors can also buy or sell HSCEI Futures Contracts for pure directional trading whenever they are bullish or bearish about Mainland securities.
- (b) HSCEI Futures Contracts are leveraged because they are traded on a margin basis. The margin to carry an open position is only a small percentage. As of 14 August 2019, the margin requirement for HSCEI August 2019 Futures Contracts is HKD43,358 (approximately 9.0% of current contract value) and the margin requirement for Mini-Hang Seng China Enterprises Index August 2019 Futures Contracts is HKD8,671 (approximately 9.0% of current contract value).
- (c) As the total value of high-capitalisation stocks represented in each HSCEI Futures Contract is substantial and as commission is only charged once for each transaction in Futures Contracts, transaction costs are considered low compared to purchasing or selling the constituent stocks.
- (d) As with other Futures Contracts traded on HKFE, HSCEI Futures Contracts are registered, cleared and guaranteed by the HKFE Clearing Corporation Limited (“HKCC”), a subsidiary of HKEx. HKCC acts as the counterparty to all open contracts, which effectively eliminates counterparty risks between HKCC participants.

The contract multiplier for HSCEI Futures Contracts is 50 per HSCEI point. The contract months for HSCEI Futures Contracts are spot, next calendar and next two calendar quarter months.

#### *Futures Liquidity*

As of 31 July 2019, the daily average volume and open interest of the HSCEI Futures Contracts for the past year are 150,430 contracts and 397,323 contracts respectively. The Manager believes that such liquidity is sufficiently abundant in terms of turnover and open interest for the Product to operate as an inverse product tracking the Index.

#### *Mini-Hang Seng China Enterprises Index Futures Contracts*

Mini-Hang Seng China Enterprises Index Futures Contracts share the same characteristics of HSCEI Futures Contracts, except that the contract multiplier for Mini-Hang Seng China Enterprises Index Futures Contracts is 10 per HSCEI point, and the transaction costs per



contract for trading Mini-Hang Seng China Enterprises Index Futures Contracts are lower than those of HSCEI Futures Contracts.

### **Use of Derivatives**

The Product's net derivative exposure may be more than 50% but up to 100% of the Product's Net Asset Value.

### **Distribution Policy**

The Manager does not intend to pay or make any distributions or dividends.

### **The Index**

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

#### **General Information on the Index**

The Hang Seng China Enterprises Index (the "Index") measures the performance of the largest and most liquid Mainland securities (as defined below) listed in Hong Kong.

A "Mainland security" is defined as a Hong Kong-listed security that has at least 50% of its sales revenue (or profit or assets, if relevant) derived from Mainland China.

The Index adopts a freefloat-adjusted market capitalisation weighted methodology with a specified cap-level on individual constituent weightings.

The Index is a price return index. A price return index calculates the performance of the Index constituents without adjustments for cash dividends or warrant bonuses.

As at 31 March 2022, it comprised 50 constituent stocks with total market capitalisation of approximately HKD 18,049,302 million.

The Index was launched on 8 August 1994 and had a base level of 2,000 on 3 January 2000.

The Index is denominated in HKD.

#### **Index Provider**

The Index is compiled and managed by Hang Seng Indexes Company Limited ("HSIL"), a wholly-owned subsidiary of Hang Seng Bank Limited.

The Manager (and each of its Connected Persons) is independent of HSIL, the Index Provider.

The Index is calculated on a 2-second basis during trading hours of the SEHK and its closing value is based on the official closing prices of the constituent stocks announced by the SEHK.

#### **Index Methodology**

The compilation of the Index is based on a free float-adjusted market capitalisation weighted formula with a specified cap-level on individual stock weightings. Details are as follows:

- (a) Freefloat adjustment: A Freefloat-Adjusted Factor ("FAF") is assigned to each constituent in index calculation.

- (b) Capping: Prior to the June 2021 index rebalancing, the cap-level on individual constituents is as follows:

<i>Category</i>	<i>Cap level</i>
Secondary-listed constituents	5%
Weighted voting rights constituents (“WVRs”)	5%
Other constituents	10%

With effect from the June 2021 index rebalancing, all individual constituents, including WVRs, secondary-listed constituents and other constituents, will be subject to an aligned weighting cap of 8%

- (c) Re-capping frequency: A re-capping exercise will normally be conducted at quarterly intervals to coincide with the regular update of the FAF.

Greater China region (i.e. Hong Kong, Mainland China, Macau and Taiwan) WVRs will be considered as non freefloat shares. For secondary-listed Greater China companies, a company’s market capitalisation will be based solely on the Hong Kong registered portion of its shares (“HK Shares”). Any of the HK Shares held by a depository as underlying for overseas depository receipts will be considered as non-freefloat shares.

### **Constituent Eligibility**

The universe of stocks (the “Universe”) for the Index includes Mainland securities that are listed on the Main Board of the SEHK. It includes primary or secondary listed shares of companies and real estate investment trusts (“REITs”). It excludes stapled securities, foreign companies, biotech companies with stock names end with marker “B” and investment companies listed under Chapter 21 of the Listing Rules. The total number of constituents of the Index is fixed at 50.

In order to be included in the Index, a stock should be listed for at least one month by the review cut-off date and pass the 0.1% turnover velocity minimum requirement. Turnover velocity in each of the past 12 months is calculated for each stock based on the following formula:

$$\text{Turnover Velocity} = \frac{\text{Median of Daily Traded Shares in Specific Calendar Month}}{\text{Freefloat-adjusted Issued Shares at Month End}}$$

Turnover velocity of a new constituent entering the Index must meet the minimum requirement for at least 10 out of the past 12 months and for all of the latest three months. Turnover velocity of an existing constituent of the Index must meet the minimum requirement for at least 10 out of the past 12 months.

### **Selection**

Then, all eligible Mainland securities are ranked by each of the following:

- (i) Full market capitalisation, in terms of average month-end market capitalisation in the past 12 months.
- (ii) Freefloat-adjusted market capitalisation, in terms of 12-month average market capitalisation after freefloat adjustment.
- (iii) Average of the past month-end market capitalisation will be used for stocks with a listing history of less than 12 months.

A combined market capitalisation ranking is calculated for each Mainland security based on the following formula:

$$\text{Combined Market Capitalisation Ranking} = 50\% \text{ of Full Market Capitalization Rank} + 50\% \text{ of Freefloat-adjusted Market Capitalisation Rank}$$

The 50 eligible stocks with the highest combined market capitalisation ranking among all eligible Mainland securities will be selected as constituents of the Index, subject to the transitional arrangements described in the following paragraph.

Prior to the Index review in August 2020, additional eligibility criteria (namely, the listing history, price volatility and financial performance) was imposed on Red-chips and P-chips for inclusion into the Index. Such additional eligibility criteria was removed as of the Index review conducted on 14 August 2020. To ensure that the index turnover may be controlled at a manageable level, the number of constituent changes was capped at three in the August 2020 Index review. The restriction on the number of constituent changes will be removed starting from the November 2020 Index review.

### ***Index Reviews***

HSIL undertakes regular quarterly reviews of the Index constituents with data cut-off dates of end of March, June, September and December each year. In each review, there may or may not be constituent additions or deletions.

### ***Index Rebalancing***

Regular rebalancing is usually implemented after market close on the first Friday in March, June, September and December, and comes into effect on the next trading day.

Ad hoc rebalancing will be conducted if a constituent's issued shares and/or FAF is substantially different from the production data. The Index will also be recapped in the event of constituent changes if the newly added component has a weighting that is higher than the index cap level. A minimum notice period of two trading days will be given to subscribers of data products issued by HSIL for any ad hoc rebalance.

Please refer to the Indexation Guide (available on the website of HSIL) for further details about corporate actions adjustments and index rebalancing.

### ***Index Constituents***

You can obtain the list of the constituents of the Index, their respective weightings and additional information of the Index including the index methodology and the closing level of the Index from the website of the Index Provider at [www.hsi.com.hk](http://www.hsi.com.hk) (the contents of which have not been reviewed by the SFC).

## Index Codes

Bloomberg: HSCEI

Reuters: .HSCE

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

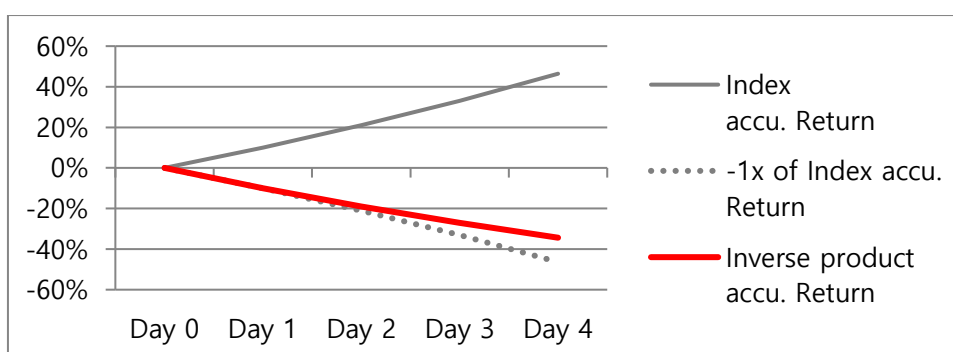
The Product's objective is to provide return which is the inverse Daily performance of the Index. The Product is subject to a leverage factor of one time (-1x). As such, the Product's performance may not track -1x the cumulative Index return over a period greater than 1 Business Day. This means that the return of the Index over a period of time greater than a single day multiplied by -100% generally will not equal the Product's performance over that same period. The Product may underperform the return of -100% of the Index in a trendless or flat market. This is caused by compounding, which is the cumulative effect of previous earnings generating earning or losses in addition to the principal amount, and will be amplified by the volatility of the market and the holding period of the Product. The following scenarios illustrate how the Product's performance may deviate from that of the cumulative Index return (-1x) over a longer period of time in various market conditions. All the scenarios are based on a hypothetical HKD10 investment in the Product.

#### Scenario I: Continuous Upward Trend

In a continuous upward trend, where the Index rises steadily for more than 1 Business Day, the Product's accumulated loss will be less than -1x the cumulative Index gain. As illustrated in the scenario below, where an investor has invested in the Product on day 0 and the Index grows by 10% daily for 4 Business Days, by day 4 the Product would have an accumulated loss of 34%, compared with a 46% loss which is -1x the cumulative Index return.

	Index daily return	Index level	Index cumulative return	Inverse product daily return	Inverse product NAV	Cumulative performance - Inverse product	Cumulative performance - -1x of Index
Day 0		100.00	0%		HKD10.00	0%	0%
Day 1	10%	110.00	10%	-10%	HKD9.00	-10%	-10%
Day 2	10%	121.00	21%	-10%	HKD8.10	-19%	-21%
Day 3	10%	133.10	33%	-10%	HKD7.29	-27%	-33%
Day 4	10%	146.41	46%	-10%	HKD6.56	-34%	-46%

The chart below further illustrates the difference between the Product's performance versus -1x the cumulative Index return in a continuous upward market trend over a period greater than 1 Business Day.



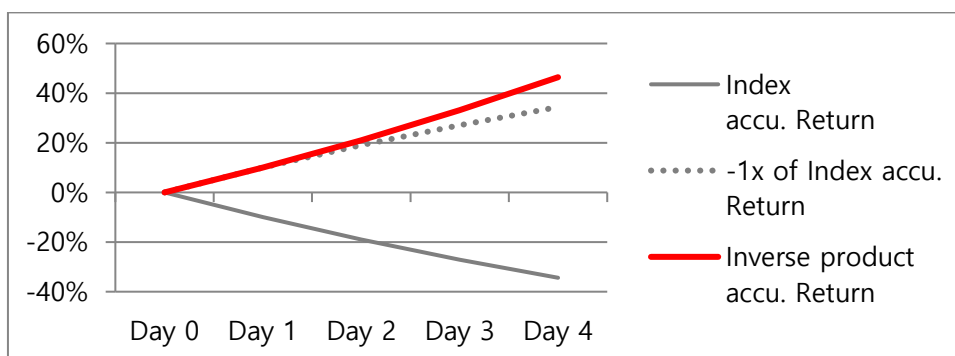
#### Scenario II: Continuous Downward Trend

In a continuous downward trend, where the Index falls steadily for more than 1 Business Day, the

Product's accumulated gains will be greater than -1x the cumulative Index return. As illustrated in the scenario below, where an investor has invested in the Product on day 0 and the Index falls by 10% daily for 4 Business Days, by day 4 the Product would have an accumulated gain of 46%, compared with a 34% gain which is -1x the cumulative Index return.

	Index daily return	Index level	Index cumulative return	Inverse product daily return	Inverse product NAV	Cumulative performance - Inverse product	Cumulative performance - -1x of Index
Day 0		100.00	0%		HKD10.00	0%	0%
Day 1	-10%	90.00	-10%	10%	HKD11.00	10%	10%
Day 2	-10%	81.00	-19%	10%	HKD12.10	21%	19%
Day 3	-10%	72.90	-27%	10%	HKD13.31	33%	27%
Day 4	-10%	65.61	-34%	10%	HKD14.64	46%	34%

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

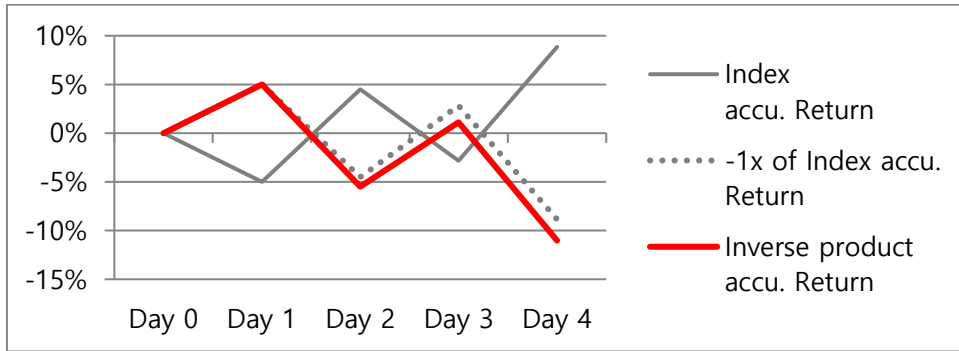


### Scenario III: Volatile Upward Trend

In a volatile upward trend, where the Index generally moves upward over a period longer than 1 Business Day but with intraday volatility, the Product's performance may be adversely affected in that the Product's performance may fall short of -1x the cumulative Index return. As illustrated in the scenario below, where the Index grows by 9% over 5 Business Days but with intraday volatility, the Product would have an accumulated loss of 11%, compared with a 9% loss which is -1x the cumulative Index return.

	Index daily return	Index level	Index cumulative return	Inverse product daily return	Inverse product NAV	Cumulative performance - Inverse product	Cumulative performance - -1x of Index
Day 0		100.00	0%		HKD10.00	0%	0%
Day 1	-5%	95.00	-5%	5%	HKD10.50	5%	5%
Day 2	10%	104.50	5%	-10%	HKD9.45	-5%	-5%
Day 3	-7%	97.19	-3%	7%	HKD10.11	1%	3%
Day 4	12%	108.85	9%	-12%	HKD8.90	-11%	-9%

The chart below further illustrates the difference between the Product's performance versus -1x the Index accumulated return in a volatile upward market trend over a period greater than 1 Business Day.

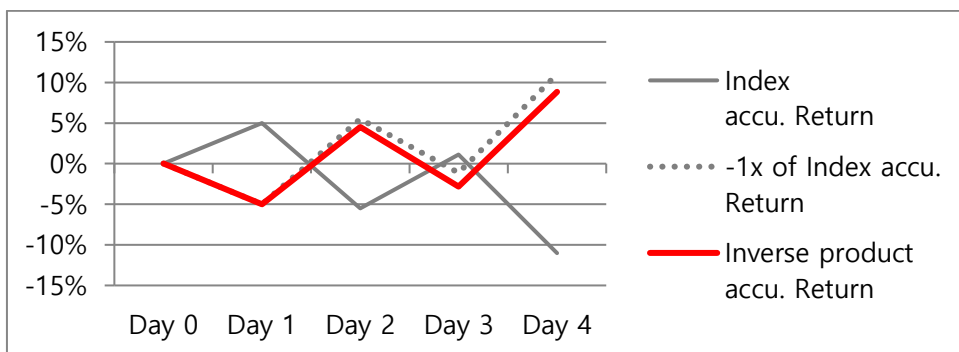


**Scenario IV: Volatile Downward Trend**

In a volatile downward trend, where the Index generally moves downward over a period longer than 1 Business Day but with intraday volatility, the Product’s performance may be adversely affected in that the Product’s performance may fall short of -1x the cumulative Index return. As illustrated in the scenario below, where the Index falls by 11% over 5 Business Days but with intraday volatility, the Product would have an accumulated gain of 9%, compared with a 11% gain which is -1x the cumulative Index return.

	Index daily return	Index level	Index cumulative return	Inverse product daily return	Inverse product NAV	Cumulative performance - Inverse product	Cumulative performance - -1x of Index
Day 0		100.00	0%		HKD10.00	0%	0%
Day 1	5%	105.00	5%	-5%	HKD9.50	-5%	-5%
Day 2	-10%	94.50	-6%	10%	HKD10.45	5%	6%
Day 3	7%	101.12	1%	-7%	HKD9.72	-3%	-1%
Day 4	-12%	88.98	-11%	12%	HKD10.88	9%	11%

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



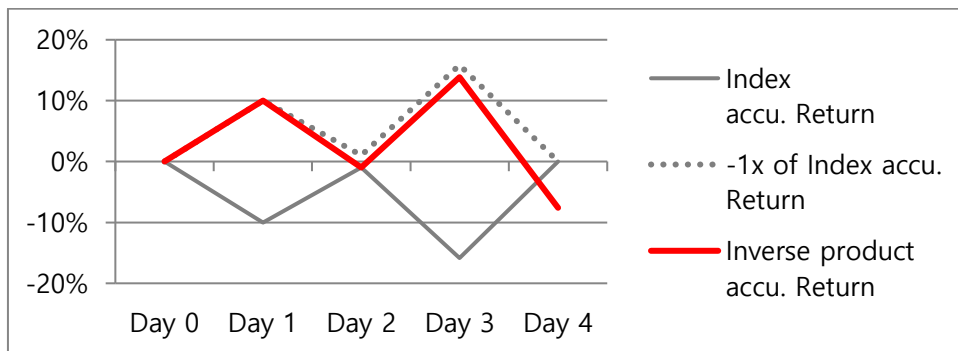
**Scenario V: Volatile Market with Flat Index Performance**

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

	Index daily	Index level	Index cumulative	Inverse product	Inverse product	Cumulati ve	Cumulative performance -
Day 0							
Day 1							
Day 2							
Day 3							
Day 4							

	return		return	daily return	NAV	performance - Inverse product	-1x of Index
Day 0		100.00	0%		HKD10.00	0%	0%
Day 1	-10%	90.00	-10%	10%	HKD11.00	10%	10%
Day 2	10%	99.00	-1%	-10%	HKD9.90	-1%	1%
Day 3	-15%	84.15	-16%	15%	HKD11.39	14%	16%
Day 4	19%	100.00	0%	-19%	HKD9.22	-8%	0%

The chart below further illustrates the difference between the Product's performance versus -1x the cumulative Index return in a volatile market with flat index performance over a period greater than 1 Business Day.



As illustrated in the graphs and the tables, the cumulative performance of the Product is not “symmetrical” to the cumulative performance of the Index over a period longer than 1 Business Day.

Investors should note that due to the effect of “path dependency” (as explained below) and compounding of the Daily returns of the Index, the inverse performance of the Index (and as a result the performance of the Product before deduction of fees and expenses) for periods longer than a single day, especially in periods of market volatility which has a negative impact on the cumulative return of the Product, may be completely uncorrelated to the extent of change of the Index over the same period.

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

### **Explanation on Path Dependency**

As explained above, the Product aims to track the inverse performance of the Index on a Daily basis. However, due to path dependency of the Index and the Daily inverse performance of the Index, when comparing the Index and the inverse performance of the Index for a period longer than one day (i.e. comparison of the point-to-point performance), the historical inverse performance of the Index will not be equal to the simple inverse performance of the Index over the same period of time.

Below is an example which illustrates the “path dependency” of the Index and the inverse performance of the Index. *Please note that figures used are for illustration purposes only and are not indicative of the actual return likely to be achieved.*

	Index	Product (Inverse of Index)
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	Daily movement (in %)	Closing level	Daily movement (in %)	Closing NAV
Day 1		100.00		100.00
Day 2	+10.00%	110.00	-10.00%	90.00
Day 3	-9.09%	<u>100.00</u>	+9.09%	<u>98.18</u>

Assuming the Product tracks the inverse performance of the Index perfectly on a Daily basis, the absolute percentage change in the Daily movement of both the Index and the Product will be the same. That is, the Net Asset Value of the Product will fall by 10.00% if the Index rises by 10.00%, and the Net Asset Value of the Product will rise by 9.09% if the Index falls by 9.09%. On the basis of such Daily movements, the respective closing levels of the Index and closing Net Asset Values of the Product are as set out in the example above.

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

### Index Licence Agreement

The initial term of the licence of the Index commenced on 22 February 2017 and should continue until terminated by either party with at least three months' prior written notice to the other party. The licence agreement may otherwise be terminated in accordance with the provisions of the licence agreement.

### Index Disclaimer

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**THE PRODUCT OR ANY OTHER PERSON DEALING WITH THE PRODUCT AS A RESULT OF ANY OF THE AFORESAID, AND NO CLAIMS, ACTIONS OR LEGAL PROCEEDINGS MAY BE BROUGHT AGAINST HANG SENG INDEXES COMPANY LIMITED AND/OR HANG SENG DATA SERVICES LIMITED** in connection with the Product in any manner whatsoever by any broker, holder or other person dealing with the Product. Any broker, holder or other person dealing with the Product does so therefore in full knowledge of this disclaimer and can place no reliance whatsoever on Hang Seng Indexes Company Limited and Hang Seng Data Services Limited. For the avoidance of doubt, this disclaimer does not create any contractual or quasi-contractual relationship between any broker, holder or other person and Hang Seng Indexes Company Limited and/or Hang Seng Data Services Limited and must not be construed to have created such relationship. An investor, by subscribing or purchasing an interest in the Product, will be regarded as having acknowledged, understood and accepted this disclaimer and will be bound by it.

### **Borrowing Restriction**

Borrowing for the account of the Product is allowed up to a maximum of 10% of its latest available Net Asset Value and may only be effected on a temporary basis for the purposes of meeting redemption requests or defraying operating expenses.

### **Termination Amount**

The Product may be terminated by the Manager without approval of the Unitholders where the aggregate Net Asset Value of all Units is less than HKD80,000,000.

### **The Offering**

Dealings in the Units on the SEHK commenced on 14 March 2017.

The current Dealing Deadline After Listing is 4:00 p.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager (with the approval of Trustee) may determine on any day when the trading hours of the SEHK are reduced.

All Creation Applications must be made in cash (in HKD only). Settlement in cash for subscribing Units is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

The attention of investors is drawn to the section entitled "The Offering Phases" in Part 1 of this Prospectus.

### **Exchange Listing and Trading (Secondary Market)**

Dealings on the SEHK in Units traded in HKD began on 14 March 2017. Units are traded on the SEHK in board lots of 100 Units.

Units are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Units on one or more other stock exchanges. Investors' attention is drawn to the section entitled "Exchange Listing and Trading (Secondary Market)" in Part 1 of this Prospectus for further information.

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

### **Redemptions**

Units can be redeemed directly (through a Participating Dealer). Redemption proceeds shall be paid in HKD only.

## **Risk Factors Specific to the Product**

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

### **Risks relating to Futures Contracts**

**Rolling of Futures Contracts Risk.** Investment in Futures Contracts exposes the Product to a liquidity risk linked to Futures Contracts which may affect the value of such Futures Contracts. A “roll” occurs when an existing Futures Contract is about to expire and is replaced with a Futures Contract representing the same underlying but with a later expiration date. The value of the Product’s portfolio (and so the Net Asset Value per Unit) may be adversely affected by the cost of rolling positions forward as the Futures Contracts approach expiry. The change in price of a Futures Contract may reflect many factors such as perceived economic changes or political circumstances as well as increased demand.

**Contango and Backwardation Risk.** As the HSCEI Futures Contracts included in the Product’s portfolio come to expiration, they are replaced by contracts that have a later expiration. For example, a contract entered into a short position and held until September may specify a September expiration. As time passes, the contract expiring in September is replaced by a contract for expiration in October. This is accomplished by buying the September contract and entering into a short position of the October contract. This process is referred to as “short rolling”. Excluding other considerations, if the market for these contracts is in “contango”, where the prices are higher in the distant expiration months than in the nearer expiration months, the purchase of the September contract would take place at a price that is lower than the price of the October contract. Accordingly proceeds from closing out the September short position when rolling (buying and then selling the HSCEI Futures Contracts) would take place at a price that is lower than the price of the October contract, thereby creating a positive “roll yield”. By contrast, if the market for these contracts is in “backwardation”, where the prices are lower in the distant expiration months than in the nearer expiration months, the closing out of the September short position would take place at a price that is higher than the price of the October contract, thereby creating a negative “roll yield” which adversely affects the Net Asset Value.

**Margin Risk.** Generally, most leveraged transactions, such as Futures Contracts, involve the posting of margin or collateral. Because of the low margin deposits or collateral normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a Futures Contract may result in a proportionally high impact and substantial losses to the Product having a material adverse effect on the Net Asset Value of the Product. Like other leveraged investments, a futures transaction by the Product may result in losses in excess of the amount invested by the Product. Additional funds may need to be posted as margin or collateral to meet such calls based upon daily marking to market of Futures Contracts. Increases in the amount of margin or collateral or similar payments may result in the need for the Product to liquidate its investments at unfavourable prices in order to meet margin or collateral calls. This may result in substantial losses to Unitholders.

**Futures Contracts Market Risk.** Futures Contracts markets, such as that for the Index, may be uncorrelated to traditional markets (such as equities markets) and are subject to greater risks than other markets. It is a feature of Futures Contracts generally that they are subject to rapid change and the risks involved may change relatively quickly. The price of Futures Contracts can be highly volatile. Such price movements are influenced by, among other things, interest rates, changing market supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments. In some cases, far-reaching political changes may result in constitutional and social tensions, instability and reaction against market reforms.

**Clearing House’s Failure Risk.** In the event of the bankruptcy of the exchange’s clearing house, the Product could be exposed to a risk of loss with respect to its assets that are posted as margin. If such a bankruptcy were to occur, the Product would be afforded the protections granted to participants to transactions cleared through a clearing house, under applicable law and

regulations. Such provisions generally provide for a pro rata distribution to customers of customer property held by the bankrupt exchange's clearing house if the exchange's clearing house is insufficient to satisfy all customer claims. In any case, there can be no assurance that these protections will be effective in allowing the Product to recover all, or even any, of the amounts it has deposited as margin.

**Regulatory Change Risk.** The regulation of Futures Contracts, and futures transactions in general, is a rapidly changing area of law and is subject to modification by government and judicial action. The effect of any such regulatory changes on the Product is impossible to predict, but could be substantial and adverse. To the extent possible, the Manager will attempt to monitor such changes to determine the impact such changes may have on the Product and what can be done, if anything, to try and limit such impact.

### **Risks relating to the Product**

**Inverse Performance Risk.** The Product tracks the inverse Daily performance of the Index. Should the value of the Index increase, it could have a negative effect on the performance of the Product. Unitholders could, in certain circumstances including a bull market, face minimal or no returns, or may even suffer a complete loss, on such investments.

**Long Term Holding Risk.** The Product is not intended for holding longer than one day as the performance of the Product over a period longer than one day will very likely differ in amount and possibly direction from the inverse performance of the Index over that same period (e.g. the loss may be more than -1 times the increase in the Index). The effect of compounding becomes more pronounced on the Product's performance as the Index experiences volatility. With higher Index volatility, the deviation of the Product's performance from the inverse performance of the Index will increase, and the performance of the Product will generally be adversely affected. As a result of Daily rebalancing, the Index's volatility and the effects of compounding of each day's return over time, it is even possible that the Product will lose money over time while the Index's performance falls or is flat.

**Inverse Product vs. Short Selling Risk.** Investing in the Product is different from taking a short position. Because of rebalancing the return profile of the Product is not the same as that of a short position. In a volatile market with frequent directional swings, the performance of the Product may deviate from a short position.

**Unconventional Return Pattern Risk.** Inverse products aim to deliver the opposite of the daily return of the Index. If the value of the Index increases for extended periods, the Product will likely to lose most or all of its value.

**Risk of Rebalancing Activities.** There is no assurance that the Product can rebalance their portfolio on a Daily basis to achieve their investment objectives. Market disruption, regulatory restrictions or extreme market volatility may adversely affect the Product's ability to rebalance its portfolio.

**Liquidity Risk.** The rebalancing activities of the Product typically take place near the end of a trading day, at or around the close of trading of the underlying market, to minimise tracking difference. As a result, the Product may be more exposed to the market conditions during a shorter interval and may be more subject to liquidity risk.

**Volatility Risk.** Prices of the Product may be more volatile than conventional ETFs because of the Daily rebalancing activities.

**Intraday Investment Risk.** Leverage factor of the Product may change during a trading day when market moves but it will not be rebalanced immediately. The Product is normally rebalanced near the end of a Business Day, at or around the close of trading of the underlying market. As such, return for investors that invest for a period less than a full trading day will generally be greater than or less than the inverse (-1x) investment exposure to the Index, depending upon the movement of the Index from the last rebalancing until the time of purchase.

**Portfolio Turnover Risk.** Daily rebalancing of Product's holdings causes a higher level of portfolio transactions than compared to the conventional ETFs. High levels of transactions increase brokerage and other transaction costs.

**Path Dependency.** The objective of the Product is to provide investment results that, before fees and expenses, closely correspond to the inverse performance of the Index on a Daily basis only. Therefore the Product should not be equated with seeking a short position for periods longer than a day. Investors in the Product should note that the point-to-point accumulated performance of the historical Daily inverse performance of the Index over a certain period may not be symmetrical to the point-to-point performance of the Index over the same period of time due to the effect of "path dependency" and compounding of the Daily returns of the Index. As such, the performance of the Product is not inversely correlated to the performance of the Index over a certain period of time. Please refer to the section "Explanation on Path Dependency" above.

**Holding of HSCEI Futures Contracts Restriction in Number Risk.** The current restriction in the Securities and Futures (Contracts Limits and Reportable Position) Rules (the "Rules") made under the SFO limits the holding by a person for his own account, or for another person but which he controls, of futures contracts or stock options contracts. As such, not only are the positions held or controlled by the Product subject to the prescribed position limit, the positions held or controlled by the Manager, including positions held for the Manager's own account or for the funds under its management (such as the Product) but controlled by the Manager, may also not in aggregate exceed the relevant maximum. Accordingly, the Product's ability to acquire further HSCEI Futures Contracts may be affected by other futures/option contracts held or controlled by the Manager (including Mini-Hang Seng China Enterprises Index futures contracts, Hang Seng China Enterprises Index options contracts and positions held or controlled for other funds/products). Because Unitholders will not themselves hold HSCEI Futures Contracts or control the Product, holdings of Units by a Unitholder will not render such Unitholder to be subject to the requirements of the Rules. Whilst the Manager does not anticipate that this will have any immediate effect on the Product, if the position held or controlled by the Manager reaches the relevant position limit or if the Net Asset Value of the Product grows significantly, the restrictions under the Rules may prevent creations of Units due to the inability under the Rules of the Product to acquire further HSCEI Futures Contracts. This may cause a divergence between the trading price of a Unit on the SEHK and the Net Asset Value per Unit. The investment exposure could also deviate from the target exposure which adds tracking error to the Product.

**Index Constituents and Futures Contracts Price Limit Risk.** The Product's investment objective is to provide investment results that closely correspond to the inverse (-1x) Daily performance of the Index. Although the Index is an equity index, the Product invests in HSCEI Futures Contracts. The HKEx has adopted a volatility control mechanism ("VCM") for securities including constituents of the Index. During the continuous trading session of the constituents of the Index, the VCM is triggered if the price of a security is deviated more than  $\pm 10\%$  away from the last traded price 5 minutes ago, and a 5 minutes cooling-off period will start. During the cooling off period, trading is allowed within a fixed price band ( $\pm 10\%$  of the last trading price). There will be a maximum of one VCM trigger in each trading session (morning session and afternoon session are counted as two separate trading sessions). VCM also applies to the HSCEI Futures Contracts. If there is an attempt to trade a HSCEI Futures Contract at a price more than 5% away from its last traded price 5 minutes ago, it will trigger a 5-minute cooling-off period where trading of the HSCEI Futures Contracts can still continue but within a band. As a result, the price movement of the Index may be greater than the HSCEI Futures Contracts' price movement. If the VCM cooling off period is triggered around the close of trading of the underlying market on any Business Day, this may result in imperfect Daily rebalancing of the Product.

**Trading Hours Differences Risk.** The HKFE and the SEHK have different trading hours. As the HKFE may be open when Units in the Product are not priced, the value of the HSCEI Futures Contracts in the Product's portfolio may change at times when investors will not be able to purchase or sell the Product's Units. Difference in trading hours between the HKFE and the SEHK may increase the level of premium/discount of the Unit price to its Net Asset Value. Trading of the Index constituents closes earlier than trading of the HSCEI Futures Contracts so there may continue to be price movements for HSCEI Futures Contracts when Index constituents

are not trading. There may be imperfect correlation between the value of the Index constituents and the HSCEI Futures Contracts, which may prevent the Product from achieving its investment objective.

**Suspension of Creation Risk.** There can be no assurance that there are sufficient HSCEI Futures Contracts in the market available to the Product to fully satisfy subscription requests. This may result in a need for the Manager to close the Product to further creations. This may result in divergence between the trading price of the Unit and the Net Asset Value per Unit. In extreme circumstances, the Product may incur significant loss due to limited investment capabilities, or may not be able fully to implement or pursue its investment objectives or strategies, due to illiquidity of the HSCEI Futures Contracts, and delay or disruption in execution of trades or in settlement of trades.

**Concentration and Mainland China Market Risk.** The Product is subject to concentration risks as a result of tracking the inverse performance of a single geographical region or country (the PRC including Hong Kong). The value of the Product may be more volatile than that of a fund having a more diverse portfolio of investments. The Index constituents are companies listed on the SEHK and primarily traded in Hong Kong, and have substantial business exposure to the PRC, an emerging market. Investments of the Product may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

**Appendix dated 29 April 2022**

**APPENDIX 5: GLOBAL X HANG SENG CHINA ENTERPRISES INDEX DAILY (2X)  
LEVERAGED PRODUCT**

**Key Information**

*Set out below is a summary of key information in respect of the Global X Hang Seng China Enterprises Index Daily (2x) Leveraged Product (the “Product”) which should be read together with the full text of this Appendix and the Prospectus.*

<b>Investment Objective</b>	To provide investment results that, before fees and expenses, closely correspond to <u>twice</u> the <u>Daily</u> performance of the Index
<b>Index</b>	Hang Seng China Enterprises Index (HSCEI)
<b>Listing Date (SEHK)</b>	14 March 2017
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	07230
<b>Short Stock Name</b>	FL2 GX HSCEI
<b>Trading Board Lot Size</b>	100 Units
<b>Base Currency</b>	HKD
<b>Trading Currency</b>	HKD
<b>Distribution Policy</b>	The Manager does not intend to pay or make any distributions or dividends
<b>Application Unit Size for creation and redemption (only by or through Participating Dealers)</b>	Minimum 100,000 Units (or multiples thereof)
<b>Participating Dealers*</b>	ABN AMRO Clearing Hong Kong Limited BNP Paribas Securities Services China Merchants Securities (HK) Company Limited Goldman Sachs (Asia) Securities Limited Guotai Junan Securities (Hong Kong) Limited Haitong International Securities Company Limited Merrill Lynch Far East Limited Mirae Asset Securities (HK) Limited Yue Kun Research Limited

<b>Market Makers*</b>	Flow Traders Hong Kong Limited Head & Shoulders Securities Limited IMC Asia Pacific Limited SG Securities (HK) Limited
<b>Creation / Redemption Policy</b>	Cash (HKD) only
<b>Dealing Deadline for creation and redemption</b>	4:00 p.m. on the relevant Dealing Day, or such other time as the Manager (with the approval of the Trustee) may determine
<b>Management Fee</b>	Currently 0.65% per year of the Net Asset Value
<b>Trustee Fee</b>	Currently 0.12% per year of the Net Asset Value, subject to a monthly minimum of HKD78,000 (minimum fee waived from 10 March 2017 to 10 March 2019)
<b>Website</b>	<a href="https://www.globalxetfs.com.hk/">https://www.globalxetfs.com.hk/</a>

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

### What is the Investment Objective?

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

### What is the Investment Strategy?

In seeking to achieve the Product's investment objective, the Manager will adopt a futures-based replication investment strategy through investing directly in the spot month Futures Contracts on the Index ("HSCEI Futures Contracts") and in the spot month Mini-Hang Seng China Enterprises Index futures contracts ("Mini-Hang Seng China Enterprises Index Futures Contracts"), subject to the rolling strategy discussed below, to obtain the required exposure to the Index. For the purpose of this Appendix, any reference to HSCEI Futures Contracts shall include Mini-Hang Seng China Enterprises Index Futures Contracts, unless the context requires otherwise.

In entering into the spot month HSCEI Futures Contracts, the Manager anticipates that not more than 40% of the Net Asset Value of the Product from time to time will be used as margin to acquire the HSCEI Futures Contracts. Under exceptional circumstances (e.g. increased margin requirement by the exchange and/or brokers in extreme market turbulence), the margin requirement may increase substantially.

Not less than 50% of the Net Asset Value of the Product (this percentage may be reduced proportionally under exceptional circumstances when there is a higher margin requirement, as described above) will be invested in cash and cash equivalents (e.g. short term deposits) denominated in HKD. Yield in HKD from such cash and investment products will be used to meet the Product's fees and expenses and after deduction of such fees and expenses, the remainder (if any) will be reinvested into the Product. In addition, the Product will invest up to 10% of its Net Asset Value in exchange traded funds listed in Hong Kong, the investment objective of which are

to track the performance of the Index, and which are not managed by any member of the Mirae Asset Group (“HSCEI ETFs”).

Other than HSCEI Futures Contracts, the Manager will not invest the Product in any FDIs (including structured products or instruments) for hedging or non-hedging (i.e. investment) purposes. The Product will not enter into securities lending transactions, sale and repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions. The Manager will seek the prior approval of the SFC and provide at least one month’s prior notice to Unitholders, where required, before the Manager engages in any such investments.

The Product’s global exposure to FDIs and HSCEI ETFs will not exceed 200% of its Net Asset Value (i) at the time of Daily rebalancing of the Product; and (ii) between each Daily rebalancing, unless due to market movement. In calculating the Product’s global exposure to FDIs, the commitment approach will be used, whereby the derivative position of the Product is converted into the equivalent position in the underlying assets embedded in those derivatives, taking into account the prevailing value of the underlying assets, i.e. the constituents of the Index, the counterparty risk, future market movements and the time available to liquidate the positions.

### Daily Rebalancing of the Product

The Product as a leveraged product will rebalance its position on a day when the HKFE and SEHK are open for trading (i.e. a Business Day). On such days the Product will rebalance its position at or around the close of trading of the underlying market, by increasing exposure in response to the Index’s Daily gains or reducing exposure in response to the Index’s Daily losses, so that its Daily leverage exposure ratio to the Index is consistent with the Product’s investment objective.

The table below illustrates how the Product as a leveraged product will rebalance its position following the movement of the Index by the end of the day.\* Assuming that the initial Net Asset Value of the Product is 100 on day 0, the Product will need to have a futures exposure of 200 to meet the objective of the Product. If the Index increases by 10% during the day, the Net Asset Value of the Product would have increased to 120, making the futures exposure of the Product 220. As the Product needs a futures exposure of 240, which is 2x the Product’s Net Asset Value at closing, the Product will need to rebalance its position by an additional 20. Day 1 illustrates the rebalancing requirements if the Index falls by 5% on the subsequent day.

	Calculation	Day 0	Day 1	Day 2
(a) Initial Product NAV		100	120	108
(b) Initial futures exposure	(b) = (a) × 2	200	240	216
(c) Daily Index change (%)		10%	-5%	5%
(d) Profit / loss on futures	(d) = (b) × (c)	20	-12	10.8
(e) Closing Product NAV	(e) = (a) + (d)	120	108	118.8
(f) Futures exposure	(f) = (b) × (1+(c))	220	228	226.8
(g) Target futures exposure to maintain leverage ratio	(g) = (e) × 2	240	216	237.6
(h) Required rebalancing amounts	(h) = (g) - (f)	20	-12	10.8

\* The above figures are calculated before fees and expenses.

### Futures Roll

As the Index is not a futures index, the Product does not follow any predetermined roll-over schedule. The Manager will use its discretion to carry out the roll-over of the spot month HSCEI Futures Contracts into next month HSCEI Futures Contracts with the goal that, by one Business Day before the last trading day of the spot month HSCEI Futures Contracts, all roll-over activities would have occurred.



## What are HSCEI Futures Contracts?

### *HSCEI Futures Contracts*

HSCEI Futures Contracts are equity index products and major products of HKEx's derivatives market in terms of trading volume. The Hong Kong Futures Exchange Limited, a wholly-owned subsidiary of HKEx, first introduced HSCEI Futures Contracts in December 2003. The underlying asset of HSCEI Futures Contracts is the HSCEI.

HSCEI Futures Contracts have the following key specifications:

<b>Underlying index</b>	Hang Seng China Enterprises Index
<b>Exchange</b>	The Hong Kong Futures Exchange Limited ("HKFE")
<b>Trading hours</b>	<ul style="list-style-type: none"> <li>• Morning Session: 09:15 - 12:00 (Pre-Market Opening Period: 08:45 - 09:15)</li> <li>• Afternoon Session: 13:00 - 16:30 (Pre-Market Opening Period: 12:30 - 13:00)</li> <li>• After-Hours Trading Session: 17:15 - 23:45</li> </ul> <p>The period during which the HKFE is open for normal trading may be reduced as a result of a Number 8 or above Typhoon Signal or Black Rainstorm warning.</p> <p>There is no afternoon or after-hours trading session on the eves of Christmas, New Year and Lunar New Year. The trading hours of the morning trading session on those three days shall be 9:15 a.m. – 12:30 p.m.</p> <p>There is no after-hours trading session if it is a bank holiday in both the United Kingdom and the United States.</p> <p>Expiring contract month closes at 4:00 pm on the last trading day. There shall be no afternoon or after-hours trading session if the last trading day falls on Christmas Eve, New Year's Eve or Lunar New Year's Eve.</p>
<b>Contract expiry</b>	Monthly
<b>Last trading day</b>	The business day immediately preceding the last business day of the contract month
<b>Contract size</b>	HKD50 x Hang Seng China Enterprises Index
<b>Settlement method</b>	Cash settlement
<b>Final settlement price</b>	The average of quotations taken at (i) five minute intervals from five minutes after the start of, and up to five minutes before the end of, the continuous trading session of SEHK; and (ii) the close of trading on SEHK on the last trading day.
<b>Position limit</b>	<p>12,000 position delta for long or short (on a net basis) combined in all contract months.</p> <p>The position limit applies to a person such as the Manager, i.e. the Manager cannot hold or control HSCEI Futures Contracts over this</p>

	limit.
<b>Volatility Control Mechanism (VCM)</b>	<p>A price limit VCM model is implemented for the HSCEI Futures Contracts market, under which a cooling-off period will be triggered by abrupt price volatility detected at the instrument level:</p> <ul style="list-style-type: none"> <li>• The VCM is triggered and a 5-minute cooling-off period will start if the price of a HSCEI Futures Contract deviates by more than 5% from the last traded price 5 minutes ago (the “VCM Reference Price”).</li> <li>• During the 5-minute cooling-off period, trading for the HSCEI Futures Contracts will continue within a fixed price band (<math>\pm 5\%</math> from the VCM Reference Price).</li> <li>• Normal trading without restriction will resume after the cooling-off period.</li> </ul>

For more information, please refer to “Hang Seng China Enterprise Index Futures under “Products > Listed Derivatives > Equity Index > Hang Seng China Enterprise Index” on the HKEx website (the contents of which has not been reviewed by the SFC).

HSCEI Futures Contracts have the following characteristics:

- (a) The underlying asset (the HSCEI) is a benchmark for the performance of Mainland securities (as defined below) listed on the SEHK. Since the HSCEI is widely used as a benchmark for the performance of Mainland securities, HSCEI Futures Contracts can be used as a hedging tool by investors to manage their risks from exposure to Mainland securities. Investors can also buy or sell HSCEI Futures Contracts for pure directional trading whenever they are bullish or bearish about Mainland securities.
- (b) HSCEI Futures Contracts are leveraged because they are traded on a margin basis. The margin to carry an open position is only a small percentage. As of 14 August 2019, the margin requirement for HSCEI August 2019 Futures Contracts is HKD43,358 (approximately 9.0% of current contract value) and the margin requirement for Mini-Hang Seng China Enterprises Index August 2019 Futures Contracts is HKD8,671 (approximately 9.0% of current contract value).
- (c) As the total value of high-capitalisation stocks represented in each HSCEI Futures Contract is substantial and as commission is only charged once for each transaction in Futures Contracts, transaction costs are considered low compared to purchasing or selling the constituent stocks.
- (d) As with other Futures Contracts traded on HKFE, HSCEI Futures Contracts are registered, cleared and guaranteed by the HKFE Clearing Corporation Limited (“HKCC”), a subsidiary of HKEx. HKCC acts as the counterparty to all open contracts, which effectively eliminates counterparty risks between HKCC participants.

The contract multiplier for HSCEI Futures Contracts is 50 per HSCEI point. The contract months for HSCEI Futures Contracts are spot, next calendar and next two calendar quarter months.

#### *Futures Liquidity*

As of 31 July 2019, the daily average volume and open interest of the HSCEI Futures Contracts for the past year are 150,430 contracts and 397,323 contracts respectively. The Manager believes that such liquidity is sufficiently abundant in terms of turnover and open interest for the Product to operate as a leveraged product tracking the Index.

#### *Mini-Hang Seng China Enterprises Index Futures Contracts*

Mini-Hang Seng China Enterprises Index Futures Contracts share the same characteristics of

HSCEI Futures Contracts, except that the contract multiplier for Mini-Hang Seng China Enterprises Index Futures Contracts is 10 per HSCEI point, and the transaction costs per contract for trading Mini-Hang Seng China Enterprises Index Futures Contracts are lower than those of HSCEI Futures Contracts.

### **Use of Derivatives**

The Product's net derivative exposure may be more than 100% of the Product's Net Asset Value.

### **Distribution Policy**

The Manager does not intend to pay or make any distributions or dividends.

### **The Index**

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

#### **General Information on the Index**

The Hang Seng China Enterprises Index (the "Index") measures the performance of the largest and most liquid Mainland securities (as defined below) listed in Hong Kong.

A "Mainland security" is defined as a Hong Kong-listed security that has at least 50% of its sales revenue (or profit or assets, if relevant) derived from Mainland China.

The Index adopts a freefloat-adjusted market capitalisation weighted methodology with a specified cap-level on individual constituent weightings.

The Index is a price return index. A price return index calculates the performance of the Index constituents without adjustments for cash dividends or warrant bonuses.

As at 31 March 2022, it comprised 50 constituent stocks with total market capitalisation of approximately HKD 18,049,302 million.

The Index was launched on 8 August 1994 and had a base level of 2,000 on 3 January 2000.

The Index is denominated in HKD.

#### **Index Provider**

The Index is compiled and managed by Hang Seng Indexes Company Limited ("HSIL"), a wholly-owned subsidiary of Hang Seng Bank Limited.

The Manager (and each of its Connected Persons) is independent of HSIL, the Index Provider.

The Index is calculated on a 2-second basis during trading hours of the SEHK and its closing value is based on the official closing prices of the constituent stocks announced by the SEHK.

#### **Index Methodology**

The compilation of the Index is based on a free float-adjusted market capitalisation weighted formula with a specified cap-level on individual stock weightings. Details are as follows:

(a) Freefloat adjustment: A Freefloat-Adjusted Factor ("FAF") is assigned to each constituent

in index calculation.

- (b) Capping: Prior to the June 2021 index rebalancing, the cap-level on individual constituents is as follows:

<i>Category</i>	<i>Cap level</i>
Secondary-listed constituents	5%
Weighted voting rights constituents (“WVRs”)	5%
Other constituents	10%

With effect from the June 2021 index rebalancing, all individual constituents, including WVRs, secondary-listed constituents and other constituents, will be subject to an aligned weighting cap of 8%

- (c) Re-capping frequency: A re-capping exercise will normally be conducted at quarterly intervals to coincide with the regular update of the FAF.

Greater China region (i.e. Hong Kong, Mainland China, Macau and Taiwan) WVRs will be considered as non freefloat shares. For secondary-listed Greater China companies, a company’s market capitalisation will be based solely on the Hong Kong registered portion of its shares (“HK Shares”). Any of the HK Shares held by a depository as underlying for overseas depository receipts will be considered as non-freefloat shares.

### **Constituent Eligibility**

The universe of stocks (the “Universe”) for the Index includes Mainland securities that are listed on the Main Board of the SEHK. It includes primary or secondary listed shares of companies and real estate investment trusts (“REITs”). It excludes stapled securities, foreign companies, biotech companies with stock names end with marker “B” and investment companies listed under Chapter 21 of the Listing Rules. The total number of constituents of the Index is fixed at 50.

In order to be included in the Index, a stock should be listed for at least one month by the review cut-off date and pass the 0.1% turnover velocity minimum requirement. Turnover velocity in each of the past 12 months is calculated for each stock based on the following formula:

$$\text{Turnover Velocity} = \frac{\text{Median of Daily Traded Shares in Specific Calendar Month}}{\text{Freefloat-adjusted Issued Shares at Month End}}$$

Turnover velocity of a new constituent entering the Index must meet the minimum requirement for at least 10 out of the past 12 months and for all of the latest three months. Turnover velocity of an existing constituent of the Index must meet the minimum requirement for at least 10 out of the past 12 months.

## **Selection**

Then, all eligible Mainland securities are ranked by each of the following:

- (i) Full market capitalisation, in terms of average month-end market capitalisation in the past 12 months.
- (ii) Freefloat-adjusted market capitalisation, in terms of 12-month average market capitalisation after freefloat adjustment.
- (iii) Average of the past month-end market capitalisation will be used for stocks with a listing history of less than 12 months.

A combined market capitalisation ranking is calculated for each Mainland security based on the following formula:

$$\begin{array}{l} \text{Combined Market} \\ \text{Capitalisation Ranking} \end{array} = \begin{array}{l} 50\% \text{ of Full Market Capitalization Rank} + \\ 50\% \text{ of Freefloat-adjusted Market Capitalisation Rank} \end{array}$$

The 50 eligible stocks with the highest combined market capitalisation ranking among all eligible Mainland securities will be selected as constituents of the Index, subject to the transitional arrangements described in the following paragraph.

Prior to the Index review in August 2020, additional eligibility criteria (namely, the listing history, price volatility and financial performance) was imposed on Red-chips and P-chips for inclusion in to the Index. Such additional eligibility criteria was removed as of the Index review conducted on 14 August 2020. To ensure that the index turnover may be controlled at a manageable level, the number of constituent changes was capped at three in the August 2020 Index review. The restriction on the number of constituent changes will be removed starting from the November 2020 Index review.

## **Index Reviews**

HSIL undertakes regular quarterly reviews of the Index constituents with data cut-off dates of end of March, June, September and December each year. In each review, there may or may not be constituent additions or deletions.

## **Index Rebalancing**

Regular rebalancing is usually implemented after market close on the first Friday in March, June, September and December, and comes into effect on the next trading day.

Ad hoc rebalancing will be conducted if a constituent's issued shares and/or FAF is substantially different from the production data. The Index will also be recapped in the event of constituent changes if the newly added component has a weighting that is higher than the index cap level. A minimum notice period of two trading days will be given to subscribers of data products issued by HSIL for any ad hoc rebalance.

Please refer to the Index Operation Guide (available on the website of HSIL) for further details about corporate actions adjustments and index rebalancing.

## **Index Constituents**

You can obtain the list of the constituents of the Index, their respective weightings and additional information of the Index including the index methodology and the closing level of the Index from the website of the Index Provider at [www.hsi.com.hk](http://www.hsi.com.hk) (the contents of which have not been

reviewed by the SFC).

### Index Codes

Bloomberg: HSCEI

Reuters: .HSCE

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

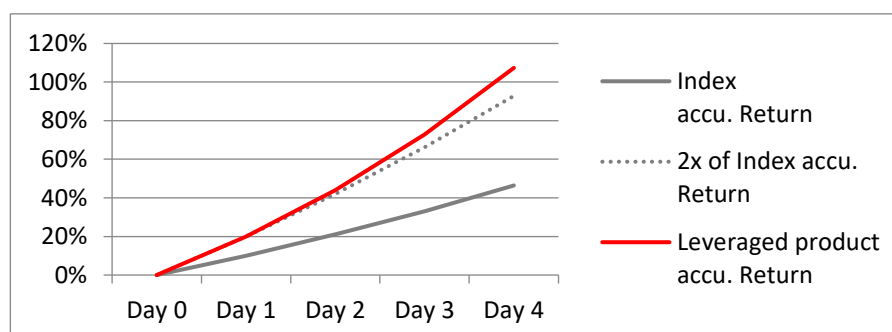
The Product's objective is to provide return which is of a predetermined leverage factor (2x) of the Daily performance of the Index. As such, the Product's performance may not track twice the cumulative Index return over a period greater than 1 Business Day. This means that the return of the Index over a period of time greater than a single day multiplied by 200% generally will not equal the Product's performance over that same period. The Product may underperform the return of 200% of the Index in a trendless or flat market. This is caused by compounding, which is the cumulative effect of previous earnings generating earning or losses in addition to the principal amount, and will be amplified by the volatility of the market and the holding period of the Product. In addition, the effects of volatility are magnified in the Product due to leverage. The following scenarios illustrate how the Product's performance may deviate from that of the cumulative Index return (2x) over a longer period of time in various market conditions. All the scenarios are based on a hypothetical HKD10 investment in the Product.

#### Scenario I: Continuous Upward Trend

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

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

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

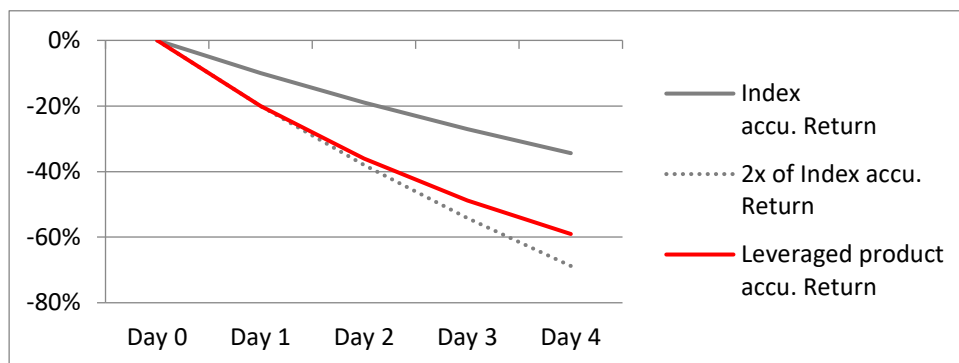


#### Scenario II: Continuous Downward Trend

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

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

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



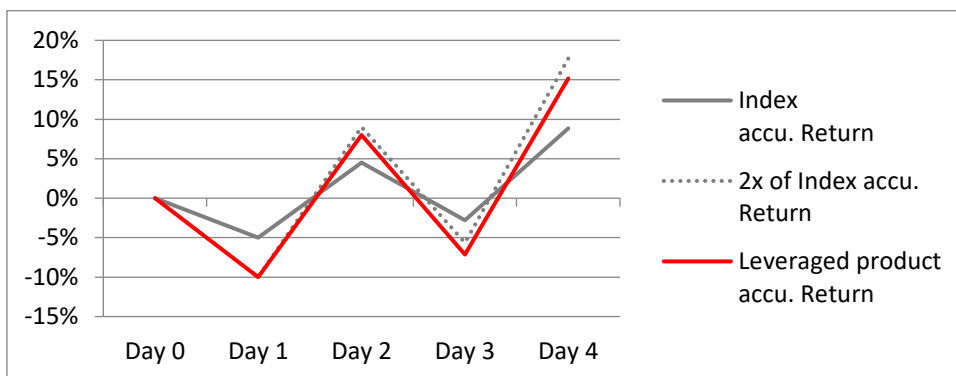
### Scenario III: Volatile Upward Trend

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

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

The chart below further illustrates the difference between the Product's performance versus twice

the Index accumulated return in a volatile upward market trend over a period greater than 1 Business Day.

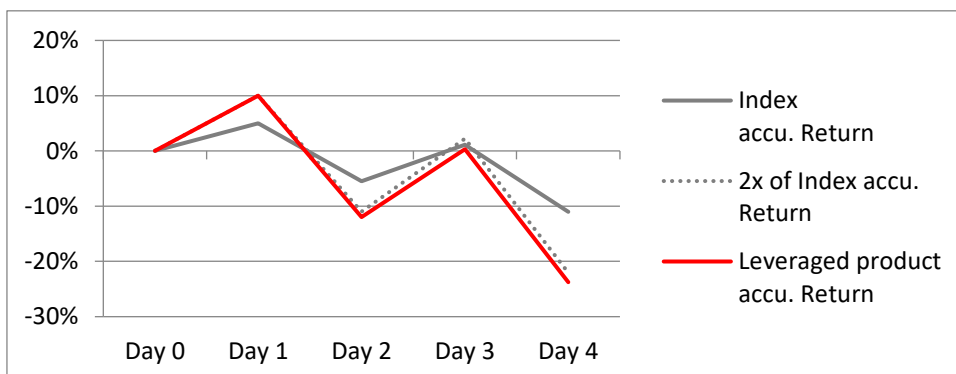


### Scenario IV: Volatile Downward Trend

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

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

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



### Scenario V: Volatile Market with Flat Index Performance

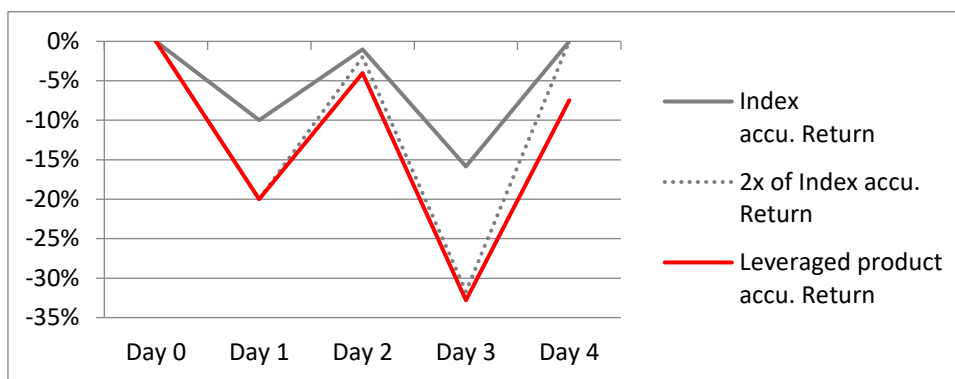
In a volatile market with flat index performance, the aforementioned compounding can have an



adverse effect on the performance of the Product. As illustrated below, even if the Index has returned to its previous level, the Product may lose value.

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

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



As illustrated in the graphs and the tables, the cumulative performance of the Product is not equal to twice the cumulative performance of the Index over a period longer than 1 Business Day.

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

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

### **Explanation on Path Dependency**

As explained above, the Product aims to track two times the performance of the Index on a Daily basis. However, due to path dependency of the Index and twice the Daily performance of the Index, when comparing the Index and two times the performance of the Index for a period longer than one day (i.e. comparison of the point-to-point performance), the historical two times performance of the Index will not be equal to the simple two times performance of the Index over the same period of time.

Below is an example which illustrates the “path dependency” of the Index and two times the performance of the Index. *Please note that figures used are for illustration purposes only and are not indicative of the actual return likely to be achieved.*

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

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

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

### Index Licence Agreement

The initial term of the licence of the Index commenced on 22 February 2017 and should continue until terminated by either party with at least three months' prior written notice to the other party. The licence agreement may otherwise be terminated in accordance with the provisions of the licence agreement.

### Index Disclaimer

The Hang Seng China Enterprises Index (the "Index") is published and compiled by Hang Seng Indexes Company Limited pursuant to a licence from Hang Seng Data Services Limited. The mark and name "Hang Seng China Enterprises Index" are proprietary to Hang Seng Data Services Limited. Hang Seng Indexes Company Limited and Hang Seng Data Services Limited have agreed to the use of, and reference to, the Index by Mirae Asset Global Investments (Hong Kong) Limited in connection with Global X Hang Seng China Enterprises Index Daily (2x) Leveraged Product (the "Product"), **BUT NEITHER HANG SENG INDEXES COMPANY LIMITED NOR HANG SENG DATA SERVICES LIMITED WARRANTS OR REPRESENTS OR GUARANTEES TO ANY BROKER OR HOLDER OF THE PRODUCT OR ANY OTHER PERSON (i) THE ACCURACY OR COMPLETENESS OF THE INDEX AND ITS COMPUTATION OR ANY INFORMATION RELATED THERETO; OR (ii) THE FITNESS OR SUITABILITY FOR ANY PURPOSE OF THE INDEX OR ANY COMPONENT OR DATA COMPRISED IN IT; OR (iii) THE RESULTS WHICH MAY BE OBTAINED BY ANY PERSON FROM THE USE OF THE INDEX OR ANY COMPONENT OR DATA COMPRISED IN IT FOR ANY PURPOSE, AND NO WARRANTY OR REPRESENTATION OR GUARANTEE OF ANY KIND WHATSOEVER RELATING TO THE INDEX IS GIVEN OR MAY BE IMPLIED.** The process and basis of computation and compilation of the Index and any of the related formula or formulae, constituent stocks and factors may at any time be changed or altered by Hang Seng Indexes Company Limited without notice. The level of the Index at any time for the purposes of the Product will be the level as calculated by Hang Seng Indexes Company Limited in its sole discretion. **TO THE EXTENT PERMITTED BY APPLICABLE LAW, NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY HANG SENG INDEXES COMPANY LIMITED OR HANG SENG DATA SERVICES LIMITED (i) IN RESPECT OF THE USE OF AND/OR REFERENCE TO THE INDEX BY MIRAE ASSET GLOBAL INVESTMENTS (HONG KONG) LIMITED IN CONNECTION WITH THE PRODUCT; OR (ii) FOR ANY INACCURACIES, OMISSIONS, MISTAKES OR ERRORS OF HANG SENG INDEXES COMPANY LIMITED IN THE COMPUTATION OF THE INDEX; OR (iii) FOR ANY INACCURACIES, OMISSIONS, MISTAKES, ERRORS OR INCOMPLETENESS OF ANY**

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### **Borrowing Restriction**

Borrowing for the account of the Product is allowed up to a maximum of 10% of its latest available Net Asset Value and may only be effected on a temporary basis for the purposes of meeting redemption requests or defraying operating expenses.

### **Termination Amount**

The Product may be terminated by the Manager without approval of the Unitholders where the aggregate Net Asset Value of all Units is less than HKD80,000,000.

### **The Offering**

Dealings in the Units on the SEHK commenced on 14 March 2017.

The current Dealing Deadline After Listing is 4:00 p.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager (with the approval of Trustee) may determine on any day when the trading hours of the SEHK are reduced.

All Creation Applications must be made in cash (in HKD only). Settlement in cash for subscribing Units is due at the time specified in the Operating Guidelines on the relevant Dealing Day in accordance with the Operating Guidelines.

The attention of investors is drawn to the section entitled "The Offering Phases" in Part 1 of this Prospectus.

### **Exchange Listing and Trading (Secondary Market)**

Dealings on the SEHK in Units traded in HKD began on 14 March 2017. Units are traded on the SEHK in board lots of 100 Units.

Units are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being sought as at the date of this Prospectus. Application may be made in the future for a listing of Units on one or more other stock exchanges. Investors' attention is drawn to the section entitled "Exchange Listing and Trading (Secondary Market)" in Part 1 of this Prospectus for further information.

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

### **Redemptions**

Units can be redeemed directly (through a Participating Dealer). Redemption proceeds shall be paid in HKD only.

### **Risk Factors Specific to the Product**

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

#### ***Risks relating to Futures Contracts***

**Rolling of Futures Contracts Risk.** Investment in Futures Contracts exposes the Product to a liquidity risk linked to Futures Contracts which may affect the value of such Futures Contracts. A “roll” occurs when an existing Futures Contract is about to expire and is replaced with a Futures Contract representing the same underlying but with a later expiration date. The value of the Product’s portfolio (and so the Net Asset Value per Unit) may be adversely affected by the cost of rolling positions forward (due to the higher price of the Futures Contract with a later expiration date) as the Futures Contracts approach expiry. The change in price of a Futures Contract may reflect many factors such as perceived economic changes or political circumstances as well as increased demand.

**Contango and Backwardation Risk.** As the HSCEI Futures Contracts included in the Product’s portfolio come to expiration, they are replaced by contracts that have a later expiration. For example, a contract entered into a long position and held until September may specify a September expiration. As time passes, the contract expiring in September is replaced by a contract for expiration in October. This is accomplished by selling the September contract and entering into a long position of the October contract. This process is referred to as “long rolling”. Excluding other considerations, if the market for these contracts is in “contango”, where the prices are higher in the distant expiration months than in the nearer expiration months, the sale of the September contract would take place at a price that is lower than the price of the October contract. Accordingly sale proceeds when rolling (selling and then buying the HSCEI Futures Contracts) will not be sufficient to purchase the same number of HSCEI Futures Contracts which have a higher price, thereby creating a negative “roll yield” which adversely affects the Net Asset Value. By contrast, if the market for these contracts is in “backwardation”, where the prices are lower in the distant expiration months than in the nearer expiration months, the sale of the September contract would take place at a price that is higher than the price of the October contract, thereby creating a positive “roll yield”.

**Margin Risk.** Generally, most leveraged transactions, such as Futures Contracts, involve the posting of margin or collateral. Because of the low margin deposits or collateral normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a Futures Contract may result in a proportionally high impact and substantial losses to the Product having a material adverse effect on the Net Asset Value of the Product. Like other leveraged investments, a futures transaction by the Product may result in losses in excess of the amount invested by the Product. Additional funds may need to be posted as margin or collateral to meet such calls based upon daily marking to market of Futures Contracts. Increases in the amount of margin or collateral or similar payments may result in the need for the Product to liquidate its investments at unfavourable prices in order to meet margin or collateral calls. This may result in substantial losses to Unitholders.

**Futures Contracts Market Risk.** Futures Contracts markets, such as that for the Index, may be uncorrelated to traditional markets (such as equities markets) and are subject to greater risks than other markets. It is a feature of Futures Contracts generally that they are subject to rapid change and the risks involved may change relatively quickly. The price of Futures Contracts can be highly volatile. Such price movements are influenced by, among other things, interest rates, changing market supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments. In some cases, far-reaching political changes may result in constitutional and social tensions, instability and reaction against market reforms.

**Clearing House's Failure Risk.** In the event of the bankruptcy of the exchange's clearing house, the Product could be exposed to a risk of loss with respect to its assets that are posted as margin. If such a bankruptcy were to occur, the Product would be afforded the protections granted to participants to transactions cleared through a clearing house, under applicable law and regulations. Such provisions generally provide for a pro rata distribution to customers of customer property held by the bankrupt exchange's clearing house if the exchange's clearing house is insufficient to satisfy all customer claims. In any case, there can be no assurance that these protections will be effective in allowing the Product to recover all, or even any, of the amounts it has deposited as margin.

**Regulatory Change Risk.** The regulation of Futures Contracts, and futures transactions in general, is a rapidly changing area of law and is subject to modification by government and judicial action. The effect of any such regulatory changes on the Product is impossible to predict, but could be substantial and adverse. To the extent possible, the Manager will attempt to monitor such changes to determine the impact such changes may have on the Product and what can be done, if anything, to try and limit such impact.

### ***Risks relating to the Product***

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

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

**Risk of Rebalancing Activities.** There is no assurance that the Product can rebalance their portfolio on a Daily basis to achieve their investment objectives. Market disruption, regulatory restrictions or extreme market volatility may adversely affect the Product's ability to rebalance its portfolio.

**Liquidity Risk.** The rebalancing activities of the Product typically take place near the end of a trading day, at or around the close of trading of the underlying market, to minimise tracking difference. As a result, the Product may be more exposed to the market conditions during a shorter interval and may be more subject to liquidity risk.

**Volatility Risk.** Prices of the Product may be more volatile than conventional ETFs because of using leverage and the Daily rebalancing activities.

**Intraday Investment Risk.** Leverage factor of the Product may change during a trading day when market moves but it will not be rebalanced immediately. The Product is normally rebalanced near the end of a Business Day, at or around the close of trading of the underlying market. As such, return for investors that invest for a period less than a full trading day will generally be greater than or less than two times (2x) leveraged investment exposure to the Index, depending upon the movement of the Index from the last rebalancing until the time of purchase.

**Portfolio Turnover Risk.** Daily rebalancing of Product's holdings causes a higher level of portfolio transactions than compared to the conventional ETFs. High levels of transactions increase brokerage and other transaction costs.

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

**Holding of HSCEI Futures Contracts Restriction in Number Risk.** The current restriction in the Securities and Futures (Contracts Limits and Reportable Position) Rules (the “Rules”) made under the SFO limits the holding by a person for his own account, or for another person but which he controls, of futures contracts or stock options contracts. As such, not only are the positions held or controlled by the Product subject to the prescribed position limit, the positions held or controlled by the Manager, including positions held for the Manager’s own account or for the funds under its management (such as the Product) but controlled by the Manager, may also not in aggregate exceed the relevant maximum. Accordingly, the Product’s ability to acquire further HSCEI Futures Contracts may be affected by other futures/option contracts held or controlled by the Manager (including Mini-Hang Seng China Enterprises Index futures contracts, Hang Seng China Enterprises Index options contracts and positions held or controlled for other funds/products). Because Unitholders will not themselves hold HSCEI Futures Contracts or control the Product, holdings of Units by a Unitholder will not render such Unitholder to be subject to the requirements of the Rules. Whilst the Manager does not anticipate that this will have any immediate effect on the Product, if the position held or controlled by the Manager reaches the relevant position limit or if the Net Asset Value of the Product grows significantly, the restrictions under the Rules may prevent creations of Units due to the inability under the Rules of the Product to acquire further HSCEI Futures Contracts. This may cause a divergence between the trading price of a Unit on the SEHK and the Net Asset Value per Unit. The investment exposure could also deviate from the target exposure which adds tracking error to the Product.

**Index Constituents and Futures Contracts Price Limit Risk.** The Product’s investment objective is to provide investment results that closely correspond to the leveraged (2x) of the Daily performance of the Index. Although the Index is an equity index, the Product invests in HSCEI Futures Contracts. The HKEx has adopted a volatility control mechanism (“VCM”) for securities including constituents of the Index. During the continuous trading session of the constituents of the Index, the VCM is triggered if the price of a security is deviated more than  $\pm 10\%$  away from the last traded price 5 minutes ago, and a 5 minutes cooling-off period will start. During the cooling off period, trading is allowed within a fixed price band ( $\pm 10\%$  of the last trading price). There will be a maximum of one VCM trigger in each trading session (morning session and afternoon session are counted as two separate trading sessions). VCM also applies to the HSCEI Futures Contracts. If there is an attempt to trade a HSCEI Futures Contract at a price more than 5% away from its last traded price 5 minutes ago, it will trigger a 5-minute cooling-off period where trading of the HSCEI Futures Contracts can still continue but within a band. As a result, the price movement of the Index may be greater than the HSCEI Futures Contracts’ price movement. If the VCM cooling off period is triggered around the close of trading of the underlying market on any Business Day, this may result in imperfect Daily rebalancing of the Product.

**Trading Hours Differences Risk.** The HKFE and the SEHK have different trading hours. As the HKFE may be open when Units in the Product are not priced, the value of the HSCEI Futures Contracts in the Product’s portfolio may change at times when investors will not be able to purchase or sell the Product’s Units. Difference in trading hours between the HKFE and the SEHK may increase the level of premium/discount of the Unit price to its Net Asset Value. Trading of the Index constituents closes earlier than trading of the HSCEI Futures Contracts so there may continue to be price movements for HSCEI Futures Contracts when Index constituents are not trading. There may be imperfect correlation between the value of the Index constituents and the HSCEI Futures Contracts, which may prevent the Product from achieving its investment objective.

**Suspension of Creation Risk.** There can be no assurance that there are sufficient HSCEI Futures Contracts in the market available to the Product to fully satisfy subscription requests. This may result in a need for the Manager to close the Product to further creations. This may result in divergence between the trading price of the Unit and the Net Asset Value per Unit. In extreme circumstances, the Product may incur significant loss due to limited investment capabilities, or may not be able fully to implement or pursue its investment objectives or strategies, due to illiquidity of the HSCEI Futures Contracts, and delay or disruption in execution of trades or in settlement of trades.

**Concentration and Mainland China Market Risk.** The Product is subject to concentration risks as a result of tracking the leveraged performance of a single geographical region or country (the PRC including Hong Kong). The value of the Product may be more volatile than that of a fund having a more diverse portfolio of investments. The Index constituents are companies listed on the SEHK and primarily traded in Hong Kong, and have substantial business exposure to the PRC, an emerging market. Investments of the Product may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

**Investment in other Exchange Traded Funds Risk.** As part of the Product's investment strategy, the Manager may invest in other exchange traded funds, namely the HSCEI ETFs. The Product is therefore exposed to the risk of investing in another management company's funds with all the related risks which attach to such funds generally. The Product does not have control of the investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved which may have a negative impact to the Net Asset Value of the Product. In addition, there may be additional costs involved when investing into these underlying funds, and as an investor in such funds, the Product will ultimately bear the fees and expenses of the underlying funds including management fees charged by the underlying management company. These charges will be in addition to the fees payable by the Product to the Manager. There is also no guarantee that the underlying funds will always have sufficient liquidity to meet the Product's redemption requests as and when made.

**Appendix dated 29 April 2022**