

**IMPORTANT: This document is important and requires your immediate attention. If you are in any doubt about the contents of this Announcement, you should consult your stockbroker, bank manager, solicitor or accountant or other financial adviser for independent professional financial advice.**

**Investment involves risks which may result in significant loss as there is no guarantee on investment returns.**

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

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.

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

## **CICC Fund Series (the "Trust")**

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

### **CICC CSI Select 100 ETF**

**Stock Codes: 83093 (RMB counter) and 03093 (HKD counter)**

### **CICC Bloomberg China Treasury 1-10 Years ETF**

**Stock Codes: 83079 (RMB counter) and 03079 (HKD counter)**

### **ICBC CICC USD Money Market ETF**

**Stock Codes of the listed class of Units: 03011 (HKD counter) and 09011 (USD counter)**

### **CICC HKD Money Market ETF**

**Stock Code of the listed class of Units: 03071 (HKD counter)**

### **CICC Carbon Futures ETF**

**Stock Codes: 03060 (HKD counter), 83060 (RMB counter) and 09060 (USD counter)**

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

## **ANNOUNCEMENT**

### **Adjustment of SEHK Trading Fee**

Dear Unitholders,

China International Capital Corporation Hong Kong Asset Management Limited, the manager of the Trust and the Sub-Funds (the "**Manager**"), wishes to inform unitholders of the Trust and the Sub-Funds that, with effect from 1 January 2023, the SEHK trading fee applicable to sales of Listed Class Units of the Sub-Funds on the SEHK and payable by each of the buyer and the seller of such transactions in Listed Class Units has been adjusted from 0.005% to 0.00565%

of the trading price of the Listed Class Units. Further information on the trading fee adjustment, including the related announcement published by the HKEX, are available on the HKEX's website at: [www.hkex.com.hk](http://www.hkex.com.hk)<sup>1</sup>.

The above adjustment will be reflected in due course in the Prospectus of the Trust and the Sub-Funds and the product key facts statements of the Sub-Funds, which will be published on the Manager's website at <https://cicchkam.com><sup>1</sup> and the HKEX's website at [www.hkex.com.hk](http://www.hkex.com.hk)<sup>1</sup>.

Unless otherwise stated, capitalised terms in this Announcement have the same meanings as defined in the Prospectus of the Trust and the Sub-Funds.

If you have any queries or require further information in relation to any aspect of this Announcement, please contact the Manager at 29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong or on +852 2872-2000 during normal office hours.

**China International Capital Corporation Hong Kong Asset Management Limited**  
as Manager of the Trust and the Sub-Funds

20 January 2023

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<sup>1</sup> This website has not been reviewed by the SFC.

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

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

*If you have sold or transferred all your units in CICC CSI Select 100 ETF, you should at once hand this Announcement and Notice to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.*

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

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

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

**CICC Fund Series  
(the “Trust”)**

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

**CICC CSI Select 100 ETF**

**Stock Codes: 83093 (RMB counter) and 03093 (HKD counter)  
(the “Terminating Investment Fund”)**

**ANNOUNCEMENT AND NOTICE OF THE PROPOSED CESSATION OF TRADING, TERMINATION, VOLUNTARY DEAUTHORISATION AND DELISTING AND NON-APPLICABILITY OF CERTAIN PROVISIONS OF THE CODE ON UNIT TRUSTS AND MUTUAL FUNDS**

Terms not defined in this Announcement and Notice will have the meanings as are given to such terms in the prospectus of the Trust and the Terminating Investment Fund dated 21 July 2022, as amended and supplemented from time to time (the “Prospectus”).

**IMPORTANT:** Investors are strongly advised to consider the contents of this Announcement and Notice. This Announcement and Notice is important and requires your immediate attention. It concerns the proposed cessation of trading of units of the Terminating Investment Fund (“Units”) on the SEHK, proposed termination and proposed deauthorisation of the Terminating Investment Fund and proposed delisting of the Terminating Investment Fund from the SEHK and the non-applicability of certain provisions of the Code on Unit Trusts and Mutual Funds (the “Code”) for the period from 28 February 2023 (Tuesday) (i.e. the Trading Cessation Date, as defined in section 2.5) to the date of deauthorisation (the “Deauthorisation Date”). In particular, investors should note that:

- taking into account the relevant factors, in particular, the relatively small net asset value (“Net Asset Value”) of the Terminating Investment Fund (see details of the factors in section 1 below), the Manager has, by means of a resolution of the board of directors of the Manager dated 23 September 2022, decided to exercise its power under Clause 35.6(A) of the Trust Deed and proposed to seek termination of the Terminating Investment Fund with effect from the Termination Date (as defined in section 2.5);
- the Last Trading Day (as defined in section 2.5) of the Units will be 27 February 2023 (Monday);
- the Units will cease trading as from 28 February 2023 (Tuesday) (i.e. the Trading Cessation Date, as defined in section 2.5);
- as the establishment costs of the Terminating Investment Fund have not been fully amortised, the Terminating Investment Fund will continue to bear its establishment costs (based on daily amortisation) up to the Last Trading Day, and the Manager will bear any remaining unamortised establishment costs;
- the Manager will realise all of the assets of the Terminating Investment Fund effective from the Trading Cessation Date. Accordingly, from the Trading Cessation Date onwards, (i) there will be no further trading of Units on the SEHK and no further creation and redemption of Units; (ii) the Manager will start to realise all the assets of the Terminating Investment Fund and the Terminating Investment Fund will therefore cease to track the performance of the Index and will not be able to meet its investment objective of tracking the performance of its Index; (iii) the Terminating Investment Fund will no longer be marketed to the public; (iv) the Terminating Investment Fund will mainly hold cash; and (v) the Terminating Investment Fund will only be operated in a limited manner;
- the Manager will, after having consulted the Trustee and the Terminating Investment Fund’s auditor, declare a Distribution (as defined in section 2.2) to the investors who remain so as at 3 March 2023 (Friday) (i.e. the Distribution Record Date), and the Distribution is expected to be payable on or around 13 March 2023 (Monday) (i.e. the Distribution Date);
- the amount of Distribution will equal the total net assets of the Terminating Investment Fund as at 3 March 2023 (Friday), which will exclude (i) any taxes payable; and (ii) any expenses payable;

- by the date when the Trustee and the Manager form an opinion that the Terminating Investment Fund ceases to have any outstanding contingent or actual assets or liabilities, the Trustee and the Manager will commence the completion of the termination of the Terminating Investment Fund (i.e. the Termination Date). The Manager expects the Termination Date will be on or around 3 April 2023 (Monday). The Manager will publish an announcement on or shortly before the Termination Date in relation to the termination, deauthorisation and delisting of the Terminating Investment Fund;
- during the period from the Trading Cessation Date until the Termination Date, the Manager will maintain the Terminating Investment Fund's SFC authorisation status and SEHK listed status, and, subject to the SEHK's approval, expects the delisting to take effect at or around the same time as the deauthorisation;
- the Manager expects that the deauthorisation and the delisting will take place either on the Termination Date or shortly after the Termination Date (please note that any product documentation for the Terminating Investment Fund previously issued to investors, including the product key facts statement ("KFS") of the Terminating Investment Fund in respect of the Terminating Investment Fund, should be retained for personal use only and not for public circulation); and
- investors should pay attention to the risk factors as set out in section 6.1 below (including liquidity risk, Units trading at a discount or premium and market makers' inefficiency risk, tracking errors during the period from the date of this Announcement and Notice to the Last Trading Day risk, Net Asset Value downward adjustment risk, failure to track the Index risk and delay in distribution risk). Investors should exercise caution and consult their professional and financial advisers before dealing in the Units or otherwise deciding on the course of actions to be taken in relation to their Units.

Stockbrokers and financial intermediaries are urged to:

- forward a copy of this Announcement and Notice to their clients holding Units, and inform them of the contents of this Announcement and Notice as soon as possible;
- facilitate their clients who want to dispose of Units on or before the Last Trading Day;
- inform their clients as soon as possible if any earlier dealing deadline, additional fees or charges, and/or other terms and conditions will be applicable in respect of the provision of their services in connection with any disposal of Units; and
- inform their clients of the Distribution arrangements as set out in section 2.2 below and the possible impact in relation to such arrangements to their clients.

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

### **1.1 Proposed termination of the Terminating Investment Fund**

According to Clause 35.6(A) of the Trust Deed, the Terminating Investment Fund may be terminated by the Manager in its absolute discretion by notice in writing to the Trustee if the aggregate Net Asset Value of all the Units outstanding shall be less than US\$10,000,000 (or equivalent in the base currency of the Terminating Investment Fund). According to the Trust

Deed, Unitholders' approval shall not be required for terminating the Terminating Investment Fund on the ground set out under Clause 35.6(A) of the Trust Deed.

As at 24 November 2022, the Net Asset Value and the Net Asset Value per Unit were as follows:

Name	Net Asset Value	Net Asset Value per Unit
CICC CSI Select 100 ETF	RMB23,878,560.69	RMB9.5514

Having taken into account the relevant factors including interests of the investors of the Terminating Investment Fund as a whole, the current relatively small Net Asset Value of the Terminating Investment Fund, the Manager is of the view that the proposed termination of the Terminating Investment Fund would be in the best interests of the investors of the Terminating Investment Fund.

Therefore, the Manager has, by means of a resolution of the board of directors of the Manager dated 23 September 2022, decided to exercise its power under Clause 35.6(A) of the Trust Deed, to terminate the Terminating Investment Fund on the date on which the Trustee and the Manager form an opinion that the Terminating Investment Fund ceases to have any outstanding contingent or actual assets or liabilities. The Manager has given written notice to the Trustee notifying the Trustee of its proposal to terminate the Terminating Investment Fund pursuant to Clause 35.6(A) of the Trust Deed, and the Trustee does not object to such proposal and acknowledges the non-applicability of certain provisions of the Code as referred to in this Announcement and Notice.

As required under Clause 35.8 of the Trust Deed, no less than three months' notice is hereby given to the investors, notifying them of the proposed termination of the Terminating Investment Fund. Also, as required under Chapters 11.1A and 11.2 of the Code, no less than one month's notice is hereby given to the investors, notifying them that the Terminating Investment Fund will cease to track the performance of the Index, and cease trading, from the Trading Cessation Date.

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

The Manager will apply to the SEHK to have the Units cease trading on the SEHK with effect from 28 February 2023 (Tuesday), the Trading Cessation Date. The Manager will realise all of the assets of the Terminating Investment Fund effective from the Trading Cessation Date. 27 February 2023 (Monday) will be the Last Trading Day when investors may buy or sell Units on the SEHK in accordance with the usual trading arrangements currently in place. No additional cost would be involved in such realisation of the assets of the Terminating Investment Fund as compared to the costs associated with the normal realisation of assets in the Terminating Investment Fund.

For the avoidance of doubt, creation and redemption of Units by Participating Dealers will continue to be permitted until the Last Trading Day. Creations of Units will be limited to the creation of Units by Participating Dealers for market making activities of market makers to provide liquidity of the trading of the Units on the SEHK. There will be no creation of Units for other purposes from the date of this Announcement and Notice.

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

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

After realisation of all the assets of the Terminating Investment Fund (as described in section 1.2 above and subject to section 2.4 below), the Terminating Investment Fund will mainly hold cash, primarily consisting of the proceeds from the realisation of the assets of the Terminating Investment Fund. Following this, from the Trading Cessation Date, the Terminating Investment Fund will cease to track its Index, and will not be able to meet its investment objective of tracking the performance of its Index.

## **2. What will happen on or before the Last Trading Day and from the Trading Cessation Date?**

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

On any trading day up to and inclusive of the Last Trading Day, an investor may continue to buy or sell its Units on the SEHK in accordance with the usual trading arrangements, during the trading hours of the SEHK and based on the prevailing market prices. The market makers of the Terminating Investment Fund will continue to perform their market making functions in accordance with the trading rules of the SEHK until the Last Trading Day.

Investors should note that stockbrokers or other financial intermediaries may impose brokerage fees on any sale of the Units on the SEHK on investors, and a SFC transaction levy (at 0.0027% of the price of the Units), a FRC transaction levy (at 0.00015% of the price of the Units) and a trading fee (currently at 0.005% and update to 0.00565% effective from 1 January 2023 of the price of the Units) will be payable by the buyer and the seller of the Units. A trading tariff of HK\$0.50 is payable to the Exchange on each and every purchase or sale transaction, but this will be removed with effective from 1 January 2023.

No stamp duty will be imposed on any sale or purchase of the Units on the SEHK.

The trading price of Units may be below or above the Net Asset Value per Unit. Please see the “Units trading at a discount or premium and market makers’ inefficiency risk” in section 6.1 below.

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

### **2.2 Distribution**

For Relevant Investors who are still holding Units after the Last Trading Day, the Manager will, after consulting the Trustee and the Terminating Investment Fund’s auditor, declare a final distribution of assets (the “**Distribution**”) in respect of those investors who remain invested in the Terminating Investment Fund as at the Distribution Record Date (the “**Relevant Investors**”). Such Distribution is expected to be made on or around 13 March 2023 (Monday).

Each Relevant Investor will be entitled to the Distribution of an amount equal to the Terminating Investment Fund’s then Net Asset Value in proportion to the Relevant Investor’s Units held as at the Distribution Record Date. The Terminating Investment Fund’s then Net Asset Value will be the total value of the net proceeds from the realisation of the assets of the Terminating Investment Fund as described in section 1.3 above, which will exclude (i) any taxes payable; and (ii) any expenses payable.

The Distribution payable to each Relevant Investor is expected to be paid on or around 13 March 2023 (Monday) to the accounts of its financial intermediary or stockbroker maintained with CCASS as at the Distribution Record Date. The Manager will issue a further announcement to inform the Relevant Investors of the exact day of payment of the Distribution, together with the amount of Distribution per Unit in respect of the Terminating Investment Fund in due course.

### **2.3 Further Distribution**

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

**IMPORTANT NOTE: Investors should pay attention to the risk factors as set out in section 6.1 below and consult their professional and financial advisers before disposing of the Units. If an investor disposes of its Units at any time on or before the Last Trading Day, such investor will not in any circumstances be entitled to any portion of the Distribution or any further distribution (if any) in respect of any Units so disposed. Investors should therefore exercise caution and consult their professional and financial advisers before dealing in their Units or otherwise deciding on any course of actions to be taken in relation to their Units.**

### **2.4 During the period from the Trading Cessation Date (as defined in section 2.5) until the Termination Date**

Following the realisation of the assets and the Distribution and further distribution, if any, on the date on which the Manager and the Trustee form an opinion that the Terminating Investment Fund ceases to have any outstanding contingent or actual assets or liabilities, the Trustee and Manager will commence the completion of terminating the Terminating Investment Fund.

During the period from the Trading Cessation Date until the Termination Date, the Terminating Investment Fund will still maintain its listing status with the SEHK and remain SFC authorised, although the Terminating Investment Fund will no longer be marketed or offered to the public and will be operated only in a limited manner as there will not be any trading of Units and the Terminating Investment Fund will have no investment activities from the Trading Cessation Date onwards.

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

The proposed termination, deauthorisation and delisting will be subject to the payment of all outstanding fees and expenses (please refer to section 5 below for further information), discharge of all other liabilities of the Terminating Investment Fund, as well as the final respective approvals by the SFC and the SEHK.

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



in breach of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

## 2.5 Important dates

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

Dispatch of Announcement and Notice	After market close on 25 November 2022 (Friday)
No further request for creation of Units by investors in the primary market via Participating Dealers (other than by Participating Dealers for market making activities) will be accepted	28 November 2022 (Monday)
Last day for dealings in the Units on the SEHK and last day for creation by Participating Dealers for market making activities and redemption of Units in the primary market through a Participating Dealer (the " <b>Last Trading Day</b> ")	27 February 2023 (Monday)
Dealings in the Units on the SEHK cease and no further creation and redemption of Units in the primary market through a Participating Dealer (the " <b>Trading Cessation Date</b> "), i.e. same date on which the Manager will start to realise all the investments of the Terminating Investment Fund and the Terminating Investment Fund will cease to be able to track its Index and will no longer be marketed or offered to the public in Hong Kong	28 February 2023 (Tuesday)
Record date for determining the eligibility of entitlement of investors for the Distribution and further distribution, if any (the " <b>Distribution Record Date</b> ")	By close of business on 3 March 2023 (Friday)
The date as at which the Manager will, after having consulted the Trustee and the Terminating Investment Fund's auditor, declare the Distribution amount per Unit and dispatch the announcement on the Distribution	On or around 6 March 2023 (Monday)
Distribution, after the Manager having consulted with the Trustee and the Terminating Investment Fund's auditor, will be paid to the Relevant Investors (the " <b>Distribution Date</b> ")	On or around 13 March 2023 (Monday)

Termination of the Terminating Investment Fund (the “Termination Date”)	Expected to be 3 April 2023 (Monday), when the Manager and the Trustee form an opinion that the Terminating Investment Fund ceases to have any outstanding contingent or actual assets or liabilities
Deauthorisation and delisting of the Terminating Investment Fund	On or shortly after the Termination Date, which is the date when the SFC and SEHK approve the deauthorisation and delisting respectively  The Manager expects that the deauthorisation and delisting will take place either on or immediately after the Termination Date

The Manager will issue the following:

- (on a weekly basis from the date of this Announcement and Notice to the Last Trading Day) reminder announcements informing and reminding investors of the Last Trading Day, the Trading Cessation Date and the Distribution Record Date;
- (as soon as practicable after the Distribution Date and further distribution date (if any) has been determined) an announcement to inform the investors of the Distribution Date and further distribution date, if any;
- (as soon as practicable after the amount of further distribution (if any) has been determined) an announcement to inform investors of the amount of further distribution (if any) per Unit; and
- (on or shortly before the Termination Date) an announcement to inform the investors of the Termination Date, the dates for the deauthorisation and delisting of the Terminating Investment Fund, in accordance with the applicable regulatory requirements.

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

### **3. Non-applicability of certain provisions of the Code**

#### **3.1 Background**

As set out in section 2.4 above, while the Units will cease trading effective from the Trading Cessation Date, because of certain outstanding actual or contingent assets or liabilities in relation to the Terminating Investment Fund, the Terminating Investment Fund will remain in existence after the Trading Cessation Date until the Termination Date. During such period, the Terminating Investment Fund will maintain its SFC authorisation status and its SEHK listed status, until the completion of the proposed termination, deauthorisation and delisting.

Given the Terminating Investment Fund will no longer be marketed or offered to the public and have limited operations after it ceases trading, pursuant to 8.6(t) of the Code and Question 13 of the Frequently Asked Questions on Exchange Traded Funds and Listed Funds, the Terminating

Investment Fund will continue to maintain its SFC authorisation status without strictly complying with certain provisions of the Code for the period from the Trading Cessation Date to the Deauthorisation Date, provided that the specific conditions and requirements imposed by the SFC are met.

Such conditions and requirements are described in the following sub-sections 3.2 to 3.5.

### **3.2 Publication of the suspension of dealing**

Under Chapter 10.7 of the Code, the Manager is required to: (a) immediately notify the SFC if dealing in Units ceases or is suspended; and (b) publish the fact that dealing is suspended immediately following the decision to suspend and at least once a month during the period of suspension in an appropriate manner.

The Manager will continue to manage the Terminating Investment Fund without strict compliance with 10.7 of the Code from the Trading Cessation Date to the Deauthorisation Date, subject to the condition that a statement shall be posted in a prominent position of the Manager's website: <https://cicchkam.com><sup>1</sup> from the Trading Cessation Date until the Deauthorisation Date to notify investors that the Units have ceased trading on the SEHK from 28 February 2023 (Tuesday), and draw investors' attention to this Announcement and Notice, the subsequent reminder announcements and all other relevant announcements.

As the Terminating Investment Fund will maintain its listing status with the SEHK after 27 February 2023 (Monday) (i.e. the Last Trading Day) until the Delisting Date, investors may continue to access further announcements in relation to the Terminating Investment Fund via the HKEX's website and the Manager's website: <https://cicchkam.com><sup>1</sup> during such period.

### **3.3 Provision of real time or near-real time indicative Net Asset Value per Unit and last Net Asset Value**

Under 8.6(u)(i) and 8.6(u)(ii) of the Code, the Manager is required to provide real time or near-real time indicative Net Asset Value per Unit (updated at least every 15 seconds during trading hours) and last Net Asset Value per Unit and last Net Asset Value of the Terminating Investment Fund (updated on a daily basis) on the Manager's website: <https://cicchkam.com><sup>1</sup> or such other channels as the SFC considers appropriate.

The Manager will continue to manage the Terminating Investment Fund without strict compliance with 8.6(u)(i) and 8.6(u)(ii) of the Code (for the period from the Trading Cessation Date to the Deauthorisation Date), subject to the following conditions and requirements imposed by the SFC which the Manager has undertaken to meet:

- (A) the Net Asset Value per Unit as at 27 February 2023 (Monday) (i.e. the Last Trading Day), which will be the latest Net Asset Value per Unit, will be published on the Manager's website: <https://cicchkam.com><sup>1</sup>; and
- (B) the Manager shall update the latest available Net Asset Value per Unit on the Manager's website: <https://cicchkam.com><sup>1</sup> as soon as practicable should there be any other change to the Net Asset Value of the Terminating Investment Fund, including but not limited to changes arising from (i) the Distribution (please see further in section 2.2 above); (ii) any further distribution (if any); (iii) any change in market value of any scrip dividend receivable by the Terminating Investment Fund; and (iv) any deduction of transaction costs or taxes relating to the realisation of assets of the Terminating Investment Fund.

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<sup>1</sup> This website has not been reviewed or approved by the SFC.

### 3.4 Updating of the Prospectus and KFS in respect of the Terminating Investment Fund

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

The Manager will continue to manage the Terminating Investment Fund without updating the Prospectus and the KFS in respect of the Terminating Investment Fund as required under 6.1 and 11.1B of the Code from the Trading Cessation Date to the Deauthorisation Date, subject to the following conditions and requirements imposed by the SFC and which the Manager has undertaken to meet:

- (A) the Manager will promptly notify investors of any changes to the Terminating Investment Fund or to the Prospectus or the KFS of the Terminating Investment Fund by means of publishing further announcement(s) on the Manager's website: <https://cicchkam.com><sup>1</sup> and the HKEX's website (each, a "**Relevant Future Announcement**");
- (B) the Manager will ensure that each Relevant Future Announcement shall include a statement to refer investors to read this Announcement and Notice together with the Prospectus, the KFS of the Terminating Investment Fund, and any other Relevant Future Announcement(s); and
- (C) the Manager will issue an updated Prospectus on the Deauthorisation Date to remove all references to the Terminating Investment Fund.

### 3.5 Other related matter

The Manager confirms that, save for the particular provisions of the Code set out in sections 3.2 to 3.4 above, the Manager will continue to comply with all the other applicable provisions of the Code, the applicable provisions in the Trust Deed, The Rules Governing the Listing of Securities ("**Listing Rules**") on the SEHK and other applicable laws and regulations in respect of the Terminating Investment Fund.

## 4. Preparing annual report covering the Termination Audit Period

Under Chapter 11.6 of the Code, the Manager is required to publish and distribute annual reports containing the information provided under Appendix E to the Code to Unitholders within 4 months of the end of the Terminating Investment Fund's financial year (which ends on 31 December in each year). Once financial reports are issued, Unitholders will be notified of where such reports, in printed and electronic forms, can be obtained within the relevant time frame.

As the Termination Date is expected to fall within 4 months of the current financial year ending on 31 December 2022, in order to minimise the operational costs, the Manager will rely on explanatory note (2) to Chapter 11.6 of the Code, which permits the extension of the reporting period for the annual report in the case of fund termination and combine the annual report for the preceding financial year with the termination audit of the Terminating Investment Fund covering the period from 1 January 2022 to the Termination Date (i.e. expected to be 3 April 2023) (the "**Termination Audit Period**").

The Manager will publish the annual reports as follows:

- (a) the contents of the annual report for the Termination Audit Period (the "**Termination**

**Audit Report**”) shall comply with the requirements under 4.5(f) and Appendix E to the Code and all other applicable provisions of the Code and other applicable laws and regulations; and

- (b) the Manager shall notify Unitholders of the Terminating Investment Fund by way of an announcement on the Manager’s website: <https://cicchkam.com><sup>1</sup> and the HKEX’s website on or before the original due date for issuance of the annual report for the year ended 31 December 2022 (i.e. on or before 30 April 2023) of, among other things, when the Termination Audit Report will be published, the start and end dates of the Termination Audit Period and where the hard copy and electronic copy of the Termination Audit Report may be obtained. The Termination Audit Report will be sent to the Relevant Investors as soon as practicable and in any event no later than four months after the Termination Date. The hard copies will also be made available free of charge from the office of the Manager.

The Manager confirms that Unitholders will not be prejudiced from the above arrangement under Chapter 11.6 of the Code. The Manager also confirms that, save as otherwise set out above, the Manager will continue to comply with all the other applicable provisions of the Code, the applicable provisions in the Trust Deed, the Listing Rules on the SEHK and other applicable laws and regulations in respect of the Terminating Investment Fund.

## **5. Costs**

### **5.1 Trading on the SEHK**

As indicated in section 2.1 above, stockbrokers or financial intermediaries may levy certain fees and charges for any orders to dispose of Units on or before the Last Trading Day.

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

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

### **5.3 Ongoing charges of the Terminating Investment Fund**

The ongoing charges of the Terminating Investment Fund over a year are 0.88%.

The ongoing charges figure above is an annualised figure based on expenses for the six-months ended 30 June 2022 of the Terminating Investment Fund, expressed as a percentage of the Terminating Investment Fund’s average Net Asset Value over the same period.

The Manager does not expect that the termination of the Terminating Investment Fund and the unamortised establishment cost will impact the figure disclosed above for ongoing charges. Please note for completeness the ongoing charges figure shown above is calculated in accordance with the guidance under the relevant SFC circular, and excludes the following costs and expenses associated with the termination of the Terminating Investment Fund (which are to be borne by the Terminating Investment Fund): (i) transaction costs and (ii) any taxes relating to the liquidation of assets of the Terminating Investment Fund.

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

The Manager will bear all costs and expenses associated with the termination, deauthorisation and delisting of the Terminating Investment Fund (other than transaction costs and any taxes

relating to the realisation of assets of the Terminating Investment Fund) from the date of this Announcement and Notice up to and including the Termination Date. The Manager will continue to charge a Management Fee and the Trustee will continue to charge the Trustee's fee up to and including the Trading Cessation Date.

## **5.5 Unamortised Establishment Cost**

As disclosed in the Prospectus, the establishment costs of the Terminating Investment Fund are estimated to be HKD550,000 and will be borne by the Terminating Investment Fund. The establishment costs will be amortised over the first 5 financial years of the Terminating Investment Fund ("**Amortisation Period**").

The actual establishment costs encountered by the Terminating Investment Fund are HKD550,000 and are amortised over the Amortisation Period. As at 24 November 2022, approximately HKD536,741.30 of the establishment costs have been amortised. The unamortised establishment costs, which amounted to approximately HKD13,258.70 as at 24 November 2022, will continue to be borne by the Terminating Investment Fund and will be amortised (based on daily amortisation) up to the Last Trading Day and the Manager will bear any remaining unamortised establishment costs.

Save for the unamortised establishment costs, the Terminating Investment Fund does not have any contingent liabilities (such as outstanding litigation) as at the date of this Announcement and Notice.

## **6. Other matters**

### **6.1 Other implications of the proposed cessation of trading of Units on the SEHK, the proposed termination, deauthorisation and delisting of the Terminating Investment Fund from the SEHK**

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

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

*Units trading at a discount or premium and market makers' inefficiency risk* – Units may trade at a discount or premium of their Net Asset Value. Although up to (and including) the Last Trading Day, the market makers will continue to perform its market making functions in respect of the Terminating Investment Fund in accordance with the Trading Rules of the SEHK, Units may trade at a discount compared to its Net Asset Value in extreme market situations. This is because many investors may want to sell their Units after this Announcement and Notice has been published but there may not be many investors in the market who are willing to purchase such Units. On the other hand, it is also possible that the Units may trade at a premium and consequently the divergence between the supply of and demand for the Units may be larger than usual. In particular, should there be a large demand for such Units before the Trading Cessation Date, the market maker may not be able to effectively perform its market making activities to provide liquidity of the trading of Units on the SEHK in these extreme market situations. Following this, the price volatility of the Units may be higher than usual from the date of this Announcement and Notice through the Last Trading Day;

*Tracking errors during the period from the date of this Announcement and Notice to the Last Trading Day risk* – It is possible that the size of the Terminating Investment Fund may drop

drastically before the Last Trading Day. This may impair the Manager's ability to fulfill the investment objective of the Terminating Investment Fund and result in significant tracking error. In the extreme situation where the size of the Terminating Investment Fund becomes so small that the Manager considers that it is not in the best interest of the Terminating Investment Fund to continue to invest in the market, the Manager may decide to convert the whole or part of the investments of the Terminating Investment Fund into cash or deposits in order to protect the interest of the investors of the Terminating Investment Fund;

*Net Asset Value downward adjustment risk* – Changes in economic environment, consumption pattern and investors' expectations may have significant impact on the value of the investments and there may be significant drop in value of the investments. Such market movements may result in substantial downward adjustment of the Net Asset Value per Unit before the Last Trading Day;

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

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

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

## **6.2 Tax implications**

### *Hong Kong tax*

Based on the Manager's understanding of the law and practice in force at the date of this Announcement and Notice, as the Terminating Investment Fund is collective investment scheme authorised under Section 104 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), profits of the Terminating Investment Fund derived from realisation of its assets in Hong Kong are exempt from Hong Kong profits tax. Notwithstanding that profits of the Terminating Investment Fund derived from realisation of its assets are exempt from Hong Kong profits tax, the Terminating Investment Fund may be subject to tax in certain jurisdictions where investments are made, on income or capital gains derived from such investments.

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

### *PRC tax*

The Manager, based on professional and independent tax advice, has not made any tax provision with respect to the gross unrealised and realised capital gains derived by the Terminating Investment Fund, given that:

- pursuant to “Notice on the issues of temporary exemption of Corporate Income Tax (“CIT”) arising from capital gains from the transfer of equity investment assets such as PRC domestic stocks by QFII and RQFII” (Caishui [2014] No. 79), QFII/RQFIIs (without a permanent establishment (“PE”) in the PRC or having a PE in the PRC but the income so derived in China is not effectively connected with such PE) are temporarily exempt from CIT on gains derived from the transfer of PRC equity investment assets (including A-Shares) effective from 17 November 2014; and
- pursuant to “Notice about the tax policies related to the Shanghai-Hong Kong Stock Connect” (Caishui [2014] No. 81) and the “Notice about the tax policies related to the Shenzhen-Hong Kong Stock Connect” (Caishui [2016] No. 127), CIT is temporarily exempted on capital gains derived by Hong Kong and overseas investors (including the Terminating Investment Fund) on the trading of A-Shares through the Stock Connect.

Investors’ attention is drawn to the sub-section entitled “Mainland China Tax Implications” in the Appendix 1 – CICC CSI Select 100 ETF of the Prospectus for information about the PRC tax obligations of the Terminating Investment Fund.

Investors should consult their professional tax advisers for tax advice.

### **6.3 Connected party transaction**

China International Capital Corporation Hong Kong Securities Limited (“**CICC Securities**”), which is a Connected Person of the Manager, currently acts as one of the Participating Dealers of the Terminating Investment Fund. As at 24 November 2022, CICC Securities held 51,500 Units, which is approximately 2.06% of the Net Asset Value of the Terminating Investment Fund.

As at 24 November 2022, a discretionary account managed by the Manager on behalf of an affiliate owns 2,158,000 Units which is approximately 86.32% of the Net Asset Value of the Terminating Investment Fund.

The above Connected Persons may decide to dispose of all or part of their Units, either by selling the Units on the SEHK or by redeeming the Units in the primary market, after being informed of the proposal to terminate the Terminating Investment Fund via this Announcement and Notice. Any such disposal of Units may reduce the size of the Terminating Investment Fund and impair the Manager’s ability to fulfil the investment objectives of the Terminating Investment Fund and result in significant tracking error. Please refer to “Tracking errors during the period from the date of this Announcement and Notice to the Last Trading Day risk” in section 6.1 above.

Other than disclosed above, no other Connected Persons of the Manager and/or the Trustee are party to any transaction in relation to the Terminating Investment Fund, nor hold any interest in the Terminating Investment Fund.

### **7. Documents available for inspection**

Copies of the following documents are available for inspection free of charge upon request at the Manager’s registered office (see section 8 below) during normal business hours:

- the Trust Deed;



- the Participation Dealer Agreements;
- the Service Agreements;
- the latest annual and semi-annual reports of the Trust and Terminating Investment Fund (if any);
- the Prospectus; and
- the KFS of the Terminating Investment Fund.

Copies of the Trust Deed, Participation Dealer Agreements and Service Agreements may be obtained from the Manager at a fee of HKD150 per set of copy documents. Copies of the annual and the semi-annual reports, the Prospectus and the KFS of the Terminating Investment Fund are available from the Manager free of charge.

## **8. Enquiries**

If you have any questions in relation to the contents of this Announcement and Notice, please direct them to your stockbrokers or financial intermediaries or contact the Manager by calling +852 2872-2000 during office hours (except Hong Kong statutory holidays), or visiting the Manager in person at 29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong, or visiting the Manager's website: <https://cicchkam.com><sup>2</sup>.

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

**China International Capital Corporation Hong Kong Asset Management Limited**  
as Manager of the Terminating Investment Fund

25 November 2022

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

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

This Addendum is supplemental to and forms part of the Prospectus of CICC Fund Series dated 21 July 2022 (the “Prospectus”). Unless otherwise defined herein, words and expressions defined in the Prospectus shall have the same meaning when used in this Addendum. China International Capital Corporation Hong Kong Asset Management Limited, the Manager of the Trust and the Sub-Fund, 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.

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

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.

## **CICC Fund Series (the “Trust”) (previously known as “CICC ETF Series”)**

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

### **CICC HKD Money Market ETF**

**Stock Code of the listed class of Units: 03071 (HKD counter)  
(the “Sub-Fund”)**

#### **Addendum to the Prospectus**

With effect from 5 December 2022, Appendix 5: CICC HKD Money Market ETF of the Prospectus is supplemented and amended as follows:

1. In the fifth row titled “Dealing Deadline” under the table headed “Key information applicable to Unlisted Class only” on page 183 of the Prospectus, the sentence therein shall be deleted in its entirety and replaced with the following:

“10:00 a.m. (Hong Kong time) on the relevant Dealing Day”

2. In the fourth row titled “Dealing Arrangements” under the table headed “Key similarities and differences between Listed Class and Unlisted Class” on pages 184 to 185 of the Prospectus:

- a) The first and second paragraphs shall be deleted in their entirety and replaced with the following:

“There are some differences in certain dealing arrangements in respect of each of the Listed Class and Unlisted Class, including but not limited to different Dealing Deadlines and minimum amounts for creation/subscription and redemption of Units.

Investors should note that the dealing frequency and the definition of “Dealing Day” for creation/subscription and redemption in respect of Listed Class and Unlisted Class are the same. However, the applicable dealing procedures and timing with the relevant Participating Dealer (in the case of the Listed Class) and the distributor (if applicable, in the case of the Unlisted Class) may be different. Investors should check with the relevant Participating Dealer or distributor for the applicable dealing procedures and timing.”

- b) The following paragraphs shall be inserted immediately after the first sub-paragraph (which will become the second and third sub-paragraphs) under the sub-heading “In respect of the Listed Class”:

“- the creation or redemption application for Listed Class Units received at or before the Dealing Deadline on a Dealing Day (“Day T”) will be processed at the Net Asset Value per Unit of Listed Class of Day T;

- the creation or redemption application for Listed Class Units after the Dealing Deadline on Day T will be processed on the next Dealing Day (“Day T+1”) at the Net Asset Value per Unit of Listed Class of Day T+1; and”

- c) The first sub-paragraph under the sub-heading “In respect of the Unlisted Class” shall be deleted in its entirety and replaced with the following:

“the Dealing Deadline is 10:00 a.m. (Hong Kong time) on each Dealing Day. Investors can buy or sell the Unlisted Class Units at the Net Asset Value of the relevant Unlisted Class. Applicants may apply for Unlisted Class Units through a distributor appointed by the Manager. Distributors may have different dealing procedures, including earlier cut-off times for receipt of applications and/or cleared funds. Applicants who intend to apply for Unlisted Class Units through a distributor should therefore consult the distributor for details of the relevant dealing procedures;”

- d) The following sub-paragraphs shall be inserted immediately after the first sub-paragraph (which will become the second and third sub-paragraphs) under the sub-heading “In respect of the Unlisted Class”:

“- the subscription or redemption application for Unlisted Class Units received at or before 10:00 a.m. (Hong Kong time) on Day T will be processed at the Net Asset Value per Unit of Unlisted Class of Day T; and

- the subscription or redemption application for Unlisted Class Units received after 10:00 a.m. (Hong Kong time) on Day T will be processed on Day T+1 at the Net Asset Value per Unit of Unlisted Class of Day T+1.”

- e) The sub-heading “In respect of the Listed Class and Unlisted Class” and the two sub-paragraphs thereafter shall be deleted in their entirety.

3. In the fifth row titled “Valuation Point” under the table headed “Key similarities and differences between Listed Class and Unlisted Class” on page 185 of the Prospectus, the sentence shall be deleted in its entirety and replaced with the following:

**“In respect of the Listed Class and the Unlisted Class:**

The valuation point is approximately 12:00 noon (Hong Kong time) on the applicable Dealing Day.”

4. Under the sub-heading “Subscription and Redemption Procedures” in the section headed “Subscription and Redemption of Unlisted Class Units” on page 197 of the Prospectus:

- a) The second bullet point shall be deleted in its entirety and replaced with the following:  
“Dealing Deadline: 10:00 a.m. (Hong Kong time) on each Dealing Day”
- b) The fourth bullet point shall be deleted in its entirety and replaced with the following:  
“Valuation Point: approximately 12:00 noon (Hong Kong time) on the applicable Dealing Day”

**China International Capital Corporation Hong Kong Asset Management Limited**  
as Manager of the Trust and the Sub-Fund

5 December 2022

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

This Addendum is supplemental to and forms part of the Prospectus of CICC Fund Series dated 21 July 2022 (the “Prospectus”). Unless otherwise defined herein, words and expressions defined in the Prospectus shall have the same meaning when used in this Addendum. China International Capital Corporation Hong Kong Asset Management Limited, the Manager of the Trust and the Sub-Fund, 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.

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

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.

## **CICC Fund Series (the “Trust”) (previously known as “CICC ETF Series”)**

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

### **ICBC CICC USD Money Market ETF**

**Stock Codes of the listed class of Units: 03011 (HKD counter) and 09011 (USD counter)  
(the “Sub-Fund”)**

### **Addendum to the Prospectus**

With effect from 10 October 2022, Appendix 3: ICBC CICC USD Money Market ETF of the Prospectus is supplemented and amended as follows:

1. In the second row titled “Minimum Initial Investment Amount” under the table headed “Key information applicable to Unlisted Class only” on page 153 of the Prospectus, the first sentence therein shall be deleted in its entirety and replaced with the following:

“Class A (USD): USD1”

2. In the third row titled “Minimum Subsequent Investment, Holding Amount and Redemption Amount” under the table headed “Key information applicable to Unlisted Class only” on page 153 of the Prospectus, the first sentence therein shall be deleted in its entirety and replaced with the following:

“Class A (USD): USD1”

3. Under the sub-heading “Unlisted Classes of Units” in the section headed “Subscription and Redemption of Unlisted Class Units” on page 164 of the Prospectus, the second row of the table therein shall be deleted in its entirety and replaced with the following:

Class A Units	USD1	USD1	USD1	USD1
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**China International Capital Corporation Hong Kong Asset Management Limited**  
as Manager of the Trust and the Sub-Fund

10 October 2022

**IMPORTANT:** 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.

CICC Carbon Futures ETF is a futures-based exchange traded fund. Investment in the CICC Carbon Futures ETF is only suitable to those investors who are in a financial position to assume the risks involved in futures investments.

**Futures investments are subject to certain key risks including leverage, counterparty and liquidity risks. Movement in the prices of futures may be highly volatile. The CICC Carbon Futures ETF may not be suitable for all investors. It is possible that the entire value of your investment could be lost.**

Please refer to the “Risk Factors” section in this Prospectus as well as the “Risk factors Specific to the Sub-Fund” section in the Appendix.

Investors should note that this Prospectus relates to Sub-Funds which may offer (i) both exchange-traded class of Units and unlisted (not exchange-traded) class of Units; (ii) exchange-traded class of Units only; or (iii) unlisted (not exchange-traded) class of Units only.

## CICC Fund Series

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

# PROSPECTUS

*Manager*

**China International Capital Corporation Hong Kong  
Asset Management Limited**

**21 July 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. The Trust and each Sub-Fund 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 CICC Fund Series (the “Trust”), an umbrella unit trust established under Hong Kong law by a trust deed dated 5 November 2018, as amended and restated by an amended and restated trust deed dated 12 November 2019, as amended and supplemented from time to time (the “Trust Deed”) in each case entered into between China International Capital Corporation Hong Kong Asset Management Limited (the “Manager”) and Brown Brothers Harriman Trustee Services (Hong Kong) Limited (the “Trustee”). The Trust can have a number of sub-funds (the “Sub-Funds” or individually a “Sub-Fund”). Where specified in the relevant Appendix, a Sub-Fund may issue (i) both Listed Class Units (i.e. exchange-traded class of Units) and Unlisted Class Units (i.e. not exchange-traded class of Units), (ii) Listed Class Units only, or (iii) Unlisted Class Units only.

The information contained in this Prospectus has been prepared to assist potential investors in making an informed decision in relation to investing in a Sub-Fund. It contains important facts about each Sub-Fund whose Units are offered in accordance with this Prospectus. A product key facts statement which contains the key features and risks of each Sub-Fund 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. For a Sub-Fund which issues both Listed Class Units and Unlisted Class Units, a separate set of product key facts statement will be available for the Listed Class Units and Unlisted Class Units.

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 *Code on Unit Trusts and Mutual Funds* (the “Code”), the “Overarching Principles” of the *SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products*, and (in respect of the Listed Class Units) the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* for the purposes of giving information with regard to the Units of each Sub-Fund. 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 and Sub-Funds” and, where applicable, under “Trustee and Registrar” in any Appendix.

Each of CICC Bloomberg China Treasury 1-10 Years ETF and CICC CSI Select 100 ETF is a fund falling within Chapter 8.6 of the Code. Each of ICBC CICC USD Money Market ETF and CICC HKD Money Market ETF falls within Chapters 8.2 and 8.10 of the Code. CICC Hong Kong Equity Fund and CICC China Equity Fund fall within Chapter 7 of the Code. CICC Carbon Futures ETF falls within Chapters 8.6 and 8.8 of the Code. The Trust and each Sub-Fund 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, any Sub-Fund 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, consult 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 Sub-Fund is appropriate for you.

Dealings in the Units of CICC Bloomberg China Treasury 1-10 Years ETF and CICC CSI Select 100 ETF and the Listed Class Units of ICBC CICC USD Money Market ETF, CICC HKD Money Market ETF and CICC Carbon Futures ETF have commenced on The Stock Exchange of Hong Kong Limited (the “SEHK”). The Units of CICC Bloomberg China Treasury 1-10 Years ETF, CICC CSI Select 100 ETF and CICC Carbon Futures ETF and the Listed Class Units of ICBC CICC USD Money Market ETF and CICC HKD Money Market ETF have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“HKSCC”) for deposit, clearing and settlement in the Central Clearing and Settlement System (“CCASS”).

ICBC CICC USD Money Market ETF and CICC HKD Money Market ETF currently also offer Unlisted Class of Units. CICC Hong Kong Equity Fund and CICC China Equity Fund currently only offer Unlisted Class Units.

Settlement of transactions between participants on the SEHK is required to take place in CCASS on the second CCASS settlement day after the trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No action has been taken to permit an offering of Units or the distribution of this Prospectus in any jurisdiction other than Hong Kong 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 "Securities Act") or any other United States Federal or State law and, except in a transaction which does not violate the 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 U.S. Person (as defined in Regulation S of the Securities Act). The Trust and each Sub-Fund 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 United States 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.

The Units cannot be offered or sold, directly or indirectly, in the United States of America (including its territories and possessions), to or for the benefit of a "U.S. Person" (see below).

The Manager may impose restrictions on any Unitholder who is a "U.S. Person" and operate the (i) compulsory redemption of Units or (ii) transfer of Units held by such "U.S. Person" in accordance with the provisions of the Trust Deed.

Such power covers any person (a) who appears to be directly or indirectly in breach of the laws or regulations of any country or governmental authority, or (b) in the opinion of the Manager, might result in the Sub-Fund suffering any disadvantage which the Sub-Fund might not otherwise have incurred or suffered.

For the purpose of the offering of Units, "U.S. Person" includes those "U.S. Persons" as defined in the U.S. "Regulation S" adopted by the Securities and Exchange Commission (the "SEC"), such as: (a) any natural person resident in the U.S.; (b) any partnership or corporation organised or incorporated under the laws of the U.S.; (c) any estate of which any executor or administrator is a U.S. Person; (d) any trust of which any trustee is a U.S. Person; (e) any agency or branch of a non-U.S. entity located in the U.S.; (f) any non-discretionary or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person; (g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated or (if an individual) resident in the U.S.; and (h) any partnership or corporation if (i) organised or incorporated under the laws of any non-U.S. jurisdiction and (ii) formed by a U.S. Person principally for the purpose of investing in securities not registered under the Securities Act unless it is organised or incorporated, and owned, by accredited investors (as defined under Rule 501(a) under the Securities Act) who are not natural persons, estates or trusts; as well as any other person or entity classified by the Manager as a "U.S. Person" due to such person or entity being subject to certain investment restrictions and/or restrictions relating to the direct or indirect holding of Units as may be mandated under applicable U.S. laws and regulations (including any U.S. governmental orders or sanctions).

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

You should note that any amendment or addendum to this Prospectus will only be posted on the Trust's website (<https://cicchkam.com>) 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 any Sub-Fund) by contacting the Manager at its address as set out in the Directory of this Prospectus or calling the Manager on +852 2872-2000 during normal office hours.

## DIRECTORY

*Manager*

**China International Capital Corporation  
Hong Kong Asset Management Limited**

29/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

*Investment Adviser for ICBC CICC USD Money Market ETF*

**ICBC Asset Management (Global) Company Limited**

Unit 2507-2510, 25/F, ICBC Tower  
3 Garden Road, Central  
Hong Kong

*Trustee and Registrar*

**Brown Brothers Harriman Trustee Services  
(Hong Kong) Limited**

13/F, Man Yee Building  
68 Des Voeux Road Central  
Central  
Hong Kong

*Mainland Custodian and Onshore Settlement  
Agent for certain Sub-Funds\**

**Standard Chartered Bank (China) Limited**

22/F, UC Tower  
500 Fushan Road  
Shanghai, 200122  
China

*Participating Dealer(s)<sup>#@</sup>*

**BOCOM International Securities Limited<sup>^^</sup>**

15/F, Man Yee Building  
68 Des Voeux Road Central  
Central  
Hong Kong

*Market Makers*

*(HKD, RMB<sup>%</sup> and USD<sup>^</sup> counters)<sup>#@</sup>*

**AP Capital Management (Hong Kong)  
Limited<sup>\*\*</sup>**

1217 Central Building  
1-3 Pedder Street  
Central  
Hong Kong

**CGS-CIMB Securities (Hong Kong)  
Limited<sup>@@</sup>**

25/F, Gloucester Tower, The Landmark,  
15 Queen's Road Central  
Hong Kong

**China International Capital Corporation Hong  
Kong Securities Limited<sup>%%</sup>**

29/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

**China International Capital Corporation Hong  
Kong Securities Limited**

29/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

**Flow Traders Hong Kong Limited**

Room 2803 Hysan Place  
500 Hennessy Road  
Causeway Bay  
Hong Kong

**China Merchants Securities (HK) Co.,  
Limited<sup>^^</sup>**

48/F, One Exchange Square  
8 Connaught Place,  
Central  
Hong Kong

**Jane Street Asia Trading Limited<sup>##</sup>**

15/F, Chater House,  
8 Connaught Road Central  
Central  
Hong Kong

**GF Securities (Hong Kong) Brokerage  
Limited<sup>^^</sup>**

29-30/F Li Po Chun Chambers,  
189 Des Voeux Road Central  
Hong Kong

**Haitong International Securities Company  
Limited**

22/F Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

**KGI Asia Limited^^**

41/F Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

**Merrill Lynch Far East Limited^^**

Level 55 Cheung Kong Center  
2 Queen's Road  
Central  
Hong Kong

**Mirae Asset Securities (HK) Limited**

Unit 8501,8507- 08, Level 85,  
International Commerce Centre,  
1 Austin Road West, Kowloon  
Hong Kong

**Zhongtai International Securities Limited%**

19/F Li Po Chun Chambers  
189 Des Voeux Road Central  
Central  
Hong Kong

*Service Agent@*

**HK Conversion Agency Services Limited**

1/F, One & Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

*Listing Agent for CICC Carbon Futures ETF*  
**China International Capital Corporation Hong  
Kong Securities Limited**

29/F, One International Finance Centre  
1 Harbour View Street Central  
Hong Kong

*Legal Counsel to the Manager*

**Deacons**

5<sup>th</sup> Floor, Alexandra House,  
18 Chater Road,  
Central, Hong Kong

*Auditor*

**KPMG**

8/F, Prince's Building  
10 Chater Road  
Central  
Hong Kong

\* *Mainland Custodian for the CICC CSI Select 100 ETF only. Mainland Custodian and Onshore Settlement Agent for the CICC Bloomberg China Treasury 1-10 Years ETF only.*

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

% *For the CICC CSI Select 100 ETF, CICC Bloomberg China Treasury 1-10 Years ETF and CICC Carbon Futures ETF only.*

@@ *For the ICBC CICC USD Money Market ETF only.*

^ *For the ICBC CICC USD Money Market ETF and CICC Carbon Futures ETF only.*

\*\* *For the CICC HKD Money Market ETF only.*

%% *For the CICC CSI Select 100 ETF, CICC HKD Money Market ETF and CICC Carbon Futures ETF only.*

^^ *For the CICC CSI Select 100 ETF, CICC Bloomberg China Treasury 1-10 Years ETF and ICBC CICC USD Money Market ETF only.*

## *For the CICC Carbon Futures ETF only.*

@ *This information is relevant to Listed Class Units only.*

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## **PART 1 – GENERAL INFORMATION RELATING TO THE TRUST AND SUB-FUNDS**

Part 1 of this Prospectus includes information relevant to the Trust and all Sub-Fund(s) established under the Trust.

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 Sub-Fund. 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 Sub-Fund of the relevant Appendix only. Please refer to Part 2 “Specific Information Relating to Each Sub-Fund” for further information.

## DEFINITIONS

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

“After Listing” means, in respect of a Listed Class, the period which commences on the Listing Date and continues until the relevant Sub-Fund is terminated.

“A-Shares” means shares issued by companies incorporated in Mainland China and listed on the SSE or the SZSE, traded in RMB and available for investment by onshore investors and Hong Kong investors through, amongst other channels, Stock Connect.

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

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

“Application Unit” means, in respect of a Listed Class, such number of Units of a Listed Class or whole multiples thereof as specified in this Prospectus or such other number of Units of a Listed Class determined by the Manager, approved by the Trustee and notified to the Participating Dealers.

“Bond Settlement Agency Service Agreement” means the bond settlement agency service agreement entered into between the Manager, and Standard Chartered Bank (China) Limited, as amended from time to time, pursuant to which Standard Chartered Bank (China) Limited is appointed as Onshore Settlement Agent.

“Business Day” in respect of a Sub-Fund, 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 Securities and/or Futures Contracts (as the case may be) comprised in the Index or the Sub-Fund are traded is open for normal trading or if there are more than one such market, the market(s) designated by the Manager is open for normal trading, and (b) (where applicable) 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, 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, in respect of a Listed Class, an amount payable by a Participating Dealer in respect of a Default, as set out in the Trust Deed, the Participating Dealer Agreement and/or 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 Operational Procedures” means the CCASS Operational Procedures, as amended from time to time.

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

“CCDCC” means China Central Depository & Clearing Co., Ltd of the PRC.

“China” or “PRC” means the People’s Republic of China.

“Cleared Funds Deadline” means the time on or before each Dealing Day specified in the Appendix of a Sub-Fund or such other time or day as the Manager may from time to time determine in consultation with the Trustee.

“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).

“Contract Value” in relation to any Futures Contract means the full amount expressed therein as being due to be paid or received by the holder of such Futures Contract upon settlement thereof or (as the case may be) upon delivery of the subject matter of such Futures Contract.

“Creation Application” means, in respect of a Listed Class, an application by a Participating Dealer for the creation and issue of Listed Class Units in an Application Unit size (or whole multiples thereof) in accordance with the Operating Guidelines and the Trust Deed.

“CSDCC” means the China Securities Depository and Clearing Co., Ltd.

“CSRC” means the China Securities Regulatory Commission.

“Dealing Day” means each Business Day during the continuance of a Sub-Fund, and/or such other day or days as the Manager may from time to time determine in consultation with the Trustee.

“Dealing Deadline” in relation to any particular place and any particular Dealing Day, means the time on or before each Dealing Day specified in the Appendix of a Sub-Fund or such other time or day as the Manager may from time to time determine in consultation with the Trustee.

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

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

“Deposited Property” means, in respect of a Sub-Fund, 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 of and subject to the Trust Deed for the account of the Sub-Fund but excluding (i) Income Property standing to the credit of the distribution account (other than interest earned thereon), and (ii) any other amount for the time being standing to the credit of the distribution account.

“Duties and Charges” means, in relation to any particular transaction or dealing, all stamp and other duties, taxes, government charges, brokerage, bank charges, transfer fees, registration fees, transaction levies and other duties and charges whether in connection with the constitution of the Deposited Property or the increase or decrease of the Deposited Property or the creation, issue,

switching, transfer, cancellation or redemption of Units or the acquisition or disposal of Securities and/or Futures Contracts (as the case may be) 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 / creation 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/creation or redemption of Units and (b) (in the case of an issue/creation 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/creation 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. For the avoidance of doubt, when calculating issue /subscription and redemption prices, duties and charges may include (if applicable) any provision for bid and ask spreads (to take into account the difference between the price at which assets were valued for the purpose of calculating the Net Asset Value and the estimated price at which such assets shall be bought as a result of a subscription or sold as a result of a redemption), but may not include (if applicable) any commission payable to agents on sales and purchases of the Units or any commission, taxes, charges or costs which may have been taken into account in ascertaining the Net Asset Value of Units).

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

“FDI” means financial derivative instrument.

“FRC” means the Financial Reporting Council in Hong Kong or its successors.

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

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

“Extension Fee” means, in respect of a Listed Class, 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.

“funded swap transaction” means a transaction whereby a Sub-Fund will pass on the relevant portion of cash to the swap counterparty(ies) and in return the swap counterparty(ies) will provide the Sub-Fund with an exposure to the economic gain/loss in the performance of the relevant Securities (net of indirect costs).

“General Rules of CCASS” means the General Rules of CCASS, as amended from time to time.

“HKD” or “Hong Kong Dollars” means Hong Kong dollars, the lawful currency of Hong Kong.

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

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

“Hong Kong” means the Hong Kong Special Administrative Region of the PRC.

“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.

“IFRS” means International Financial Reporting Standards.

“Income Property” means, in respect of a Sub-Fund, (a) all interest, dividends and other sums deemed by the Manager, (after consulting the auditors either on a general or case by case basis), to be in the nature of income (including taxation repayments, if any) received or receivable by the Trustee in respect of the Deposited Property of the Sub-Fund (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 Sub-Fund in respect of an Application; (d) all Cancellation Compensation received by the Trustee for the account of the Sub-Fund; 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 Sub-Fund 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 Sub-Fund or previously distributed to Unitholders; (iii) gains for the account of the Sub-Fund 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 Sub-Fund.

“Index” means, in respect of an Index Tracking Sub-Fund, the index or benchmark against which the relevant Sub-Fund is benchmarked as set out in the relevant Appendix.

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

“Initial Issue Date” means, in respect of a Listed Class, the date of the first issue of Units of that Listed Class, which shall be the Business Day immediately before the Listing Date.

“Initial Offer Period” means, in respect of each class of a Sub-Fund, the period as set out in the relevant Appendix.

“Index Tracking Sub-Fund” means a Sub-Fund with a principal objective to track, replicate or correspond to a financial index or benchmark, with an aim of providing or achieving investment results or returns that closely match or correspond to the performance of the Index that it tracks.

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

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

“Listed Class” means a class of Units of a Sub-Fund which is listed on either the SEHK or any other Recognised Stock Exchange.

“Listed Class Unit” means a Unit of a Listed Class.

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

“Listing Date” means, in respect of each Listed Class, the date on which the Units of that Listed Class are first listed and from which dealings therein are permitted to take place on the SEHK, the expected date of which is set out in the relevant Appendix for the Sub-Fund.

“Macau” means the Macao Special Administrative Region of the People’s Republic of China.

“Mainland China” or “Mainland” means all customs territory of the People’s Republic of China, excluding for the purposes of interpretation of this Prospectus only, Hong Kong, Macau and Taiwan.

“Manager” means China International Capital Corporation Hong Kong Asset Management Limited 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; and
- (b) in relation to any Futures Contract: the Futures Exchange,

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 or region 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, in respect of a Listed Class, a broker or dealer permitted by the SEHK to act as such by making a market for the Units of that Listed Class in the secondary market on the SEHK.

“Multi-Counter” means, in respect of a Listed Class, the facility by which the Listed Class Units of a Sub-Fund traded in RMB, HKD and/or USD (as the case may be) are each assigned separate stock codes on the SEHK and are accepted for deposit, clearing and settlement in CCASS in more than one eligible currency (RMB, USD and/or HKD) as described in the relevant Appendix of this Prospectus. Where the Listed Class Units of a Sub-Fund are traded in two eligible currencies, the facility is also referred to as a “Dual-Counter”.

“MOF” means the Ministry of Finance of the PRC.

“Net Asset Value” means the net asset value of a Sub-Fund or a class or, as the context may require, the net asset value of a Unit of a Sub-Fund (or Class thereof) calculated under the Trust Deed.

“Operating Guidelines” means, in respect of a Listed Class, the guidelines for the creation and redemption of Units of that Listed Class of as set out in the schedule to each Participating Dealer Agreement as amended from time to time by the Manager with the approval of the Trustee, and where applicable, with the approval of HKSCC and the Conversion Agent, and following consultation, to the extent reasonably practicable, with the relevant Participating Dealers 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 relevant Participating Dealer. Unless otherwise specified, references to the Operating Guidelines shall be to the Operating Guidelines for the relevant Listed Class applicable at the time of the relevant Application.

“Participating Dealer” means, in respect of a Listed Class, a licensed broker or dealer who is (or who has appointed an agent or delegate who is) a person admitted for the time being by HKSCC as a participant of CCASS and who has entered into a Participating Dealer 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.

“Participating Dealer Agreement” means, in respect of a Listed Class, an agreement entered into between, among others, the Trustee, the Manager and a Participating Dealer (and its agent, if applicable), and if determined necessary by the Manager (in its absolute discretion), where applicable, each of HKSCC and the Conversion Agent, setting out, (amongst other things), the arrangements in respect of the issue of Units of that Listed Class and the redemption and cancellation of Units of that Listed Class. References to the Participating Dealer Agreement shall, where appropriate, mean the Participating Dealer Agreement read together with the Operating Guidelines.

“PBOC” means the People’s Bank of China.

“Mainland Custodian” or “Mainland Custodian and Onshore Settlement Agent” means Standard Chartered Bank (China) Limited or such other person or persons for the time being duly appointed as Mainland custodian and/or onshore settlement agent (as the case may be) of the relevant Sub-Fund in succession thereto.

“PD Agent” means, in respect of a Listed Class, a person who is admitted by HKSCC as either a Direct Clearing Participant or a General Clearing Participant (as defined in the General Rules of CCASS) in CCASS and who has been appointed by a Participating Dealer as its agent for the creation and redemption of Listed Class Units.

“QFI” means a qualified foreign investor (including qualified foreign institutional investor (“QFII”) and Renminbi qualified foreign institutional investor (“RQFII”)) approved pursuant to the relevant Mainland China regulations (as amended from time to time).

“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.

“Redemption Application” means, in respect of a Listed Class, an application by a Participating Dealer for the redemption of Units in Application Unit size (or whole multiples thereof) in accordance with the Operating Guidelines and the Trust Deed.

“Redemption Fee” means, in respect of an Unlisted Class, the redemption fee (if any) payable on the redemption of Units of that Unlisted Class and as specified in the relevant Appendix.

“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 such person as may from time to time be appointed as registrar in respect of each Sub-Fund in accordance with the Trust Deed to keep the register of the Unitholders of the Sub-Fund.

“RMB” or “Renminbi” means Renminbi Yuan, the lawful currency of the PRC.

“SAFE” means the State Administration of Foreign Exchange of the PRC.

“SAT” means the State Administration of Taxation of the PRC.

“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.

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

“Service Agent” or “Conversion Agent” means, in respect of a Listed Class, HK Conversion Agency Services Limited or such other person as may from time to time be appointed to act as service agent or conversion agent (as the case may be) in relation to a Sub-Fund.

“Service Agent’s Fee” means, in respect of a Listed Class, the fee which may be incurred by the Service Agent in connection with the services set out in the Service Agreement to each Participating Dealer or PD Agent (as the case may be) on each book-entry deposit or withdrawal transaction made by the relevant Participating Dealer or PD Agent (as the case may be), the maximum level of which shall be determined by the Service Agent and set out in this Prospectus.

“Service Agreement” means, in respect of a Listed Class, each agreement by which the Service Agent provides its services in respect of a Sub-Fund entered amongst the Trustee, the Manager, the Registrar, the Participating Dealer, the PD Agent (where applicable), the Service Agent and HKSCC.

“Settlement Day” means, in respect of a Listed Class, a Business Day in respect of the relevant Dealing Day pursuant to the Operating Guidelines or such other Business Days in respect of 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, either generally or for a particular Listed Class or Listed Classes of Units.

“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.

“SHCH” means Shanghai Clearing House (上海清算所) of the PRC.

“SSE” means the Shanghai Stock Exchange.

“Stock Connect” means the securities trading and clearing linked programme with an aim to achieve mutual stock market access between Mainland China and Hong Kong, comprising the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.

“SZSE” means the Shenzhen Stock Exchange.

“Sub-Fund” 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.

“Subscription Fee” means, in respect of an Unlisted Class, the subscription fee (if any) payable on the issue of Units of that Unlisted Class and as specified in the relevant Appendix.

“Subscription Price” means, in respect of an Unlisted Class, the price at which Units of that Unlisted Class may be subscribed for, determined in accordance with the Trust Deed.

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

“Trust” means the umbrella unit trust constituted by the Trust Deed and called CICC Fund 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 5 November 2018, constituting the Trust and as amended and restated by an amended and restated trust deed dated 12 November 2019, in each case entered into between the Manager and the Trustee (as amended from time to time).

“Trust Fund” means all the property held or deemed to be held by the Trustee in respect of each Sub-Fund, including the Deposited Property and Income Property attributable to the relevant Sub-Fund, except for amounts to be distributed, in accordance with the Trust Deed.

“Trustee” means Brown Brothers Harriman Trustee Services (Hong Kong) 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 Sub-Fund.

“Unit Cancellation Fee” means, in respect of a Listed Class, the fee charged by the Conversion Agent in respect of the cancellation of Listed Class Units in connection with an accepted Redemption Application of a Sub-Fund.

“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.

“Unlisted Class” means a class of Units of a Sub-Fund which is neither listed on the SEHK nor any other Recognised Stock Exchange;

“Unlisted Class Unit” means a Unit of an Unlisted Class.

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

“Valuation Point” means, in respect of a Sub-Fund, the official close of trading on the Market on which the Securities and/or Futures Contracts (as the case may be) constituting the Index (if any) or the Sub-Fund 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, issue, switching 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 Sub-Fund is authorised as a collective investment scheme by the SFC under Section 104 of the SFO. Each of CICC Bloomberg China Treasury 1-10 Years ETF and CICC CSI Select 100 ETF is a fund falling within Chapter 8.6 of the Code. Each of ICBC CICC USD Money Market ETF and CICC HKD Money Market ETF falls within Chapters 8.2 and 8.10 of the Code. CICC Hong Kong Equity Fund and CICC China Equity Fund fall within Chapter 7 of the Code. CICC Carbon Futures ETF falls within Chapters 8.6 and 8.8 of the Code. SFC authorisation is not a recommendation or endorsement of a Sub-Fund nor does it guarantee the commercial merits of a Sub-Fund or its performance. It does not mean that a Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

### **The Sub-Funds**

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 "Sub-Fund") to which one or more class of Units shall be attributable. The assets of a Sub-Fund will be invested and administered separately from the other assets of the Trust. The Listed Class Units of a Sub-Fund will be listed on the SEHK.

The Manager and the Trustee reserve the right to establish other Sub-Funds and/or issue further classes of Units relating to a Sub-Fund or Sub-Funds in the future in accordance with the provisions of the Trust Deed. Where indicated in the relevant Appendix, the Listed Class Units in a Sub-Fund may be available for trading on the SEHK using a Multi-Counter. Each Sub-Fund will have its own Appendix.

Each Sub-Fund may issue Listed Class and/or Unlisted Class. In respect of a Sub-Fund which offers both Listed Class and Unlisted Class, please refer to the table set out in the relevant Appendix which sets out the key similarities and differences between the Listed Class and Unlisted Class. Currently, CICC CSI Select 100 ETF, CICC Bloomberg China Treasury 1-10 Years ETF and CICC Carbon Futures ETF offer Listed Class only; ICBC CICC USD Money Market ETF and CICC HKD Money Market ETF offer both Listed Class and Unlisted Class; and CICC Hong Kong Equity Fund and CICC China Equity Fund offer Unlisted Class only.

## **INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTIONS, SECURITIES LENDING AND BORROWING**

### **Investment Objective**

A Sub-Fund may be an Index Tracking ETF, a listed open-ended fund (also known as active ETF) or an unlisted open-ended fund.

The investment objective of each Index Tracking Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the relevant Index unless otherwise stated in the relevant Appendix.

The investment objective of each Sub-Fund (other than an Index Tracking Sub-Fund) is set out in the relevant Appendix.

### **Investment Strategy**

The investment strategy of each Sub-Fund is stated in the relevant Appendix.

For Sub-Funds which are Index Tracking ETFs, each will adopt either a full replication or a representative sampling strategy.

#### *Replication Strategy*

Where a Sub-Fund adopts a replication strategy as its investment strategy, it will invest in substantially all the Securities and/or Futures Contracts (as the case may be) constituting the Index in substantially the same weightings (i.e. proportions) as these Securities and/or Futures Contracts (as the case may be) have in the Index. When a Security or Futures Contract ceases to be a constituent of the Index, rebalancing occurs which involves, among other things, selling the outgoing Security or Futures Contract and potentially using the proceeds to invest in the incoming Security or Futures Contract.

#### *Representative Sampling Strategy*

Where a Sub-Fund adopts a representative sampling strategy as its investment strategy, it will invest, directly or indirectly, in a representative sample of the Securities and/or Futures Contracts (as the case may be) in the relevant Index that collectively reflects the investment characteristics of such Index and aims to replicate its performance. A Sub-Fund adopting a representative sampling strategy may or may not hold all of the Securities and/or Futures Contracts (as the case may be) that are included in the relevant Index, and may hold a portfolio of Securities and/or Futures Contracts (as the case may be) which are not included in the Index, provided that these collectively feature a high correlation with the Index.

#### *Switching Between Strategies*

Whilst the replication strategy is likely to track the performance of the relevant Index more closely when compared to the representative sampling strategy, it may not be the most efficient way to do so. Also, it may not always be possible or it may be difficult to buy or hold certain Securities and/or Futures Contracts (as the case may be) comprising the Index. The Manager may therefore, in the appropriate circumstances choose to use a representative sampling strategy, having regard to the number of Securities and/or Futures Contracts (as the case may be) constituting the Index, the liquidity of such Securities or Futures Contracts, any restrictions on the ownership of such Securities or Futures Contracts, the transaction expenses and other trading costs, and tax and other regulatory restrictions.

Investors should note that the Manager may switch between the above investment strategies, without prior notice to investors, in its absolute discretion as it believes appropriate in order to

achieve the investment objective of the relevant Sub-Fund by tracking the relevant Index as closely (or efficiently) as possible for the benefit of investors.

A listed open-ended fund (active ETF) or an unlisted open-ended fund does not track an index. The Manager will actively manage the relevant Sub-Fund based on its investment strategy in seeking to achieve the investment objective of the Sub-Fund, as described in the relevant Appendix.

In addition to the investment strategies set out above, a Sub-Fund may be launched with synthetic or futures-based strategies as described in the relevant Appendix for each such Sub-Fund.

### **Investment Restrictions**

Unless otherwise specifically provided for in the relevant Appendix, the investment restrictions applicable to each Sub-Fund (that are included in the Trust Deed) are summarised below:

- (a) the aggregate value of a Sub-Fund's investments in, or exposure to, any single entity through the following may not exceed 10% of the Net Asset Value of such Sub-Fund, save as (for an Index Tracking ETF) 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 FDI; and
  - (3) net counterparty exposure to such entity arising from transactions of over-the-counter FDIs;
- (aa) notwithstanding sub-paragraph (a) above, more than 10% of the latest available Net Asset Value of an Index Tracking Sub-Fund may be invested in constituent securities issued by a single entity provided that:
  - (1) it is limited to any constituent securities that each accounts for more than 10% of the weighting of the Index; and
  - (2) the Index Tracking Sub-Fund's holding of any such constituent securities may not exceed their respective weightings in the Index, except where weightings are exceeded as a result of changes in the composition of the Index and the excess is only transitional and temporary in nature;
- (ab) investment restrictions in sub-paragraphs (aa)(1) and (aa)(2) above do not apply if:
  - (1) an Index Tracking Sub-Fund adopts a representative sampling strategy which does not involve the full replication of the constituent securities of the Index in the exact weightings of such Index;
  - (2) the strategy is clearly disclosed in the relevant Appendix of the Index Tracking Sub-Fund;
  - (3) the excess of the weightings of the constituent securities held by the Index Tracking Sub-Fund over the weightings in the Index is caused by the implementation of the representative sampling strategy;
  - (4) any excess weightings of the Index Tracking Sub-Fund's holdings over the weightings in the Index must be subject to a maximum limit reasonably determined by the Index Tracking Sub-Fund after consultation with the SFC. In determining this limit, the Index Tracking Sub-Fund must consider the characteristics of the underlying constituent securities, their weightings and the investment objectives of the Index and any other suitable factors;



- (5) limits laid down for the Index Tracking Sub-Fund pursuant to sub-paragraph (ab)(4) must be disclosed in the relevant Appendix of the Index Tracking Sub-Fund; and
  - (6) disclosure must be made in the Index Tracking Sub-Fund's interim and annual financial reports as to whether the limits imposed for the Index Tracking Sub-Fund itself pursuant to sub-paragraph (ab)(4) have been complied with in full.
- (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 Sub-Fund's investments in, or exposure to, entities within the same group through the following may not exceed 20% of the Net Asset Value of the Sub-Fund:
- (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 Sub-Fund's cash deposits made with the same entity or entities within the same group may not exceed 20% of the Net Asset Value of the Sub-Fund, unless:
- (1) the cash is held before the launch of the Sub-Fund 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 a Sub-Fund, 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;
- (d) ordinary shares issued by any single entity held for the account of a Sub-Fund, when aggregated with other holdings ordinary shares of the same entity held for the account of all other Sub-Funds under the Trust collectively may not exceed 10% of the nominal amount of the ordinary shares issued by a single entity;
- (e) not more than 15% of the Net Asset Value of a Sub-Fund 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 Sub-Fund in a market is not in the best interests of investors, a Sub-Fund 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 Sub-Fund, 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 Sub-Fund as a result must be clearly disclosed in the Prospectus; and
  - (3) the Sub-Fund 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 Sub-Fund;

- (g) notwithstanding (a), (b) and (d), not more than 30% of the Net Asset Value of a Sub-Fund may be invested in Government and other Public Securities of the same issue;
- (h) subject to (g), a Sub-Fund may fully invest in Government and other Public Securities in at least six different issues. Subject to the approval of the SFC, a Sub-Fund 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 Sub-Fund 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 a Sub-Fund should be consistently applied and clearly disclosed in this Prospectus;

- (k) where a Sub-Fund invests in shares or units of other collective investment schemes ("underlying schemes"),
  - (1) the value of such Sub-Fund'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 Net Asset Value of the Sub-Fund; and
  - (2) such Sub-Fund 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 Sub-Fund's investment in units or shares in each such underlying scheme may not exceed 30% of the Net Asset Value of the Sub-Fund, unless the underlying scheme is authorised by the SFC and its name and key investment information are disclosed in the Prospectus of the Sub-Fund,

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, a Sub-Fund 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 same management company as that of a Sub-Fund that invests in them, 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 Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or the management company of an underlying scheme, or quantifiable monetary benefits in connection with investments in any underlying scheme;
- (l) a Sub-Fund may invest 90% or more of its total Net Assets Value in a single collective investment scheme and may 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 relevant Appendix must state that:
    - (i) the Sub-Fund is a feeder fund into the master fund;
    - (ii) for the purpose of complying with the investment restrictions, the Sub-Fund and its master fund will be deemed a single entity;
    - (iii) the Sub-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 Sub-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, management company'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 the Sub-Fund may result, if the master fund in which the Sub-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 Sub-Fund indicates a particular objective, investment strategy, geographic region or market, the Sub-Fund should, under normal market circumstances, invest at least 70% of its Net Asset Value in securities and other investments to reflect the particular objective, investment strategy or geographic region or market which the Sub-Fund represents.

The Manager shall not on behalf of any Sub-Fund(s):

- (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)). Where investments are made in listed REITs, the requirements under sub-paragraphs (a), (b) and (d) apply and where investments are made in unlisted REITs, which are either companies or collective investment schemes, then the requirements under sub-paragraphs (e) and (k)(1) apply respectively;
- (C) make short sales if as a result such Sub-Fund would be required to deliver Securities exceeding 10% of the Net Asset Value of such Sub-Fund (and for this purpose Securities sold short must be actively traded on a market where short selling is permitted);
- (D) lend or make a loan out of the assets of such Sub-Fund, 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 such Sub-Fund or acquire any asset or engage in any transaction for the account of such Sub-Fund which involves the assumption of any liability which is unlimited. For the avoidance of doubt, the liability of Unitholders is limited to their investment in the relevant Sub-Fund; or
- (G) apply any part of such Sub-Fund in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call is due to be made for any sum unpaid on such investments unless such call could be met in full out of cash or near cash forming part of such Sub-Fund whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transactions in FDIs).

*Note:* The investment restrictions set out above apply to each Sub-Fund, subject to the following: A collective investment scheme authorised by the SFC under the Code is usually restricted from making investments which would result in the value of that collective investment scheme's holdings of the Securities of any single entity exceeding 10% of the collective investment scheme's total net asset value. For a Sub-Fund authorised under Chapter 8.6 of the Code as an Index Tracking ETF, given the investment objective of the Sub-Fund and nature of the Index, the relevant Sub-Fund is allowed under Chapter 8.6(h) of the Code to hold investments in constituent Securities of any single entity exceeding 10% of the relevant Sub-Fund's latest available Net Asset Value if such constituent Securities account for more than 10% of the weighting of the Index and the relevant Sub-Fund'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. However, the Manager may cause a Sub-Fund to deviate from the Index weighting (in pursuing a representative sampling strategy) under Chapter 8.6(h)(a) of the Code on the condition that the maximum deviation from the index weighting of any constituent will not exceed the percentage as determined by the Manager after consultation with the SFC, as disclosed in the relevant Appendix. The Manager shall report to the SFC on a timely basis if there is any non-compliance with this limit. The annual and interim financial statements of the relevant Sub-Fund shall also disclose whether or not such limit has been complied with during such period and account for any non-compliance in those reports.

### ***Money Market Funds***

For each Sub-Fund which is authorised by the SFC as a money market funds under Chapter 8.2 of the Code, the relevant Sub-Fund shall comply with the following investment restrictions:

- (i) subject to the provisions below, the Sub-Fund may only invest in short-term deposits and high quality money market instruments, and up to 10% in money market funds authorised by the SFC 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;
- (ii) the Sub-Fund must maintain a portfolio with weighted average maturity of not exceeding 60 days and a weighted average life not exceeding 120 days and must not purchase an instrument with a remaining maturity of more than 397 days, or two years in the case of Government and other Public Securities;
- (iii) notwithstanding the above, the aggregate value of the Sub-Fund's holding of instruments and deposits issued by a single entity may not exceed 10% of the total net asset value of the Sub-Fund except:
  - (1) where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%; or
  - (2) in the case of Government and other Public Securities, up to 30% may be invested in the same issue; or
  - (3) in respect of any deposit of less than USD1,000,000 or its equivalent in the base currency of the Sub-Fund, where the Sub-Fund cannot otherwise diversify as a result of its size.
- (iv) notwithstanding paragraphs (b) and (c) under the section "Investment Restrictions" above, the aggregate value of the Sub-Fund's investments in entities within the same group through instruments and deposits may not exceed 20% of its total Net Asset Value except:
  - (1) in respect of any cash deposit of less than USD1,000,000 or its equivalent in the base currency of the Sub-Fund, where the Sub-Fund cannot otherwise diversify as a result of its size; and
  - (2) where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity's share capital and non-distributable reserves, the limit may be increased to 25%;
- (v) notwithstanding the borrowing limit as set out below, the Sub-Fund may borrow up to 10% of its total Net Asset Value but only on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses;
- (vi) the value of the Sub-Fund's holding of investments in the form of asset backed securities may not exceed 15% of its total Net Asset Value;
- (vii) subject to Chapter 7.32 to 7.38 of the Code, the Sub-Fund may engage in repurchase and reverse repurchase transactions in compliance with the following requirements:
  - (1) the amount of cash received by the Investment Fund under repurchase transactions may not in aggregate exceed 10% of its total Net Asset Value;
  - (2) the aggregate amount of cash provided to the same counterparty in reverse repurchase agreements may not exceed 15% of the Net Asset Value of the Sub-Fund;
  - (3) collateral received may only be cash, high quality money market instruments, and may also include, in the case of reverse repurchase transactions, government securities receiving a favourable assessment on credit quality; and

- (4) the holding of collateral, together with other investments of the Sub-Fund, must not contravene the investment limitations and requirements set out under this section “Money Market Funds”;
- (viii) the Sub-Fund may use FDIs for hedging purposes only; and
- (ix) the Sub-Fund must hold at least 7.5% of its total Net Asset Value in daily liquid assets and at least 15% of its total Net Asset Value in weekly liquid assets.

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

The Trustee will take reasonable care to ensure that the investment and borrowing limitations set out in the constitutive documents and the conditions under which a Sub-Fund was authorised are complied with.

### ***Structured Funds***

Where a Sub-Fund seeks to achieve its investment objective primarily through investment in FDIs, is passively managed, tracks the performance of an Index and its net derivative exposure exceeds 50% of its Net Asset Value, such Sub-Fund is known as a “structured fund” 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 Derivatives Instruments” in this section;
- (c) notwithstanding paragraph (C) under “Financial Derivatives Instruments” in this section, such Sub-Fund 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” under this section; 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.

### ***Financial Derivative Instruments***

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

Where a Sub-Fund acquires FDIs for hedging purpose (as indicated in the relevant Appendix), such FDIs acquired by the Sub-Fund shall meet all of the following criteria:

- (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 of risks arising from the investments being hedged;
- (c) 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.

The Manager, where it deems necessary, shall cause hedging arrangement to be adjusted or re-positioned, with due consideration on the fees, expenses and costs, to enable the relevant Sub-Fund to meet its hedging objective in stressed or extreme market conditions.

Where indicated in the relevant Appendix, a Sub-Fund may acquire FDIs for non-hedging purposes ("investment purposes"), subject to the limit that the Sub-Fund'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 Sub-Fund pursuant to Chapter 8 of the Code). For the avoidance of doubt:

- (i) for the purpose of calculating net derivative exposure, the positions of FDIs acquired by a Sub-Fund 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 positions;
- (ii) 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
- (iii) 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 the above, a Sub-Fund may invest in FDIs provided that the exposure to the underlying assets of the FDI, together with the other investments of the Sub-Fund, 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 Sub-Fund shall 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 Sub-Fund may invest according to its investment objectives and policies. Where a Sub-Fund invests in index-based financial derivative instruments, the underlying assets of such financial derivative instruments are not required to be aggregated for the purposes of the investment restrictions or limitations set out in paragraphs (a), (b), (c) and (g) under the sub-section headed "Investment Restrictions" above provided that the index is in compliance with the requirements under 8.6(e) of the Code;
- (B) the counterparties to over-the-counter FDI transactions or their guarantors are substantial financial institutions;
- (C) subject to paragraphs (a) and (b) under the section entitled "Investment Restrictions" above, the net counterparty exposure to a single entity arising from transactions of the over-the-counter FDIs may not exceed 10% of the Net Asset Value of the Sub-Fund; 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, agent or delegate independent of the issuer of the FDIs through measures such as the establishment of a valuation committee or engagement of third party services and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the initiative of the Sub-Fund. Further, the calculation agent / 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 Sub-Fund 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. A transaction in FDIs which gives rise to a future commitment or contingent commitment of a Sub-Fund should also be covered as follows:

- in the case of FDI transactions which will, or may at the Sub-Fund's discretion, be cash settled, the Sub-Fund 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 Sub-Fund 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 Sub-Fund 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.

The above policies relating to FDIs apply to financial instruments which embed financial derivatives as well.

### ***Collateral***

Collateral received from counterparties shall comply with the following requirements:

- Liquidity – collateral must be sufficiently liquid and tradable that it can be sold quickly at a robust price that is close to pre-sale valuation, and 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;
- Issuer 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;
- Diversification – collateral must be appropriately diversified to avoid concentrated exposure to any single entity and/or entities within the same group and a Sub-Fund's exposure to issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in 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 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 shall have appropriate systems, operational capabilities and legal expertise for proper collateral management;
- Independent custody – collateral must be held by the Trustee;
- Enforceability – collateral must be readily accessible/enforceable by the Trustee without further recourse to the issuer of the FDIs;
- Cash 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;

- Encumbrances - collateral should be free of prior encumbrances; and
- Collateral 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, corporate bonds, stocks, funds and money market instruments;
- no maturity constraints will apply to the collateral received;
- regular stress tests are carried out under normal and exceptional liquidity conditions to enable an adequate assessment of the liquidity risks attached to the collateral;
- collateral must be of high credit quality (e.g. BBB- or higher by Moody's or Standard & Poor's or equivalent);
- 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 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 intention of the Manager 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 would be sufficiently diversified in terms of country/region, markets and issuers with a maximum exposure to a given issuer. When a Sub-Fund is exposed to different counterparties the different baskets of collateral should be aggregated to calculate the exposure to a single issuer;
- the collateral received would be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the 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.

### ***Securities Financing Transactions***

Where indicated in the relevant Appendix, a Sub-Fund may enter into securities lending transactions, repurchase transactions, reverse repurchase transactions and other similar over-the-counter

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

Further, details of the arrangements are as follows:

- (a) each counterparty for such transactions will 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. Subject to the above criteria there is no requirement on the country or region of origin of the counterparty;
- (b) the Trustee, upon the instruction of the Manager, will take collateral, which will be cash or high quality money market instruments, and in case of reverse repurchase transactions, also include government securities receiving a favourable assessment on credit quality, with value greater than or equal to the value of the securities lent, and the collateral agent (who may be the Trustee or a third party to be appointed by the Trustee at the direction of the Manager or by the Manager directly, as may from time to time be agreed between them) will review its value on a daily basis to ensure that it is at least of a value equivalent to the borrowed securities, and such collateral must meet the collateral policies described in this Prospectus;
- (c) the maximum and expected level of a Sub-Fund's assets available for these transactions will be as set out in the relevant Appendix; and
- (d) where any securities lending transaction has been arranged through the Trustee or a Connected Person of the Trustee or the Manager, such transaction shall be conducted at arm's length and executed on the best available terms, and the relevant entity shall be entitled to retain for its own use and benefit any fee or commission it receives on a commercial basis in connection with such arrangement (the fees will be disclosed in the connected party transaction section of the relevant Sub-Fund's annual financial reports).

## **Borrowing**

Borrowing is allowed up to a maximum of 10% of the latest available Net Asset Value of each Sub-Fund. Where the Manager so determines, a Sub-Fund's permitted borrowing level may be a lower percentage as set out in the relevant Appendix. The Trustee may at the request of the Manager borrow for the account of a Sub-Fund any currency, and charge or pledge assets of a Sub-Fund, 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 each Sub-Fund; or
- (c) for any other proper purpose as may be agreed by the Manager and the Trustee.

## **THE OFFSHORE RMB MARKET**

### **What Led to RMB Internationalisation?**

RMB is the lawful currency of Mainland China. RMB is not a freely convertible currency and it is subject to foreign exchange control policies of and repatriation restrictions imposed by the PRC government. Since July 2005, the PRC government began to implement a controlled floating exchange rate system based on the supply and demand in the market and adjusted with reference to a portfolio of currencies. The exchange rate of RMB is no longer pegged to USD, resulting in a more flexible RMB exchange rate system.

Over the past two decades, Mainland China's economy grew rapidly at an average annual rate of 9.2% in real terms. This enables the PRC to overtake Japan to become the second largest economy and trading country in the world. As Mainland China's economy becomes increasingly integrated with the rest of the world, it is a natural trend for its currency – the RMB, to become more widely used in the trade and investment activities.

### **Accelerating the Pace of RMB Internationalisation**

The PRC has been taking gradual steps to increase the use of RMB outside its borders by setting up various pilot programmes in Hong Kong and neighbouring areas in recent years. For instance, banks in Hong Kong were the first permitted to provide RMB deposits, exchange, remittance and credit card services to personal customers in 2004. Further relaxation occurred in 2007 when the authorities allowed Mainland China financial institutions to issue RMB bonds in Hong Kong. As of the end of February 2022, there were 146 authorised institutions in Hong Kong engaging in RMB business, with RMB deposits amounting to about RMB907 billion, as compared to just RMB63 billion in 2009.

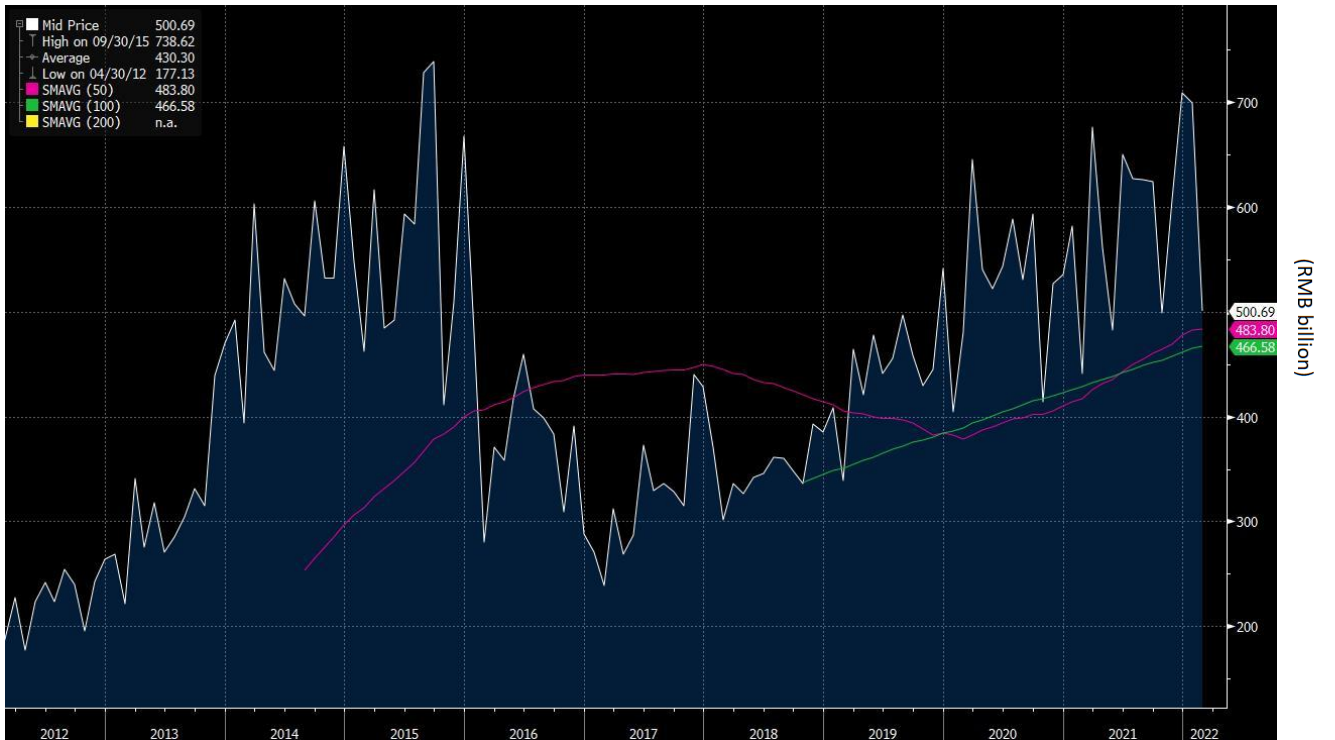
The pace of RMB internationalisation has accelerated since 2009 when the Mainland China authorities permitted cross-border trade between Hong Kong/Macau and Shanghai/four Guangdong cities, and between ASEAN and Yunnan/Guangxi, to be settled in RMB. In June 2010, the arrangement was expanded to 20 provinces / municipalities in Mainland China and to all countries / regions overseas. In 2021, about RMB7,084 billion worth of cross-border trade was settled in Hong Kong using RMB.

## RMB deposits in Hong Kong



Data source: Bloomberg, as of end February 2022

## Remittances for RMB cross-border trade settlement



Data source: Bloomberg, as of end February 2022

## **Onshore Versus Offshore RMB Market**

Following a series of policies introduced by the Mainland China authorities, an RMB market outside Mainland China has gradually developed and started to expand rapidly since 2009. RMB traded outside Mainland China is often referred to as “offshore RMB” with the denotation “CNH”, which distinguishes it from the “onshore RMB” or “CNY”.

Both onshore and offshore RMB are the same currency but are traded in different markets. Since the two RMB markets operate independently where the flow between them is highly restricted, onshore and offshore RMB are traded at different rates and their movement may not be in the same direction. Due to the strong demand for offshore RMB, CNH used to be traded at a premium to onshore RMB, although occasional discount may also be observed. The relative strength of onshore and offshore RMB may change significantly, and such change may occur within a very short period of time.

Notwithstanding that the offshore RMB market showed a meaningful growth during recent years, it is still at an early stage of the development and is relatively sensitive to negative factors or market uncertainties. For instance, the value of offshore RMB had once dropped by 2% against USD in the last week of September 2011 amidst the heavy selloff of the equities market. In general, the offshore RMB market is more volatile than the onshore one due to its relatively thin liquidity.

There have been talks on the potential convergence of the two RMB markets but that is believed to be driven by political decisions rather than just economics. It is widely expected that the onshore and offshore RMB markets would remain two segregated, but highly related, markets for the next few years.

## **Recent Measures**

On 19 July 2010, restrictions on interbank transfer of RMB funds were lifted, and permission was granted for companies in Hong Kong to exchange foreign currencies for RMB without limit. One month later, the Mainland China authorities announced the partial opening up of Mainland China’s interbank bond market for foreign central banks, RMB clearing banks in Hong Kong and Macau and other foreign banks participating in the RMB offshore settlement programme.

The National Twelfth Five-Year Plan adopted in March 2011 explicitly supports the development of Hong Kong as an offshore RMB business centre. Also the PRC Government has given approval for the first non-financial Mainland China firm to issue RMB-denominated bonds in Hong Kong.

The Shanghai-Hong Kong Stock Connect was launched in November 2014. It is a mutual market access programme that allows investment in eligible Shanghai-listed shares through the SEHK and eligible Hong Kong-listed shares through the SSE. The Shenzhen -Hong Kong Stock Connect (which was launched in December 2016) is also a mutual market access programme that allows investment in eligible Shenzhen-listed shares through the SEHK and eligible Hong Kong-listed shares through the SZSE.

## **RMB Internationalisation is a Long-term Goal**

Given Mainland China’s economic size and growing influence, RMB has the potential to become an international currency in the same rank as USD and Euro. But Mainland China has to first accelerate the development of its financial markets and gradually make RMB fully convertible on the capital account. Although the internationalisation of RMB will bring benefits such as increasing political influence and reduced exchange rate risks, it also entails risks including rising volatility of RMB exchange rate.

The process of RMB internationalisation is a long and gradual one. It took USD many decades to

replace the British pound sterling to become a dominant reserve currency. It will also take time for RMB to gain importance in coming years. RMB will not be in a position to challenge the USD's main reserve currency status for some time to come.

## **PROVISIONS RELATING TO THE OFFER, CREATION, REDEMPTION, LISTING AND TRADING OF THE LISTED CLASS UNITS**

*This section headed “Provisions Relating To The Offer, Creation, Redemption, Listing and Trading of the Listed Class Units” contains disclosure relating to the Listed Class Units only. Unless the context otherwise requires, references to “Units” and “Unitholders” in this section shall be construed to refer to Listed Class Units of a Sub-Fund or a Unitholder of such Listed Class Units and references to a “Sub-Fund” in this section shall be construed to a Sub-Fund which offers Listed Class Units. For information relating to the offer, subscription, switching and redemption of the Unlisted Class Units, please refer to the section headed “Provisions relating to the Offer, Subscription, Switching and Redemption of the Unlisted Class Units”.*

### **The Offering Phases of the Listed Class Units**

#### **Initial Offer Period**

During the Initial Offer Period, Participating Dealers (acting for themselves or for their clients) may apply for Listed Class Units (to be available for trading on the Listing Date) by means of Creation Applications on each Dealing Day for themselves and/or their clients 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 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 Manager and Trustee after the deadline as specified in the Appendix, that Creation Application shall be carried forward and deemed to be received at the opening of business 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 Listed Class Units specified in the relevant Appendix. Participating Dealers (acting for themselves or for their clients) can apply for Listed Class Units on each Dealing Day at the Issue Price.

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

#### **After Listing**

The After Listing phase commences on the Listing Date and continues until the relevant Sub-Fund is terminated.

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

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

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

After Listing, all investors can buy and sell Listed Class Units in the secondary market 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 of the Listed Class 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 a Listed Class Unit in the secondary market may be higher or lower than Net Asset Value per Unit of the Listed Class.

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

#### *Creations and Redemptions of Listed Class Units Through Participating Dealers*

Listed Class Units will continue to be created and redeemed in the primary market at the Issue Price and Redemption Value respectively through Participating Dealers in Application Unit size or multiples thereof. Where stated in the relevant Appendix, in-kind creations or in-kind redemptions may be permitted by the Manager. 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 Applications to the Manager (with a copy to the Trustee and Registrar) before the Dealing Deadline in respect of the relevant Dealing Day. If an Application is received on a day which is not a Dealing Day or is received after the relevant Dealing Deadline in respect of a Dealing Day, that 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 Application (or if the Dealing Deadline for a Sub-Fund is on the Business Day before a Dealing Day, the relevant Dealing Day for the purposes of that Application shall be the Dealing Day after the day the Application is treated as having been received). 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 Listed Class Units in cash is due by such time as agreed in the Operating Guidelines, unless the Manager agrees with the relevant Participating Dealer to accept later settlement generally or in any particular case.

Settlement of Listed Class Units for redeeming Listed Class 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.

Notwithstanding any Multi-Counter (if applicable) for Listed Class Units, all settlement is in the base currency of the relevant Sub-Fund only.

After Listing, all Listed Class Units will be registered in the name of HKSCC Nominees Limited on the register of the relevant Sub-Fund. The register of the relevant Sub-Fund is the evidence of ownership of the Listed Class Units. The beneficial interests in the Listed Class Units of any client of the Participating Dealers shall be established through such client’s account with the relevant Participating Dealer or PD Agent (as the case may be) or with any other CCASS participants if the client is buying from the secondary market.

#### **Timetable**

##### *Initial Offer Period of Listed Class Units*

The Initial Offer Period and the Listing Date of Listed Class Units of a new Sub-Fund is set out in the Appendix of the new Sub-Fund.

The purpose of the Initial Offer Period of the Listed Class Units is to enable Participating Dealers to subscribe for Listed Class Units either on their own account or for their clients, in accordance

with the Trust Deed and the Operating Guidelines. During this period, Participating Dealers (acting for themselves or for their clients) may apply for Listed Class Units to be available for trading on the Listing Date by creation. No redemptions are permitted during the Initial Offer Period.

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

Participating Dealers may have their own application procedures for their respective clients and may set application and payment cut-off times for their respective clients which are earlier than those set out in this Prospectus and which may change from time to time. The Dealing Deadline in respect of Listed Class Units in a Sub-Fund may also change due to market related events. Investors are therefore advised to consult with the relevant Participating Dealer on its requirements if they want a Participating Dealer to subscribe for Listed Class Units on their behalf.

*After Listing of Listed Class Units*

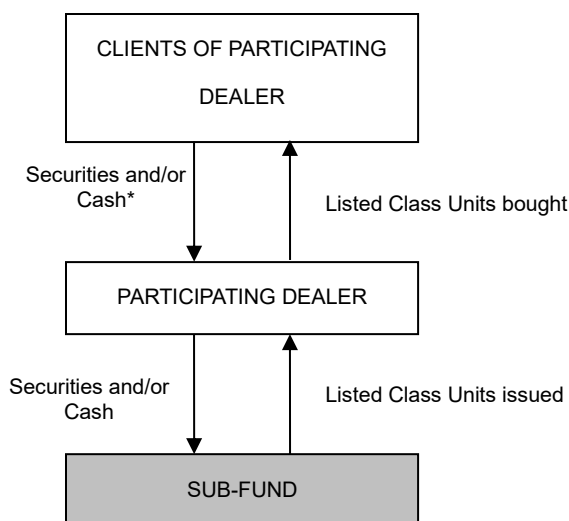
“After Listing” commences on the Listing Date and continues until the relevant Listed Class Units, the relevant Sub-Fund or the Trust is terminated.

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

**Diagrammatic Illustration of Investment in a Sub-Fund**

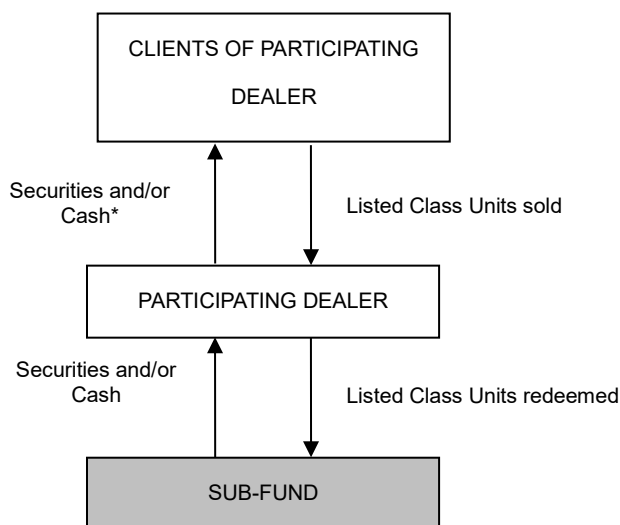
The diagrams below illustrate the issue or redemption and the buying or selling of Listed Class Units:

- (a) Issue and buying of Listed Class Units in the primary market – Initial Offer Period and After Listing



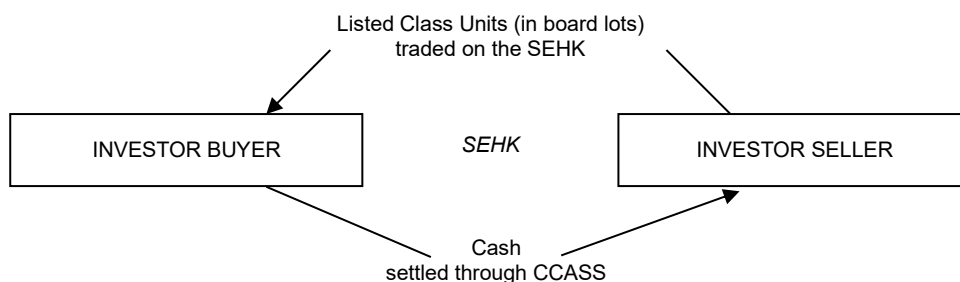
\* Clients of a Participating Dealer may agree with the Participating Dealer settlement in a different currency to the creation currency.

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



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

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



**Summary of Offering Methods of Listed Class Units and Related Fees**

*Initial Offer Period of Listed Class Units*

<u>Method of Offering*</u>	<u>Minimum Number of Listed Class Units (or multiple thereof)</u>	<u>Channel</u>	<u>Available to</u>	<u>Consideration, Fees and Charges**</u>
Cash creation	Application Unit size (see relevant Appendix)	Through Participating Dealers	Any person acceptable to the Participating Dealer as its client	Cash Transaction Fee Any fees and charges imposed by the Participating Dealer (payable to the Participating

				Dealer in the currency determined by or agreed with it) Duties and Charges
In-kind creation	Application Unit size (see relevant Appendix)	Through Participating Dealers	Any person acceptable to the Participating Dealer as its client	Portfolio of Securities Cash component Transaction Fee Any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it) Duties and Charges

*After Listing*

<b><u>Method of Acquisition or Disposal of Listed Class Units*</u></b>	<b><u>Minimum Number of Listed Class 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>
Purchase and sale in cash through brokers on the SEHK (secondary market)	Trading Board Lot Size (see relevant Appendix)	On the SEHK	Any investor	Market price of Units on SEHK Brokerage fees and Duties and Charges
Cash creation and redemption	Application Unit size (see relevant Appendix)	Through Participating Dealers	Any person acceptable to the Participating Dealer as its client	Cash Transaction Fee Any fees and charges imposed by the Participating Dealer (payable to the Participating Dealer in the currency determined by or agreed with it) Duties and Charges
In-kind creation and redemption	Application Unit size (see relevant Appendix)	Through Participating Dealers	Any person acceptable to the Participating Dealer as its client	Portfolio of Securities Cash component Transaction Fee Any fees and charges imposed by the Participating Dealer (payable to

				the Participating Dealer in the currency determined by or agreed with it) Duties and Charges
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\* The methods of creation available to the Participating Dealers in respect of Listed Class Units of each Sub-Fund, whether in-kind or in cash, are specified in the relevant Appendix.

\*\* Please refer to "Fees and Expenses" for further details. The currency for payment of subscription monies is specified in the relevant Appendix.

## **Creations and Redemptions (Primary Market) of The Listed Class Units**

### **Investment in Listed Class Units of a Sub-Fund**

There are 2 methods of making an investment in a Listed Class Units of a Sub-Fund and of disposing of Listed Class Units to realise an investment in a Sub-Fund.

The first method is to create Listed Class Units at the Issue Price of the Listed Class Units or redeem Listed Class Units at the Redemption Value of the Listed Class Units directly with the Sub-Fund in the primary market through a Participating Dealer, being a licensed dealer that has entered into a Participating Dealer Agreement in respect of the relevant Sub-Fund. Where a Sub-Fund has a Multi-Counter, although a Participating Dealer may, subject to arrangement with the Manager, elect to CCASS to have the Listed Class Units which it creates deposited in, or the Listed Class Units which it redeems withdrawn from, RMB, HKD or USD counter, all creation and redemption for all Listed Class Units must be in the base currency of that Sub-Fund. Because of the size of the capital investment (i.e. Application Unit size) required either to create or redeem Listed Class 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 Listed Class 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 Listed Class Units in the secondary market on the SEHK which is more suitable for retail investors. The secondary market price of per Unit of the Listed Class may trade at a premium or discount to the Net Asset Value per Unit of the Listed Class of the relevant Sub-Fund.

This sub-section of this Prospectus describes the first method of investment and should be read in conjunction with the Participating Dealer Agreement and the Trust Deed. The sub-section on "Exchange Listing and Trading (Secondary Market) of the Listed Class Units" relates to the second method of investment.

### **Creation of Listed Class Units Through Participating Dealers**

Any application for the creation of Listed Class Units of a Sub-Fund 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. Investors cannot acquire Listed Class Units directly from a Sub-Fund. Only Participating Dealers may submit Creation Applications to the Manager (with a copy to the Trustee and the Registrar).

Listed Class Units in each Sub-Fund are continuously offered through a Participating Dealer, who may apply for them on any Dealing Day for its own account or for your account as 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).

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 Listed Class, (ii) the redemption of Units of the relevant Listed Class, and/or (iii) the determination of Net Asset Value of the relevant Listed Class 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 or any Security 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*

The methods and currency of creation available to the Participating Dealers in respect of each Sub-Fund, whether in-kind (i.e. the creation of Listed Class Units in exchange for a transfer of Securities) or in cash or both in-kind and in cash, are specified in the relevant Appendix. A Participating Dealer may in its absolute discretion require a creation request received from its client be effected in a particular method. The Manager nonetheless reserves its right to require a Creation Application be effected in a particular method. Specifically, the Manager has the right to (a) accept cash equal to or in excess of the market value at the Valuation Point for the relevant Dealing Day of such Security in lieu of accepting such Security as constituting part of the Creation Application; or (b) accept cash collateral on such terms as it determines if (i) such Security is likely to be unavailable for delivery or available in insufficient quantity for delivery to the Trustee in connection with the Creation Application; or (ii) the Participating Dealer is restricted by regulation or otherwise from investing or engaging in a transaction in that Security.

A Participating Dealer may impose fees and charges in handling any creation request 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 Sub-Fund 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.

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

## *Creation Process*

A Participating Dealer may from time to time submit Creation Applications in respect of a Sub-Fund to the Manager (with a copy to the Trustee and the Registrar), following receipt of creation requests from clients or where it wishes to create Listed Class Units of the relevant Sub-Fund 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 in respect of 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 (or if the Dealing Deadline for a Sub-Fund is on the Business Day before a Dealing Day, the relevant Dealing Day for the purposes of that Creation Application shall be the Dealing Day after the day the Creation Application is treated as having been received). The current Dealing Deadline After Listing in respect of the relevant Dealing Day is specified in the relevant Appendix, or such other time as the Manager (with the approval of the Trustee) may determine on any day when the trading hours of the SEHK, the Recognised Futures Exchange 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 Participating Dealer Agreement and the relevant Operating Guidelines;
- (b) specify the number of Listed Class Units and the Listed Class (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 Listed Class 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 Listed Class 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 Listed Class, (ii) the redemption of Units of the relevant Listed Class, and/or (iii) the determination of Net Asset Value of the relevant Listed Class is suspended;
- (b) where in the opinion of the Manager, acceptance of the Creation Application would have an adverse effect on the relevant Sub-Fund;
- (c) where, if relevant to a Sub-Fund, in the opinion of the Manager, acceptance of the Creation Application would have a material impact on the relevant market on which (i) for an Index Tracking Sub-Fund, a Security and/or Futures Contract (as the case may be) (that is a constituent of the Index of the relevant Sub-Fund) or (ii) for an active Sub-Fund, a substantial part of the investments of the Sub-Fund, 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 (i) for an Index Tracking Sub-Fund, any of the Securities and/or Futures Contracts (as the case may be) in the relevant Index or (ii) for an active Sub-Fund, a substantial part of the investments of the Sub-Fund;
- (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) during any period when the business operations of the Manager, the Trustee or any delegate of the Trustee or the Manager, in relation to the creation of Listed Class Units in the relevant Sub-Fund 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 Listed Class 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 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 Registrar to effect (i) for the account of the Sub-Fund, the creation of Listed Class Units in Application Unit size in exchange for a transfer of cash and/or Securities (at the discretion of the Participating Dealer but subject to the Manager's agreement); and (ii) the issue of Listed Class Units to the Participating Dealer, both in accordance with the Operating Guidelines and the Trust Deed.

#### *Issue of Listed Class Units*

Listed Class Units will be issued at the Issue Price prevailing on the relevant Dealing Day, provided that the Manager may add to such Issue Price such sum (if any) as 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 Listed Class Units in a Sub-Fund during the relevant Initial Offer Period, the Manager shall procure the creation and issue of Listed Class Units in that Sub-Fund on the relevant Initial Issue Date.

Listed Class Units are denominated in the base currency of the relevant Sub-Fund (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 Listed Class Units pursuant to a Creation Application shall be effected on the Dealing Day for which the Creation Application is received (or deemed received) and accepted in accordance with the Operating Guidelines but, for valuation purposes only, Listed Class 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. 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 (or if the Dealing Deadline for a Sub-Fund is on the Business Day before a Dealing Day, the relevant Dealing Day for the purposes of that Creation Application shall be the Dealing Day after the day the Creation Application is treated as having been received).

After consultation with the Manager, the Trustee shall be entitled to refuse to enter (or allow to be entered) Listed Class 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 Participating Dealer Agreement, in regard to the issue of Listed Class 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 Sub-Fund). The Transaction Fee shall be paid by or on behalf of the Participating Dealer applying for such Listed Class Units. See the section on "Fees and Expenses" for further details.

In relation to cash creation of Listed Class Units, the Manager reserves the right to require the Participating Dealer to pay or cause to be paid an additional sum as the Manager in its discretion considers appropriate for the Duties and Charges. 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 Listed Class Unit shall not be added to the Issue Price of such Listed Class Unit and shall not be paid from the assets of any Sub-Fund.

#### **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 Listed Class Units deemed created pursuant to a Creation Application if it has not received good title to all Securities and/or 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 (a) extend the settlement period (either for the Creation Application as a whole or for a particular Security) such extension to be on such terms and conditions (including as to the payment of an Extension Fee to the Manager or the Trustee or their Connected Persons or otherwise) as the Manager may determine and in accordance with the provisions of the Operating Guidelines; or (b) partially settle the Creation Application to the extent to which Securities and/or cash has been vested in the Trustee, on such terms and conditions the Manager may determine including terms as to any extension of the settlement period for the outstanding Securities or cash.

In addition to the preceding circumstances, the Manager may also cancel any creation order of any Listed Class 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 Listed Class 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 Listed Class Units), any Securities or 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 Listed Class 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 an application cancellation fee (see the section on “Fees and Expenses” for further details);
- (b) the Manager may at its discretion require the Participating Dealer to pay to the Trustee, for the account of the Sub-Fund, in respect of each Listed Class Unit so cancelled Cancellation Compensation, being the amount (if any) by which the Issue Price of each such Listed Class Unit exceeds the Redemption Value which would have applied in relation to each such Listed Class Unit if the Participating Dealer had, on the date on which such Listed Class Units are cancelled, made a Redemption Application, together with charges, expenses and losses incurred by the Listed Class 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 Listed Class Units.

### **Redemption of Listed Class Units Through Participating Dealers**

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

A Participating Dealer may redeem Listed Class 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).

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 Listed Class, (ii) the redemption of Units of the relevant Listed Class, and/or (iii) the determination of Net Asset Value of the relevant Listed Class 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 (i) for an Index Tracking Sub-Fund, any of the Securities and/or Futures Contracts (as the case may be) in the Index or (ii) for an active Sub-Fund, a substantial part of the investments of the Sub-Fund;
- (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*

The methods and currency of redemption available to the Participating Dealers in respect of each Sub-Fund, whether in-kind (i.e. the redemption of Listed Class Units in exchange for a transfer of Securities plus any cash amount) or in cash only, are as set out in the relevant Appendix. A Participating Dealer may in its absolute discretion require a redemption request received from its client be effected in a particular method. The Manager nonetheless reserves its right to require a Redemption Application be effected in a particular method. Specifically, the Manager has the right to instruct the Trustee to deliver cash equivalent of any Security in connection with the Redemption Application to the Participating Dealer if (a) such Security is likely to be unavailable for delivery or available in insufficient quantity for delivery in connection with the Redemption Application; or (b) the Participating Dealer is restricted by regulation or otherwise from investing or engaging in a transaction in that Security.

A Participating Dealer may impose fees and charges in handling any redemption request which would increase the cost of investment and/or reduce the redemption proceeds. You 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 Sub-Fund 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 Sub-Fund can be submitted by it to the Manager (with a copy to the Trustee and the Registrar). You are advised to check with the Participating Dealer as to the relevant timing deadlines and the client acceptance procedures and requirements.

#### *Redemption Process*

A Participating Dealer may from time to time submit Redemption Applications in respect of a Sub-Fund 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 Listed Class Units of the relevant Sub-Fund 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 (or if the Dealing Deadline for a Sub-Fund is on the Business Day before a Dealing Day, the relevant Dealing Day for the purposes of that Redemption Application shall be the Dealing Day after the day the Redemption Application is treated as having been received). 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 are reduced.

To be effective, a Redemption Application must:

- (a) be given by a Participating Dealer in accordance with the Trust Deed, the relevant Participating Dealer Agreement and the relevant Operating Guidelines;
- (b) specify the number of Listed Class Units and the Listed Class (where applicable) which are the subject of the Redemption Application; and
- (c) include the certifications required in the Participating Dealer Agreement and Operating

Guidelines (if any) in respect of redemptions of Listed Class 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 Listed Class 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 Listed Class, (ii) the redemption of Units of the relevant Listed Class, and/or (iii) the determination of Net Asset Value of the relevant Listed Class is suspended;
- (b) where in the opinion of the Manager, acceptance of the Redemption Application would have an adverse effect on either the relevant Sub-Fund or on a market on which (i) for an Index Tracking Sub-Fund, a Security and/or Futures Contract (as the case may be) (that is a constituent of the Index of the relevant Sub-Fund) or (ii) for an active Sub-Fund, a substantial part of the investments of the Sub-Fund, has its primary listing;
- (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 (i) for an Index Tracking Sub-Fund, any of the Securities and/or Futures Contracts (as the case may be) in the relevant Index; or (ii) for an active Sub-Fund, a substantial part of the investments of the Sub-Fund;
- (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) during any period when the business operations of the Manager, the Trustee or any delegate of the Trustee or the Manager in relation to the redemption of Listed Class Units in the relevant Sub-Fund 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. Where for any reason there is a limit to the number of Listed Class Units that can be redeemed, priority will be given to Participating Dealers and the relevant Redemption Applications as set out in 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 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 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 Listed Class Units; and (ii) require the Trustee to transfer to the Participating Dealer Securities and/or cash in accordance with the Operating Guidelines and the Trust Deed.

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

#### *Redemption of Listed Class 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, Listed Class 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 Listed Class Units shall be removed from the Register in respect of those Listed Class Units redeemed and cancelled on the relevant Settlement Day.

The Redemption Value of Listed Class Units tendered for redemption and cancellation shall be the Net Asset Value per Unit of the relevant Listed Class of the relevant Sub-Fund on the relevant Dealing Day rounded to the nearest 4 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 Listed Class. 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 Listed Class 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 Sub-Fund). 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 Listed Class Units, notwithstanding the aforesaid regarding the redemption and cancellation of Listed Class Units based on Net Asset Value, the Manager may require the Participating Dealer to pay an additional sum as the Manager in its discretion considers appropriate for the Duties and Charges. The Participating Dealer may pass on to the relevant investor such additional sum.

The Trustee may deduct from the redemption proceeds such sum (if any) as the Manager 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 Security shall be transferred and/or no cash amount shall be paid in respect of any Redemption Application unless Listed Class 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 Operational Guidelines as the Trustee and the Manager shall for the time being prescribe for Redemption Applications generally.

In the event that Listed Class 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 Listed Class Units):

- (a) the Trustee may charge the relevant Participating Dealer an application cancellation fee (see the section on "Fees and Expenses" for further details);
- (b) the Manager may at its discretion require the Participating Dealer to pay to the Trustee, for the account of the relevant Sub-Fund, in respect of each Listed Class Unit so cancelled Cancellation Compensation, being the amount (if any) by which the Redemption Value of each such Listed Class Unit is less than the Issue Price which would have applied in relation to each such Listed Class Unit if the Participating Dealer had, on the actual date when the Manager is able to repurchase any replacement Securities 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 Sub-Fund 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 (both Listed Class of Units and Unlisted Class of Units) representing in aggregate more than 10% (or such higher percentage as the Manager may determine in respect of the Sub-Fund) of the total Net Asset Value of a Sub-Fund, the Manager may direct the Trustee to reduce the 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 Sub-Fund) of the total Net Asset Value of the relevant Sub-Fund. 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 Sub-Fund themselves exceed 10% (or such higher percentage as the Manager may determine in respect of that Sub-Fund) of the total Net Asset Value of the relevant Sub-Fund) in priority to any other Units in the relevant Sub-Fund 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.

## Switching

Investors should note that switching between Unlisted Class Units and Listed Class Units, by a Participating Dealer or otherwise, is not available.

## Suspension of Creations and Redemptions

The Manager may at its discretion (after consultation with the Trustee and, in respect of redemptions, where practicable following consultation with the relevant Participating Dealers), suspend the creation or issue of Units of any Listed Class of a Sub-Fund, suspend the redemption of Units of any Listed Class of a Sub-Fund 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 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 (i) for an Index Tracking Sub-Fund, a Security and/or Futures Contract (as the case may be) (that is a constituent of the Index of the relevant Sub-Fund) or (ii) for an active Sub-Fund, a substantial part of the investments of the Sub-Fund, 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 (i) for an Index Tracking Sub-Fund, a Security and/or Futures Contract (as the case may be) (that is a constituent of the Index of the relevant Sub-Fund) or (ii) for an active Sub-Fund, a substantial part of the investments of the Sub-Fund, 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 Contract (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 Contract, as appropriate or disposal of investments for the time being comprised in the relevant Sub-Fund cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Unitholders of the relevant Sub-Fund;
- (f) (for an Index Tracking Sub-Fund only) during any period when the relevant Index 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 Sub-Fund or the Net Asset Value per Unit of the relevant Listed 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 Sub-Fund 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 Sub-Fund 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 business operations of the Manager, the Trustee or any delegate of the Trustee or the Manager in respect of the creation or redemption of Listed Class Units in the relevant Sub-Fund 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
- (j) during any period when the subscription, switching and/or redemption of Units of any

Unlisted Class of the relevant Sub-Fund is suspended.

The Manager will, after giving notice to the Trustee, suspend the right to subscribe for Listed Class Units of the relevant Sub-Fund if, or if as a result of the investment of the proceeds of issue of such Listed Class 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 entity or such other percentage permitted in the section "Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing". In addition, where all the Sub-Funds under the Trust hold in aggregate more than the limit of 10% of the ordinary shares issued by any single entity, 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 and unitholders of other Sub-Funds concerned.

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

### **Evidence of Unitholding**

Listed Class Units will be deposited, cleared and settled by the 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 Listed Class Units deposited with the CCASS and is holding such Listed Class Units for the participants in accordance with the General Rules of CCASS and CCASS Operating Procedures. 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 Listed Class Units. Investors owning Listed Class Units in CCASS are beneficial owners as shown on the records of the participating brokers or the relevant Participating Dealer(s) or PD Agent(s) (as the case may be) who are participants of CCASS.

### **Restrictions on Unitholders of Listed Class Units**

The Manager has power to impose such restrictions as it may think necessary in accordance with the Trust Deed including for the purpose of ensuring that no Listed Class 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 Listed Class Units are listed in circumstances which, in the Manager's opinion, might result in the Trust or the Sub-Fund suffering any adverse effect which the Trust or the Sub-Fund might not otherwise have suffered; or



- (b) in the circumstances which, in the Manager's opinion, may result in the Trust or the Sub-Fund incurring any tax liability or suffering any other pecuniary disadvantage which the Trust or the Sub-Fund might not otherwise have incurred or suffered.

The foregoing would include acquisition or holding of Listed Class Units by any person or entity classified by the Manager as a "U.S. Person" due to such person or entity being subject to certain investment restrictions and/or restrictions relating to the direct or indirect holding of Listed Class Units as may be mandated under applicable U.S. laws and regulations (including any U.S. governmental orders or sanctions) which holding would result in any of the repercussions set out above or as provided in the Trust Deed.

The Manager may also restrict or prevent the ownership of Listed Class Units by any Unauthorised US Person being (i) a U.S. person within the meaning of Rule 902 of the United States Securities Act of 1933, (ii) a US resident within the meaning of the United States Investment Company Act of 1940 or (iii) any person that would not qualify as a Non-United States person within the meaning of United States Commodity Futures Trading Commission Rule 4.7(a)(1)(iv)) in accordance with the Trust Deed.

Upon notice that any Listed Class Units are so held, the Manager may require such Unitholders to redeem or transfer such Listed Class Units in accordance with the provisions of the Trust Deed. A person who becomes aware that he is holding or owning Listed Class 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 Listed Class 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 Listed Class Units**

The Trust Deed provides that a Unitholder may transfer Units with the consent of the Manager subject to the provisions of the Trust Deed. As all Listed Class Units will be held in CCASS, an investor is entitled to transfer Listed Class 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. A 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 Sub-Fund only. If and to the extent that all Listed Class Units are deposited, cleared and settled in CCASS, HKSCC Nominees Limited will be the sole Unitholder, holding such Listed Class Units for the persons admitted by HKSCC as a participant of CCASS and to whose account any Listed Class Units are for the time being allocated in accordance with the General Rules of CCASS and CCASS Operating Procedures.

## **EXCHANGE LISTING AND TRADING (SECONDARY MARKET) OF THE LISTED CLASS OF UNITS**

### *General*

The purpose of the listing of the Listed Class Units on the SEHK is to enable investors to buy and sell Listed Class 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 Listed Class Units in the primary market.

The market price of a Listed Class Unit listed or traded on the SEHK may not reflect the Net Asset Value per Unit of the Listed Class. Any transactions in the Listed Class 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 Listed Class 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 Listed Class Units of each Sub-Fund. Where a Multi-Counter arrangement has been adopted in respect of a Sub-Fund the Manager will use its best endeavours to put in place arrangements so that there is at least one Market Maker for each counter although these Market Makers may be the same entity. Broadly, the obligations of a Market Maker will include quoting bid and offer prices on the SEHK with the intention of providing liquidity. Given the nature of the Market Maker's role, the Manager may make available to a Market Maker, the portfolio composition information made available to a Participating Dealer.

Listed Class 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 Listed Class Units, the Market Makers may make or lose money based on the differences between the prices at which they buy and sell Listed Class Units, which is to a certain extent dependent on the difference between the purchase and sale prices of the underlying Securities or Futures Contracts. Market Makers may retain any profits made by them for their own benefit and they are not liable to account to the relevant Sub-Fund in respect of their profits.

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

The Units of CICC Bloomberg China Treasury 1-10 Years ETF, CICC CSI Select 100 ETF and CICC Carbon Futures ETF and the Listed Class Units of ICBC CICC USD Money Market ETF and CICC HKD Money Market ETF have been accepted as eligible securities by HKSCC for deposit, clearing and settlement in CCASS.

Settlement of transactions between participants of the SEHK is required to take place in CCASS on the second CCASS Settlement Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

Listed Class 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 Listed Class Units of any Sub-Fund on one or more other stock exchanges.

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

Please also refer to the sub-sections on “General”, “Multi-Counter” and “Renminbi Equity Trading Support Facility” in the relevant Appendix of the Sub-Fund for additional disclosures on secondary market trading.

## **PROVISIONS RELATING TO THE OFFER, SUBSCRIPTION, SWITCHING AND REDEMPTION OF THE UNLISTED CLASS UNITS**

*This section headed “Provisions relating to the Offer, Subscription, Switching and Redemption of the Unlisted Class Units” contains disclosure relating to the Unlisted Class Units only. Unless the context otherwise requires, references to “Units” and “Unitholders” in this section shall be construed to refer to an Unlisted Class Units of a Sub-Fund or a Unitholder of such Unlisted Class Units and references to a “Sub-Fund” in this section shall be construed to a Sub-Fund which offers Unlisted Class Units. For information relating to the offering phases of the Listed Class Units, please refer to the section headed “Provisions relating to the Offer, Creation, Redemption, Listing and Trading of the Listed Class Units”.*

### **Subscription of Unlisted Class Units**

#### *Initial Offer*

Unlisted Class Units in a Sub-Fund will be offered for the first time at an initial Subscription Price during the Initial Offer Period of such Unlisted Class as specified in the relevant Appendix in Part 2 of this Prospectus.

#### *Minimum Subscription Level*

The offering of the Unlisted Class Units in a Sub-Fund may be conditional upon a minimum subscription level (if applicable) being received on or prior to the close of the Initial Offer Period.

In the event that the minimum subscription level of the Unlisted Class Units is not achieved or the Manager is of the opinion that it is not in the commercial interest of investors or not feasible, as a result of adverse market conditions or otherwise, to proceed with the relevant Unlisted Class Units, the Manager may in its discretion extend the Initial Offer Period or determine that the Unlisted Class Units will not be launched. In such event, the Unlisted Class Units shall be deemed not to have commenced.

Notwithstanding the aforesaid, the Manager reserves the discretion to proceed with the issue of the Unlisted Class Units even if the minimum subscription level has not been achieved.

#### *Subscription Price*

After the close of the Initial Offer Period, the Subscription Price per Unit for the Unlisted Class on a Dealing Day will be calculated by reference to the Net Asset Value per Unit of that Unlisted Class as at the Valuation Point on the Dealing Day (for further details please refer to the section headed “Determination of Net Asset Value”).

In calculating the Subscription Price of a Unit of an Unlisted Class, the Manager may, impose such amount (if any) as the Manager may estimate as appropriate to reflect any Duties and Charges which would be incurred for the account of the relevant Sub-Fund in investing an amount equal to that Net Asset Value per Unit of such Unlisted Class.

The Subscription Price shall be rounded to the nearest 4 decimal places. Any amount corresponding to such rounding will accrue to the relevant Unlisted Class.

#### *Minimum Initial Subscription Amount and Minimum Subsequent Subscription Amount*

Details of any minimum initial subscription amount and minimum subsequent subscription amount applicable to the Unlisted Class Units in a Sub-Fund are set out in the relevant Appendix in Part 2 of this Prospectus.

The Manager has the discretion to waive, change or accept an amount lower than the minimum

initial subscription amount or minimum subsequent subscription amount from time to time, whether generally or in a particular case.

### *Application Procedures*

Unless otherwise specified in the relevant Appendix, applications for subscription of Unlisted Class Units may be made to the Trustee/Registrar by completing an application form ("Application Form") for account opening and a subscription form enclosed in the Application form or any other forms as the Trustee and Manager may agree for subscriptions ("Form of Application for Subscriptions"). Submission of the Application Form (in original) and the Form of Application for Subscriptions (in original, sending it by facsimile or through electronic means) shall be made to the Trustee/Registrar at the business address or facsimile number or with electronic mean identifier stated on the Application Form or may be given to a distributor appointed by the Manager for further aggregation before transmission to the Trustee/Registrar. Unless an application for subscription is otherwise rejected by the Manager, the Trustee/Registrar shall process such applications for subscriptions in accordance with the Application Form and Form of Application for Subscriptions. The Manager, the Trustee/Registrar and/or the distributor may request further supporting documents and/or information to be provided together with the Application Form and Form of Application for Subscriptions. The Application Form and Form of Application for Subscriptions are available from the Trustee/Registrar and/or a distributor appointed by the Manager.

Unless otherwise specified in the relevant Appendix, applications for Unlisted Class Units during the relevant Initial Offer Period must be received by the Trustee/Registrar no later than 10:00 am (Hong Kong time) on the last day of the relevant Initial Offer Period (the "IOP Deadline"). In respect of Application Forms and Form of Application for Subscriptions which are received by the Dealing Deadline and subscription moneys in cleared funds which are received on or before the Cleared Funds Deadline, Unlisted Class Units will be issued following the close of the Initial Offer Period. If Application Forms and Form of Application for Subscriptions are received after the Dealing Deadline and/or application monies in cleared funds are received after the Cleared Funds Deadline, the relevant applications shall be carried forward to the next Dealing Day and shall be dealt with at the Subscription Price at such Dealing Day.

Following the close of the Initial Offer Period, an Application Form and Form of Application for Subscriptions which are received by the Trustee/Registrar by the Dealing Deadline and subscription moneys in cleared funds which are received by the Trustee/Registrar by the Cleared Funds Deadline of a Dealing Day will be dealt with on that Dealing Day. If an application for Unlisted Class Units is received after the Dealing Deadline in respect of a Dealing Day or subscription moneys in cleared funds are not received by the Cleared Funds Deadline in respect of a Dealing Day, then the application will be held over until the next Dealing Day.

Save where there is a suspension of the determination of the Net Asset Value of the relevant Sub-Fund or relevant Unlisted Class and/or the subscription of Units of the relevant Sub-Fund or the relevant Unlisted Class, a request for subscription once given cannot be revoked after the IOP Deadline or the Dealing Deadline of the relevant Dealing Day without the consent of the Manager. For the avoidance of doubts, a request for subscription can be revoked before the IOP Deadline or the Dealing Deadline of the relevant Dealing Day without the consent of the Manager.

### *Authorised Distributors*

The Manager may appoint one or more distributor(s) to market, promote, sell and/or distribute Unlisted Class Units in one or more Sub-Fund(s), and to receive applications for subscription, redemption and/or switching of Unlisted Class Units.

Where application for Unlisted Class Units is made through a distributor, Unlisted Class Units may be registered in the name of a nominee company of the distributor through whom the applicant applies for the Unlisted Class Units. As a result of this arrangement, the applicant will be dependent on the person in whose name the applicant's Unlisted Class Units are registered to take action on his/her behalf. As the authorised distributor (or its nominee) is the Unitholder of the Unlisted Class Units of the relevant Sub-Fund, the Manager and the Trustee shall not be responsible for any

arrangements between the relevant applicant and the authorised distributor regarding the subscription, holding and redemption of such Unlisted Class Units and any related matters, as well as any costs or losses that may arise therefrom. The Manager will however, exercise reasonable care in the selection and appointment of the authorised distributor(s), in accordance with the *Overarching Principles of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Product*.

Investors who apply for subscription, redemption and/or switching of Unlisted Class Units through distributor(s) should note that such distributor(s) may impose earlier dealing deadlines for receiving instructions for subscriptions, redemptions or switching. Investors should pay attention to the arrangements of the distributor(s) concerned.

The Manager may pay or share any of the fees received by it (including any Subscription Fee, Redemption Fee, Switching Fee and management fees) with such distributors. For the avoidance of doubt, any fees, costs and expenses payable to the distributor(s) arising out of any advertisement or promotional activities in connection with the Trust or the Sub-Fund(s) will not be paid from the assets of the Trust or the Sub-Fund(s).

#### *Payment Procedures*

Payment for Unlisted Class Units subscribed for cash during the Initial Offer Period and the Subscription Fee (if any) is due in cleared funds by the Cleared Funds Deadline. Following the close of the Initial Offer Period, payment for Unlisted Class Units and the Subscription Charge (if any) is due in cleared funds by the Cleared Funds Deadline in respect of the relevant Dealing Day.

If payment in full in cleared funds has not been received by the Cleared Funds Deadline (or such other period as the Manager may determine and disclose to the applicants), the Manager has the absolute discretion to reject such application and no Units of the relevant Unlisted Class will be issued. Following the close of the Initial Offer Period, if payment in full in cleared funds has not been received by the Cleared Funds Deadline in respect of the relevant Dealing Day, then the subscription will be held over until the next Dealing Day if payment in full in cleared funds have been received in relation to the relevant Unlisted Class Units by such Dealing Day.

If payment in full in cleared funds have not been received by the Dealing Day immediately after the Dealing Day on which payment for the relevant Unlisted Class Units is due, the Manager has (without prejudice to any claim in respect of the failure of the applicant to make payment when due on such next Dealing Day) the absolute discretion to reject such application and no Unlisted Class Units in respect of such application will be issued.

Payments for Unlisted Class Units should be made in the class currency of the relevant Unlisted Class Units.

All payments should be made by telegraphic transfer (or other manner as may be agreed by the Manager). Any costs of transfer of subscription moneys to the Unlisted Class Units of a Sub-Fund will be payable by the applicant.

All application moneys must originate from an account held in the name of the applicant. No third party payments shall be accepted. The applicant should provide sufficient evidence as to the source of payment as the Manager and the Trustee may from time to time require.

**No money should be paid to an intermediary in Hong Kong who is not licensed or registered to carry on Type 1 Regulated Activity (dealing in securities) under Part V of the Securities and Futures Ordinance.**

#### *General*

The Manager has an absolute discretion to accept or reject in whole or in part any application for Unlisted Class Units.

If an application is rejected (either in whole or in part) or the Manager determines that the relevant Unlisted Class Units will not be launched, subscription moneys (or the balance thereof) will be returned as soon as practicable from the relevant Dealing Day or close of the relevant Initial Offer Period (as the case may be) without interest and after deducting any of out-of-pocket fees and charges incurred by the Manager and the Trustee/Registrar by telegraphic transfer to the bank account from which the moneys originated at the risk and expense of the applicant or in such other manner as the Manager and the Trustee may from time to time determine. Save for any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence of the Trustee or the Manager, none of the Manager, the Trustee or their respective delegates or agents will be liable to the applicant for any loss the applicant suffers as a result of the rejection or delay of any application.

Unlisted Class Units issued by the Trust will be held for investors in registered form. Certificates will not be issued. A contract note will be issued upon acceptance of an applicant's application and the receipt of cleared funds and will be forwarded to the applicant (at the risk of the person entitled thereto). In case of any error in a contract note, applicants should contact the relevant intermediaries or the relevant distributor promptly for rectification.

Fractions of an Unlisted Class Unit (rounded down to the nearest 4 decimal places) may be issued. Any amount corresponding to such rounding will accrue to the relevant Unlisted Class.

#### *Restrictions on Issue*

No Unlisted Class Units in a Sub-Fund will be issued where the determination of the Net Asset Value of that Sub-Fund or that Unlisted Class Units and/or the allotment or issuance of that Unlisted Class Units is suspended (for further details please refer to the section headed "Suspension of Determination of Net Asset Value") or when the Manager determines, with prior notification to the Trustee, that subscriptions for such Sub-Fund or Unlisted Class Units are closed.

### **Redemption of Unlisted Class Units**

#### *Redemption of Unlisted Class Units*

Subject to the restrictions (if any) as specified in the relevant Appendix in Part 2 of this Prospectus, any Unitholder may redeem his/her Unlisted Class Units on any Dealing Day in whole or in part. Save where there is a suspension of the determination of the Net Asset Value of the relevant Sub-Fund or relevant Unlisted Class and/or the redemption of Units of the relevant Sub-Fund or the relevant Unlisted Class, a redemption request once given cannot be revoked after the Dealing Deadline of the relevant Dealing Day without the consent of the Manager.

#### *Redemption Value*

Unlisted Class Units redeemed on a Dealing Day will be redeemed at the Redemption Value calculated by reference to the Net Asset Value per Unit of the relevant Unlisted Class as at the Valuation Point on the Dealing Day (For further details, please refer to the section headed "Determination of Net Asset Value").

In calculating the Redemption Value, the Manager may, deduct such amount (if any) as the Manager may estimate as appropriate to reflect any Duties and Charges which would be incurred for the account of the relevant Sub-Fund in realising assets or closing out positions to provide funds to meet any redemption request.

The Redemption Value shall be rounded down to the nearest 4 decimal places. Any amount corresponding to such rounding will accrue to the relevant Unlisted Class.

**If at any time during the period from the time as at which the Redemption Value is calculated and the time at which redemption proceeds are converted out of any other currency into the class currency of the relevant Unlisted Class there is an officially announced devaluation or depreciation of that currency, the amount payable to any relevant redeeming Unitholder may**

**be reduced as the Manager considers appropriate to take account of the effect of that devaluation or depreciation.**

#### *Minimum Redemption Amount and Minimum Holding Amount*

Details of any minimum redemption amount and minimum holding amount applicable to an Unlisted Class in a Sub-Fund are set out in the relevant Appendix.

If a redemption request will result in a Unitholder holding Units of an Unlisted Class less than the minimum holding amount for that Unlisted Class, the Manager may deem such request to have been made in respect of all Units of the relevant Unlisted Class held by that Unitholder.

The Manager has the discretion to waive, change or accept an amount lower than the relevant minimum redemption amount or minimum holding amount from time to time, whether generally or in a particular case.

#### *Redemption Procedures*

Applications for redemption of Unlisted Class Units may be made to the Trustee/Registrar or a distributor appointed by the Manager by completing a redemption form or any other forms as the Trustee and Manager may agree for redemptions ("Form of Redemption Request") and submitting (in original, sending it by facsimile or through electronic means) to the Trustee/Registrar at the business address or facsimile number or with electronic mean identifier stated on the Form of Redemption Request or may be given to the distributor for further aggregation before transmission to the Trustee/Registrar. Unless an application for redemption is otherwise rejected by the Manager, the Trustee/Registrar shall process such applications for redemption in accordance with the Form of Redemption Request. The Form of Redemption Request is available from the Trustee/Registrar and/or a distributor appointed by the Manager.

A Form of Redemption Request received by the Trustee/Registrar by the Dealing Deadline of a Dealing Day will be dealt with on that Dealing Day. If an application for redemption of Unlisted Class Units is received after the Dealing Deadline in respect of a Dealing Day then the application for redemption will be held over until the next Dealing Day.

A request for redemption can be revoked before the Dealing Deadline of the relevant Dealing Day without the consent of the Manager. A request for redemption once given cannot be revoked after the Dealing Deadline of the relevant Dealing Day without the consent of the Manager.

#### *Payment of Redemption Proceeds*

Redemption proceeds will normally be paid by telegraphic transfer in the class currency of the relevant Unlisted Class to the pre-designated bank account of the Unitholder (at the risk and expense of the Unitholder). No third party payments will be permitted. Any bank charges associated with the payment of such redemption proceeds will be borne by the redeeming Unitholder.

Unless otherwise specified in the relevant Appendix relating to a Sub-Fund and subject to the approval of the Manager, and to applicable limits on foreign exchange, redemption proceeds can be paid in a currency other than the relevant class currency. Redemption proceeds may be paid in a currency other than the relevant class currency if so requested by the relevant redeeming Unitholders and agreed by the Manager. In addition, the Manager may after consultation with the Trustee but, without the consent of the relevant redeeming Unitholders, pay redemption proceeds in a currency other than the relevant class currency if due to any foreign exchange control or restriction or regulatory requirement or policy, the relevant class currency is not available or not sufficient for payment of the redemption proceeds.

Redemption proceeds will be paid as soon as practicable but in any event not exceeding one calendar month after the later of (i) the relevant Dealing Day and (ii) the day on which the Trustee/Registrar receives the duly completed Form of Redemption Request and such other documents and information as the Trustee/Registrar and/or the Manager may require, unless the



market(s) in which a substantial portion of investments is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of the redemption money within the aforesaid time period not practicable. In such case, payment of redemption proceeds may be deferred, but the extended time frame for payment should reflect the additional time needed in light of the specific circumstances in the relevant market(s).

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

- (a) any period during which (i) the issue of Units of the relevant Unlisted Class, (ii) the redemption of Units of the relevant Unlisted Class, and/or (iii) the determination of Net Asset Value of the relevant Unlisted Class is suspended;
- (b) where in the opinion of the Manager, acceptance of the redemption request would have an adverse effect on either the relevant Sub-Fund or on a market on which (i) for an Index Tracking Sub-Fund, a Security and/or Futures Contract (as the case may be) (that is a constituent of the Index of the relevant Sub-Fund) or (ii) for an active Sub-Fund, a substantial part of the investments of the Sub-Fund, has its primary listing;
- (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 (i) for an Index Tracking Sub-Fund, any of the Securities and/or Futures Contracts (as the case may be) in the relevant Index; or (ii) for an active Sub-Fund, a substantial part of the investments of the Sub-Fund;
- (d) where acceptance of the redemption request 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 request; or
- (f) during any period when the business operations of the Manager, the Trustee or any delegate of the Trustee or the Manager in relation to the redemption of Unlisted Class Units in the relevant Sub-Fund 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 Trustee of its decision to reject such redemption request.

#### *Restrictions on Redemption*

No Unlisted Class Units in a Sub-Fund may be redeemed where the determination of the Net Asset Value of that Sub-Fund or Unlisted Class and/or the redemption of Units of that Sub-Fund or Unlisted Class is suspended (For further details please refer to the section headed "Suspension of Determination of Net Asset Value").

In the event that redemption requests are received for the redemption of Units (both Listed Class Units and Unlisted Class Units) representing in aggregate more than 10% (or such higher percentage as the Manager may determine in respect of the Sub-Fund) of the total Net Asset Value of a Sub-Fund, the Manager may direct the Trustee to reduce the 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 Sub-Fund) of the total Net Asset Value of the relevant Sub-Fund. 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 Sub-Fund themselves exceed 10% (or such higher percentage as the Manager may determine in respect of that Sub-Fund) of the total Net Asset Value of the relevant Sub-Fund) in priority to any other Units in the relevant Sub-Fund for which redemption requests have been received. Unlisted Class Units will be redeemed at the Redemption Value prevailing on the Dealing Day on which they are redeemed.

#### *Restrictions on Unitholders of Unlisted Class Units*

The Manager has power to impose such restrictions as it may think necessary in accordance with the Trust Deed including for the purpose of ensuring that no Unlisted Class 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 in circumstances which, in the Manager's opinion, might result in the Trust or the Sub-Fund suffering any adverse effect which the Trust or the Sub-Fund might not otherwise have suffered; or
- (b) in the circumstances which, in the Manager's opinion, may result in the Trust or the Sub-Fund incurring any tax liability or suffering any other pecuniary disadvantage which the Trust or the Sub-Fund might not otherwise have incurred or suffered.

The foregoing would include acquisition or holding of Unlisted Class Units by any "person or entity classified by the Manager as a "U.S. Person" due to such person or entity being subject to certain investment restrictions and/or restrictions relating to the direct or indirect holding of Unlisted Class Units as may be mandated under applicable U.S. laws and regulations (including any U.S. governmental orders or sanctions) which holding would result in any of the repercussions set out above or as provided in the Trust Deed.

The Manager may also restrict or prevent the ownership of Unlisted Class Units by any Unauthorised US Person being (i) a U.S. person within the meaning of Rule 902 of the United States Securities Act of 1933, (ii) a US resident within the meaning of the United States Investment Company Act of 1940 or (iii) any person that would not qualify as a Non-United States person within the meaning of United States Commodity Futures Trading Commission Rule 4.7(a)(1)(iv)) in accordance with the Trust Deed.

Upon notice that any Unlisted Class Units are so held, the Manager may require such Unitholders to redeem or transfer such Unlisted Class Units in accordance with the provisions of the Trust Deed. A person who becomes aware that he is holding or owning Unlisted Class Units in breach of any of the above restrictions is required either to redeem his Unlisted Class Units in accordance with the Trust Deed or to transfer his Unlisted Class 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 Unlisted Class Units**

The Trust Deed provides that a Unitholder may transfer Unlisted Class Units with the consent of the Manager subject to the provisions of the Trust Deed. An investor is entitled to transfer such Units held by him by an instrument in writing in such form as the Trustee may from time to time approve. A transferor will be deemed to remain the Unitholder of the Unlisted Class Units transferred until the name of the transferee is entered in the register of Unitholders in respect of the Unlisted Class Units being transferred. Each instrument of transfer must relate to a single Sub-Fund only.

#### **Switching of Unlisted Class Units**

Unless otherwise specified in the relevant Appendix, Unitholders shall be entitled (subject to such limitations as the Manager may impose after consulting with the Trustee) to switch all or part of their Units in an Unlisted Class in a Sub-Fund (the “Existing Class”) into Units of any other Unlisted Class in the same Sub-Fund or into Units of an Unlisted Class of another Sub-Fund (the “New Class”) available for subscription or switching provided that no Unlisted Class Units may be switched if to do so would result in a holding of less than the minimum holding of Units of the Existing Class or the New Class.

A request for switching will not be effected if as a result the relevant Unitholder would hold less than the minimum holding amount of the Existing Class or the New Class, or is prohibited from holding Units of the New Class.

In addition, specific limitations or restrictions may apply when a Unitholder intends to convert his Units in an Unlisted Class into Units of another Unlisted Class in same Sub-Fund or another Sub-Fund. The relevant limitations or restrictions (if any) will be set out in the Appendix for the relevant Sub-Fund.

#### *Switching Procedures*

Applications for switching of Unlisted Class Units may be made to the Trustee/Registrar by completing the switching form (the “Switching Form”) and submitting the original or sending it by facsimile to the Trustee/Registrar at the business address or facsimile number on the Switching Form or may be given to a distributor appointed by the Manager for further aggregation before transmission to the Trustee/Registrar. The Switching Form is available from the Trustee/Registrar and/or a distributor appointed by the Manager.

Switching Forms which are received by the Trustee/Registrar by the Dealing Deadline applicable to the Existing Class or such later time as the Manager may think fit on a Dealing Day (but prior to the Valuation Point relating to the relevant Dealing Day) in relation to such Existing Class will be dealt with on that Dealing Day and Switching Forms received after such time will be dealt with on the following Dealing Day in relation to such Existing Class. Switching Forms may not be withdrawn without the consent of the Manager.

Depending on the Valuation Point of the relevant Sub-Fund or Unlisted Class and the time required to remit the switched funds, the day on which investments are switched into the New Class may be later than the day on which investments in the Existing Class are switched out or the day on which the instruction to switch is given.

#### *Restrictions on Switching of Unlisted Class Units*

Unlisted Class Units shall not be switched during any period when the determination of the Net Asset Value of any relevant Sub-Fund is suspended for further details please refer to the section headed “Suspension of Determination of Net Asset Value”) or when the Manager determines, with prior notification to the Trustee, that subscriptions for Units of the New Class are closed.

#### *Switching between Unlisted Class and Listed Class Units*

Investors should note that switching between Unlisted Class Units and Listed Class Units on the secondary market is not available.

### **Suspension of the Subscription, Switching and Redemption of Unlisted Class Units**

The Manager may at its discretion (after consultation with the Trustee), suspend the subscription, switching and/or redemption of Units of any Unlisted Class of any Sub-Fund, 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 to persons who have redeemed Unlisted Class Units of any Sub-Fund 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 (i) for an Index Tracking Sub-Fund, a Security and/or Futures Contract (as the case may be) (that is a constituent of the Index of the relevant Sub-Fund) or (ii) for an active Sub-Fund, a substantial part of the investments of the Sub-Fund, 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 (i) for an Index Tracking Sub-Fund, a Security and/or Futures Contract (as the case may be) (that is a constituent of the Index of the relevant Sub-Fund) or (ii) for an active Sub-Fund, a substantial part of the investments of the Sub-Fund, 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 Sub-Fund cannot, in the opinion of the Manager, be effected normally or without prejudicing the interests of Unitholders of the relevant Sub-Fund;
- (f) (for an Index Tracking Sub-Fund only) during any period when the relevant Index 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 Sub-Fund or the Net Asset Value per Unit of the relevant Unlisted Class or when for any other reason the value of any Securities of Futures Contracts or other property for the time being comprised in the relevant Sub-Fund 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 Sub-Fund is suspended or if any circumstance specified in the section headed "Suspension of Determination of Net Asset Value" arises;
- (i) during any period when the business operations of the Manager or the Trustee or any delegate of the Trustee or the Manager in respect of the subscription, switching or redemption of Unlisted Class Units in the relevant Sub-Fund 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
- (i) during any period when the creation or issue or redemption of Units of any Listed Class of the relevant Sub-Fund is suspended.

The Manager will, after consultation with the Trustee, suspend the right to subscribe/redeem/switch for Unlisted Class Units of the relevant Sub-Fund if, or if as a result of the investment of the proceeds of issue of such Unlisted Class 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 entity or such other percentage permitted in the section "Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing". In addition, where all the Sub-Funds under the Trust hold in aggregate more than the limit of 10% of the ordinary shares issued by any single entity, 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 and unitholders of other Sub-Funds concerned.

The Manager shall notify the SFC and publish a notice of suspension following the suspension, and at least once a month during the suspension, on the Trust's website at <https://cicchkam.com> (the

contents of which and of other websites referred to in this Prospectus have not been reviewed by the SFC) or in such other publications as it decides.

The Manager shall consider any subscription, switch or redemption 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 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.

## **DETERMINATION OF NET ASSET VALUE**

### **Calculation of Net Asset Value**

The Net Asset Value of each Sub-Fund will be determined by the Trustee in the base currency of the relevant Sub-Fund as at each Valuation Point applicable to the relevant Sub-Fund by valuing the assets of the relevant Sub-Fund and deducting the liabilities of the relevant Sub-Fund, in accordance with the terms of the Trust Deed.

Set out below is a summary of how various property held by the relevant Sub-Fund 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 official closing price or, if unavailable, the last traded price on the Market as the Manager may consider in the circumstances to provide fair criterion, provided that (i) if a Security is quoted or listed on more than one Market, the Manager shall adopt the price quoted on the Market which in its opinion provides the principal market for such Security; (ii) if prices on that Market are not available at the relevant time, the value of the Securities shall be certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager after consultation with the Trustee; (iii) interest accrued on any interest-bearing Securities shall be taken into account, unless such interest is included in the quoted or listed price; and (iv) the Manager and the Trustee shall be entitled to use and rely on electronic price feeds from such source or sources as they may from time to time determine, notwithstanding that the prices so used are not the last traded prices as the case may be;
- (b) the value of each interest in any unlisted mutual fund corporation or unit trust shall be the latest available net asset value per share or unit in such mutual fund corporation or unit trust or if not available or appropriate, the latest available bid or offer price for such unit, share or other interest;
- (c) the value of any Futures Contract shall be the official closing price of such Futures Contract; or if such price is not available, then, (i) the latest available price of such Futures Contract or (ii) (if bid and offered quotations are made) the latest available middle market quotation of such Futures Contract, in each case on the date as at which the valuation is to be made on the Market in which the Futures Contract was entered into on behalf of the Trust; or if no such prices are available, a price as quoted by the broker or calculation agent of the relevant Futures Contract to the Trustee or its delegates or the Manager; 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 relevant Sub-Fund in the acquisition of such investment (including, in each case the amount of stamp duties, commissions and other acquisition expenses) provided that the Manager may at the request of the Trustee cause a revaluation to be made on a regular basis by a professional person approved by the Trustee as qualified to value such investments (which may, if the Trustee agrees, be the Manager);
- (e) cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager after consultation with the Trustee, any adjustment should be made to reflect the value thereof; and
- (f) notwithstanding the foregoing, the Manager may in consultation with the Trustee adjust the value of any investment if, having regard to relevant circumstances, the Manager considers that such adjustment is required to fairly reflect the value of the investment.

Currency conversion will be performed at such rates as determined by the Manager (after consultation with the Trustee where the Manager considers appropriate) from time to time.

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

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

The Manager may, after consultation with the Trustee, declare a suspension of the determination of the Net Asset Value of the relevant Sub-Fund 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 Sub-Fund;
- (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 any Securities and/or Futures Contracts held or contracted for the account of the Sub-Fund or it is not possible to do so without seriously prejudicing the interest of Unitholders of the relevant Sub-Fund;
- (c) for any other reason the prices of investments of the relevant Sub-Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained;
- (d) there is any breakdown in any of the means normally employed in determining the Net Asset Value of the relevant Sub-Fund 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 Sub-Fund 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 or Futures Contracts or other property of the relevant Sub-Fund or the subscription or redemption of Units of the relevant class is delayed or cannot, in the opinion of the Manager, be carried out promptly or at normal rates of exchange; or
- (f) the business operations of the Manager, the Trustee or any delegate of the Trustee or the Manager in relation to the determination of the Net Asset Value of the relevant Sub-Fund 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.

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

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

No Units of a Sub-Fund will be created, issued, switched or redeemed during any period of suspension of the determination of the Net Asset Value of the relevant Sub-Fund.

In respect of Listed Class Units, a Participating Dealer may at any time after a suspension has been declared and before termination of such suspension withdraw an Application submitted prior to such suspension by notice in writing to the Manager and the Manager shall promptly notify the Trustee accordingly. If the Manager has not received any such notification of withdrawal of such Application before termination of such suspension, the Trustee shall, subject to and in accordance with the provisions of the Trust Deed, create and issue Listed Class Units or redeem Listed Class

Units in respect of such Application and such Application shall be deemed to be received immediately following the termination of such suspension.

In respect of Unlisted Class Units, an applicant may at any time after a suspension has been declared and before termination of such suspension withdraw any subscription, switching, redemption or transfer application submitted prior to such suspension by notice in writing to the Manager and the Manager shall promptly notify the Trustee accordingly. If the Manager has not received any such notification of withdrawal of such subscription, switching, redemption or transfer application before termination of the suspension, the Trustee shall, subject to and in accordance with the provisions of the Trust Deed, issue, switch, redeem or transfer such Unlisted Class Units in respect of such application and such application shall be deemed to be received immediately following the termination of such suspension.

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

The Issue Price of a Listed Class Unit which is the subject of a Creation Application and the initial Subscription Price of an Unlisted Class Unit during the Initial Offer Period of a Sub-Fund will be a fixed amount per Unit, or (for Listed Class Units of Index Tracking Sub-Funds only) a percentage of the closing level of the relevant Index (expressed in the base currency of the relevant Sub-Fund) as at the last day of the Initial Offer Period, rounded to the nearest 4 decimal places (0.00005 or above being rounded up, and less than 0.00005 being rounded down), or such other amount from time to time determined by the Manager and approved by the Trustee. The Issue Price of a Listed Class Unit and the initial Subscription Price of an Unlisted Class Unit during the Initial Offer Period of each Sub-Fund will be set out in the relevant Appendix.

After the expiry of the Initial Offer Period, the Issue Price of a Listed Class Unit created and issued by a Creation Application and the Subscription Price of an Unlisted Class Unit will be, subject to any applicable charges disclosed in the section headed "Provisions Relating To The Offer, Creation, Redemption, Listing and Trading of the Listed Class Units" and/or adjustments set out in the section headed "Provisions relating to the Offer, Subscription, Switching and Redemption of the Unlisted Class Units", the prevailing Net Asset Value of the relevant Sub-Fund attributable to the relevant Listed Class or Unlisted Class (as the case may be) as at the relevant Valuation Point divided by the total number of Units of the Listed Class or the Unlisted Class (as the case may be) in issue rounded to the nearest 4 decimal places (0.00005 or above being rounded up, and less than 0.00005 being rounded down).

The Redemption Value of a Listed Class Unit and an Unlisted Class Unit on a Dealing Day shall be, subject to any applicable charges disclosed in the section headed "Provisions Relating To The Offer, Creation, Redemption, Listing and Trading of the Listed Class Units" and/or adjustments set out in the section headed "Provisions relating to the Offer, Subscription, Switching and Redemption of the Unlisted Class Units", the prevailing Net Asset Value of the relevant Sub-Fund attributable to the relevant Listed Class or Unlisted Class (as the case may be) as at the relevant Valuation Point divided by the total number of Units of the Listed Class or the Unlisted Class (as the case may be) in issue rounded to the nearest 4 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 Sub-Fund.

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

In respect of Listed Class Units in a Sub-Fund, 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 Sub-Fund as set out below, current as at this date of this Prospectus.*

### Fees and Expenses applicable to the Listed Class in a Sub-Fund only

Fees and expenses payable by Participating Dealers on creations and redemptions (as applicable) of Listed Class Units (applicable both during the Initial Offer Period and After Listing)	CICC Bloomberg China Treasury 1-10 Years ETF	CICC CSI Select 100 ETF	ICBC CICC USD Money Market ETF	CICC HKD Money Market ETF	CICC Carbon Futures ETF
Transaction Fee and Service Agent's Fee	Up to RMB5,123 <sup>1</sup> per Application and HKD1,000 <sup>1</sup> per book-entry deposit and withdrawal transaction	Up to RMB10,930 <sup>2</sup> per Application and HKD1,000 <sup>2</sup> per book-entry deposit and withdrawal transaction	Transaction Fee - Nil <sup>3</sup>  HKD1,000 <sup>3</sup> per book-entry deposit and withdrawal transaction	Transaction Fee - Nil <sup>4</sup>  HKD1,000 <sup>4</sup> per book-entry deposit and withdrawal transaction	Up to HKD4,000 <sup>5</sup> per Application and HKD1,000 <sup>5</sup> per book-entry deposit and withdrawal transaction

<sup>1</sup> The Transaction Fee of up to RMB5,123 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 a Participating Dealer to the Service Agent for each book-entry deposit or book-entry withdrawal transaction. The Registrar will charge a fee of RMB137 for each Creation Application and Redemption Application. A Participating Dealer may pass on to the relevant investor such Transaction Fee.

<sup>2</sup> The Transaction Fee of up to RMB10,930 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 a Participating Dealer to the Service Agent for each book-entry deposit or book-entry withdrawal transaction. The Registrar will charge a fee of RMB137 for each Creation Application and Redemption Application. A Participating Dealer may pass on to the relevant investor such Transaction Fee.

<sup>3</sup> No Transaction Fee is payable by a Participating Dealer to the Trustee. The Service Agent's fee of HKD1,000 is payable by a Participating Dealer to the Service Agent for each book-entry deposit or 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.

<sup>4</sup> No Transaction Fee is payable by a Participating Dealer to the Trustee. The Service Agent's fee of HKD1,000 is payable by a Participating Dealer to the Service Agent for each book-entry deposit or book-entry withdrawal transaction. The Registrar will charge a fee of HKD155 for each Creation Application and Redemption Application. A Participating Dealer may pass on to the relevant investor such Transaction Fee.

<sup>5</sup> The Transaction Fee of up to HKD4,000 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 a Participating Dealer to the Service Agent for each book-entry deposit or book-entry withdrawal transaction. The Registrar will charge a fee of HKD155 for each Creation Application and Redemption Application. A Participating Dealer may pass on to the relevant investor such Transaction Fee.

Registrar fee	RMB137 per transaction <sup>1</sup>	RMB137 per transaction <sup>2</sup>	USD20 per transaction <sup>3</sup>	HKD155 per transaction <sup>4</sup>	HKD155 per transaction <sup>5</sup>
Application cancellation fee	RMB8,200 <sup>6</sup> per Application	RMB8,200 <sup>6</sup> per Application	USD400 <sup>6</sup> per transaction	HKD3,100 <sup>6</sup> per transaction	HKD3,100 <sup>6</sup> per transaction
Extension Fee	RMB8,200 <sup>7</sup> per Application	RMB8,200 <sup>7</sup> per Application	USD400 <sup>7</sup> per transaction	HKD3,100 <sup>7</sup> per transaction	HKD3,100 <sup>7</sup> per transaction
Stamp duty	Nil	Nil	Nil	Nil	Nil
All other Duties and Charges incurred by the Trustee or the Manager in connection with the creation or redemption	As applicable	As applicable	As applicable	As applicable	As applicable

Fees and expenses payable by investors	Amount (for all Sub-Funds with Listed Class Units)
<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>8</sup>	Such amounts as determined by the relevant Participating Dealer
<b><i>(ii) Fees payable by all investors in respect of dealings in the Listed Class Units on SEHK (applicable After Listing)</i></b>	
Inter-counter transfer	HKD5.00 <sup>9</sup>
Brokerage	Market rates
Transaction levy	0.0027% <sup>10</sup> of the trading price

<sup>6</sup> An application cancellation fee is payable to the Trustee for the account of the Registrar in respect of either a withdrawn or failed Creation Application or Redemption Application.

<sup>7</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>8</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>9</sup> HKSCC will charge each CCASS participant a fee of HKD5 per instruction for effecting an inter-counter transfer from one counter to another (if applicable). Investors should check with their respective brokers regarding any additional fees.

<sup>10</sup> Transaction levy of 0.0027% of the trading price of the Units, payable by each of the buyer and the seller.

FRC transaction levy	0.00015% <sup>11</sup> of the trading price
SEHK trading fee	0.005% <sup>12</sup> of the trading price
Stamp duty	Nil

<b>Fees and expenses payable by a Sub-Fund</b>	See Appendix
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No money should be paid to any intermediary in Hong Kong which is not licensed or registered to carry on Type 1 regulated activity under Part V of the SFO.

### **Fees and Expenses applicable to the Unlisted Class in a Sub-Fund only**

#### *Subscription Fee*

The Manager, its agents or delegates (including any distributors appointed by the Manager from time to time) may charge a Subscription Fee on the issue of each Unlisted Class Unit of a percentage of either (i) the initial Subscription Price or the Subscription Price, as the case may be, of such Unlisted Class Unit or (ii) the total subscription amount received in relation to an application, as the Manager may at its discretion determine. The maximum and current rate of Subscription Fee (if any) and the manner in which it will be imposed are specified in the relevant Appendix in Part 2 of this Prospectus. For the avoidance of doubt, a lower maximum rate of Subscription Fee may be imposed in relation to the issue of Units of an Unlisted Class in a Sub-Fund as compared to other Sub-Funds and also in relation to different Unlisted Classes of a Sub-Fund.

Subject to the applicable requirements of the Code, the Manager may at any time increase the rate of Subscription Fee of an Unlisted Class or a Sub-Fund. The Manager will inform investors of any such increase in accordance with the applicable requirements of the Code.

The Manager, its agents or delegates may on any day differentiate between applicants or Unlisted Classes as to the amount of the Subscription Fee. The Subscription Fee will be retained by or paid to the Manager, its agents or delegates for their own absolute use and benefit.

#### *Redemption Fee*

The Manager may charge a Redemption Fee on the redemption of Unlisted Class Units of a percentage of either (i) the Redemption Fee per Unit; or (ii) the total redemption amount in relation to a redemption request, as the Manager may at its discretion determine. The maximum and current rate of Redemption Fee (if any) and the manner in which it will be imposed are specified in the relevant Appendix. For the avoidance of doubt, a lower maximum rate of Redemption Fee may be imposed in relation to the redemption of Unlisted Class Units of a Sub-Fund as compared to other Sub-Funds and also in relation to different Unlisted Classes of a Sub-Fund.

The Manager may increase the rate of Redemption Fee payable for a Sub-Fund or an Unlisted Class up to the maximum disclosed rate by giving one month's prior written notice to the Unitholders, subject to the applicable requirements of the Code.

For the purpose of calculating the Redemption Fee payable on a partial redemption of a Unitholder's holding, Unlisted Class Units subscribed earlier in time are deemed to be redeemed prior to Unlisted

<sup>11</sup> FRC transaction levy, presently 0.00015% of the trading price of the Units, payable by each of the buyer and the seller.

<sup>12</sup> Trading fee of 0.005% of the trading price of the Units, payable by each of the buyer and the seller.

Class Units subscribed later in time unless the Manager and the Trustee agree otherwise.

The Redemption Fee will be deducted from the amount payable to a Unitholder in respect of the redemption of Unlisted Class Units. The Redemption Fee will be retained by or paid to the Manager for its own absolute use and benefit or, if so stated in the relevant Appendix, retained by the relevant Sub-Fund. Where the Redemption Fee is retained by the Manager, it may at its discretion, pay all or part of the Redemption Fee to its agents or delegates. The Manager shall be entitled to differentiate between Unitholders or Unlisted Classes as to the amount of the Redemption Fee (within the maximum rate of Redemption Fee).

#### *Switching Fee*

A Switching Fee may be charged by the Manager in respect of each Unit of the New Class to be issued upon such switching of a percentage of –

- (i) the Subscription Price per Unit of the New Class as at the Valuation Point on the Dealing Day at which the Subscription Price of such Units is ascertained; or
- (ii) the total amount being switched into

as the Manager may at its discretion determine.

The maximum and current rate of Switching Fee (if any) and the manner in which it will be imposed are specified in the relevant Appendix. For the avoidance of doubt, a lower maximum rate of Switching Fee may be imposed in relation to the switching of Unlisted Class Units of a Sub-Fund as compared to other Sub-Funds and also in relation to different Unlisted Classes of a Sub-Fund.

The Switching Fee shall be deducted from the amount reinvested into the Sub-Fund relating to Units of the New Class and shall be retained by or paid to the Manager for its own absolute use and benefit.

Where the Switching Fee is levied pursuant to paragraph (i) above, Units of the Existing Class will be switched into Units of the New Class in accordance (or as nearly as may be in accordance) with the following formula:-

$$N = \frac{E \times R \times F}{S + SF}$$

Where the Switching Fee is levied pursuant to paragraph (ii) above, Units of the Existing Class will be switched into Units of the New Class in accordance (or as nearly as may be in accordance) with the following formula:-

$$N = \frac{E \times R \times F - SF}{S}$$

Where in either case:-

“N” is the number of Units of the New Class to be issued, provided that amounts lower than the smallest fraction of a Unit of the New Class shall be ignored and shall be retained by the Sub-Fund relating to the New Class.

“E” is the number of Units of the Existing Class to be switched.

“F” is the currency conversion factor determined by the Manager for the relevant Dealing Day of the New Class as representing the effective rate of exchange between the class currency of Units of the Existing Class and the class currency of Units of the New Class.

“R” is the Redemption Value per Unit of the Existing Class applicable on the relevant Dealing Day less any Redemption Fee imposed by the Manager.

“S” is the Subscription Price per Unit for the New Class applicable on the Dealing Day for the New Class coincident with or immediately following the relevant Dealing Day for the Existing Class PROVIDED THAT where the issue of Units of the New Class is subject to the satisfaction of any conditions precedent to such issue then “S” shall be the Subscription Price per Unit of the New Class applicable on the first Dealing Day for the New Class falling on or after the satisfaction of such conditions.

“SF” is a Switching Fee (if any).

If there is, at any time during the period from the time as at which the Redemption Value per Unit of the Existing Class is calculated up to the time at which any necessary transfer of funds from the Sub-Fund to which the Existing Class relates (“Original Sub-Fund”) to the Sub-Fund to which the New Class relates takes place, a devaluation or depreciation of any currency in which any investment of the Original Sub-Fund is denominated or normally traded, the Manager may at its discretion reduce the Redemption Value as the Manager considers appropriate to take account of the effect of that devaluation or depreciation and in such event the number of Units of the New Class to be allotted to any relevant Unitholder shall be recalculated in accordance with the relevant formula set out above as if that reduced Redemption Value had been the Redemption Value ruling for redemptions of Units of the Existing Class on the relevant Dealing Day.

### **Fees and Expenses Payable by a Sub-Fund (applicable to both Listed and Unlisted Classes)**

#### *Management Fee*

The Manager is entitled to receive a management fee of up to 3% per year of the Net Asset Value of a Sub-Fund (or Class). The current management fee percentage in respect of each Sub-Fund 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.

A Sub-Fund (or Class) may employ a single management fee structure, and details will be set out in the relevant Appendix of the Sub-Fund. For a Sub-Fund (or Class) which does not employ a single management fee structure, the following fees and expenses may be payable out of and borne by the relevant Sub-Fund (or Class): The Trustee’s fee, Registrar’s fees, custodian’s fees, fees of Service Agents, fees and expenses of the auditors, ordinary out-of-pocket expenses incurred by the Manager or the Trustee and costs and expenses of licensing the Index used in connection with the Sub-Fund (or Class) (where applicable).

The Manager may pay a distribution fee to any distributor or sub-distributors of a Sub-Fund (or Class) out of the management fees it receives from the relevant Sub-Fund (or Class). A distributor may re-allocate an amount of the distribution fee to the sub-distributors.

#### *Trustee’s fee*

The Trustee is entitled to receive out of the assets of each Sub-Fund a monthly trustee fee, payable in arrears, accrued daily and calculated as at each Dealing Day, of up to 1% per year of the Net Asset Value of a Sub-Fund (or Class). For a Sub-Fund (or Class) which does not employ a single management fee structure, the applicable trustee fee percentage is set out in the Appendix of the relevant Sub-Fund. The Trustee is also entitled to various transaction, processing fees and safekeeping fees (including custodian’s fees) and to be reimbursed out of the assets of the relevant Sub-Fund (or Class) all out-of-pocket expenses incurred (including sub-custody fees and expenses). The Trustee is also entitled to receive a fee in its capacity as the Registrar.

The trustee fee will be included in the Management Fee if a Sub-Fund (or Class) employs a single

management fee structure.

The trustee fee may be increased by agreement with the Manager up to the maximum on giving one month's notice to the Unitholders.

#### *Estimated Ongoing Charges*

The estimated ongoing charges of any newly established Sub-Fund (or Class) are the sum of anticipated ongoing expenses of the relevant Sub-Fund (or Class) expressed as a percentage of its estimated average Net Asset Value of the relevant Sub-Fund (or Class), and the actual ongoing charges of any existing Sub-Fund (or Class) are the sum of actual ongoing expenses of the relevant Sub-Fund (or Class) expressed as a percentage of its actual average Net Asset Value of the relevant Sub-Fund (or Class). The ongoing charges figure is disclosed in the product key facts statement of each Sub-Fund (or Class). Where a Sub-Fund (or Class) is newly established the Manager will make a best estimate of the ongoing charges and keep such estimate under review. The establishment costs of a Sub-Fund (or Class) may also be included in the ongoing charges calculation payable by a Sub-Fund (or Class) and in those cases will be clearly disclosed. Ongoing expenses may be deducted from the assets of a Sub-Fund (or Class) where these are permitted by the Trust Deed, the Code and the law. These include all types of costs borne by a Sub-Fund (or Class), 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, may be different upon actual operation and may vary from year to year.

#### *Promotional Expenses*

A Sub-Fund (or Class) 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 any Sub-Fund (or Class) will not be paid (either in whole or in part) out of the Trust Fund.

#### **Establishment Costs**

The costs of establishing the Trust, CICC Bloomberg China Treasury 1-10 Years ETF and CICC CSI Select 100 ETF 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 will be borne by CICC Bloomberg China Treasury 1-10 Years ETF and CICC CSI Select 100 ETF (unless otherwise determined by the Manager) and will be amortised over the first 5 financial years of the Sub-Funds or such other period as determined by the Manager after consulting the Auditor. Such establishment costs are estimated to be HKD550,000 for each of CICC Bloomberg China Treasury 1-10 Years ETF and CICC CSI Select 100 ETF.

The costs of establishing the Listed Class of ICBC CICC USD Money Market ETF 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 will be borne by the Listed Class of ICBC CICC USD Money Market ETF and will be amortised over the first 5 financial years of the Listed Class of the ICBC CICC USD Money Market ETF or such other period as determined by the Manager after consulting the Auditor. Such establishment costs are estimated to be USD90,000.

The costs of establishing the Unlisted Class of ICBC CICC USD Money Market ETF including the preparation of this Prospectus, inception fees, the costs of seeking and obtaining the authorisation by the SFC and all initial legal and printing costs will be borne by the Unlisted Class of ICBC CICC USD Money Market ETF and will be amortised over the first 5 calendar years since the launch of the Unlisted Class of the ICBC CICC USD Money Market ETF or such other period as determined by the Manager after consulting the Auditor. Such establishment costs are estimated to be USD80,000.

The costs of establishing the CICC Hong Kong Equity Fund including the preparation of this Prospectus, inception fees, the costs of seeking and obtaining the authorisation by the SFC and all initial legal and printing costs will be borne by the CICC Hong Kong Equity Fund (unless otherwise determined by the Manager) and will be amortised over the first 5 calendar years since the launch of the CICC Hong Kong Equity Fund or such other period as determined by the Manager after consulting the Auditor. Such establishment costs are estimated to be HKD600,000.

The costs of establishing the CICC HKD Money Market ETF 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 will be borne by the CICC HKD Money Market ETF and will be amortised over the first 5 calendar years of the CICC HKD Money Market ETF or such other period as determined by the Manager after consulting the Auditor. Such establishment costs are estimated to be HKD600,000.

The costs of establishing the CICC Carbon Futures ETF 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 will be borne by the CICC Carbon Futures ETF and will be amortised over the first 5 calendar years of the CICC Carbon Futures ETF or such other period as determined by the Manager after consulting the Auditor. Such establishment costs are estimated to be HKD700,000.

The costs of establishing the CICC China Equity Fund including the preparation of this Prospectus, inception fees, the costs of seeking and obtaining the authorisation by the SFC and all initial legal and printing costs will be borne by the CICC China Equity Fund (unless otherwise determined by the Manager) and will be amortised over the first 5 calendar years since the launch of the CICC China Equity Fund or such other period as determined by the Manager after consulting the Auditor. Such establishment costs are estimated to be HKD400,000.

The attention of investors is drawn to the risk factor entitled “Valuation and accounting risk”.

### **Increase in Fees**

The current fees in respect of each Sub-Fund payable to the Manager as described in the relevant Appendix may be increased on not less than one month’s notice to Unitholders, subject to the maximum rates set out in the Trust Deed.

## **RISK FACTORS**

*An investment in any Sub-Fund 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 Sub-Fund will be achieved. Investors should carefully evaluate the merits and risks of an investment in the relevant Sub-Fund 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 each Sub-Fund. You should refer to additional risk factors, specific to each Sub-Fund, as set out in the relevant Appendix.*

### **Risks Associated with Investment in Any Sub-Fund**

#### *Investment Objective Risk*

There is no assurance that the investment objective of a Sub-Fund will be achieved. Whilst it is the intention of the Manager to implement strategies which are designed to achieve the investment objective and, for an Index Tracking Sub-Fund, minimise tracking error, there can be no assurance that these strategies 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. It is possible that you as an investor may lose a substantial proportion or all of its investment in a Sub-Fund, including (for an Index Tracking Sub-Fund) where the relevant Index value declines. As a result, each investor should carefully consider whether you can afford to bear the risks of investing in the relevant Sub-Fund.

#### *Market Risk*

The Net Asset Value of each Sub-Fund will change with changes in the market value of the Securities and/or Futures Contracts it holds. 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 each Sub-Fund are based on the capital appreciation and income on the Securities and/or Futures Contracts it holds, less expenses incurred. A Sub-Fund's return may fluctuate in response to changes in such capital appreciation or income. Furthermore, each Index Tracking Sub-Fund may experience volatility and decline in a manner that broadly corresponds with the relevant Index. Investors in each Sub-Fund are 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 (for an Index Tracking Sub-Fund, risk of a default by the underlying issuer of a Security that forms part of the Index).

#### *Asset Class Risk*

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

#### *Possible Business Failure Risk*

Global markets may experience very high levels of volatility and an increased risk of corporate failures. The insolvency or other corporate failures of any one or more of the constituents of the Index may have an adverse effect on the Index's (for Index Tracking Sub-Funds only) and therefore the relevant Sub-Fund's performance. You may lose money by investing in any Sub-Fund.

#### *Management Risk*



Each Sub-Fund 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 Sub-Fund. There can be no guarantee that the exercise of such discretion will result in the investment objective of a Sub-Fund being achieved. For Index Tracking Sub-Funds, because there can be no guarantee that each Sub-Fund will fully replicate the relevant Index, it is also subject to the above management risk.

#### *Single Region or Country / Concentration Risk*

A Sub-Fund may be subject to concentration risk as a result of (for an Index Tracking Sub-Fund) tracking the performance of a single geographical region or country (such as Mainland China) or industry sector or having a strategy of concentrating in a single region or industry sector. For an Index Tracking Sub-Fund, the Index may be comprised of a limited number of securities. A Sub-Fund may therefore likely be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value of the Index or Securities resulting from adverse conditions in the particular geographical region, country or industry sector. Where a Sub-Fund's Index tracks a particular region or country or industry sector or where the Index has a small number of constituents, or where the active strategy of a Sub-Fund is concentrated in a single region or industry sector risk factors specific to the relevant Sub-Fund are set out in its Appendix. Please refer to each Sub-Fund's Appendix for details.

#### *Securities Risk*

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

#### *Counterparty Risk*

Counterparty risk involves the risk that a counterparty or third party will not fulfil its obligations to a Sub-Fund and settle a transaction in accordance with market practice. A Sub-Fund may be exposed to the risk of a counterparty through investments.

#### *Equity Risk*

Investment in equity Securities by a Sub-Fund (where permitted) may offer a higher rate of return than a fund investing in short term and longer term debt securities. However, the risks associated with investments in equity Securities may also be higher, because the investment performance of equity Securities depends upon factors which are difficult to predict. Such factors include the possibility of sudden or prolonged market declines and risks associated with individual companies. The fundamental risk associated with any equity portfolio is the risk that the value of the investments it holds might suddenly and substantially decrease in value.

#### *Trading Risk (applicable to the Listed Class Units only)*

While the creation/redemption feature of each Sub-Fund is designed to make it likely that the Listed Class 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 Listed Class Units will fluctuate in accordance with changes in the Net Asset Value and supply and demand on any exchange on which the Listed Class Units are listed. In addition, when buying or selling Listed Class 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 Listed Class Units on the SEHK and may receive less than the Net Asset Value per Unit when selling Listed Class Units on the SEHK. The Manager cannot predict whether Listed Class Units will trade below, at, or above their Net Asset Value. Since, however, Listed Class 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 Listed Class Units should not be sustained. If the Manager suspends creations and/or redemptions of Listed Class Units, the Manager anticipates that there may be larger discounts or premiums as between the secondary market price of Listed Class Units and the Net Asset Value.

#### *Trading Error Risk*

Trading errors are an intrinsic factor in any investment process, and may occur, notwithstanding the execution of due care and special procedures designed to prevent such errors.

#### *No Trading Market in the Units Risk (applicable to the Listed Class Units only)*

Although the Listed Class Units are listed on the SEHK and one or more Market Makers have been appointed, there may be no liquid trading market for the Listed Class Units or that such Market Maker(s) may cease to fulfil that role. Further, there can be no assurance that Listed Class 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 (if applicable).

#### *Indemnity Risk*

Under the Trust Deed, the Trustee and the Manager have the right to be indemnified against any liability for performing their respective duties except as a result of their own negligence, fraud, breach of trust for which they may be liable in relation to their duties. Any reliance by the Trustee or the Manager on the right of indemnity in respect of a Sub-Fund would reduce the assets of the relevant Sub-Fund and the value of its Units.

#### *Dividends May Not be Paid Risk*

Whether a Sub-Fund will pay distributions on its Units is subject to the Manager's distribution policy (as described in the relevant Appendix) and also mainly depends on dividends declared and paid in respect of the Securities comprising the Index or in the Sub-Fund's portfolio. In addition, dividends received by a Sub-Fund may be applied towards meeting the costs and expenses of that Sub-Fund. Dividend payment rates in respect of such Securities will depend on factors beyond the control of the Manager, or Trustee including, general economic conditions, and the financial position and dividend policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions.

#### *Early Termination Risk*

A Sub-Fund 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 USD10 million (or equivalent in the base currency of the relevant Sub-Fund); 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 Sub-Fund; 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) (if applicable) 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, in respect of a Sub-Fund with only Listed Class Units in issue, the relevant Sub-Fund ceases to have any Participating Dealer. Upon a Sub-Fund being terminated, the Trustee will distribute the net cash proceeds (if any) derived from the realisation of the investments comprised in the relevant Sub-Fund to the Unitholders in accordance with the Trust Deed. Investors may suffer a loss where a Sub-Fund is terminated because any such amount distributed may be more or less than the capital

invested by the Unitholder.

#### *Effect of Redemptions Risk*

If significant redemptions of Units are requested by the Participating Dealers or Unitholders of Unlisted Class Units, it may not be possible to liquidate the relevant Sub-Fund's investments at the time such redemptions are requested or the Manager may be able to do so only at prices which the Manager believes does not reflect the true value of such investments, resulting in an adverse effect on the return to investors. Where significant redemptions of Units are requested by the Participating Dealers or Unitholders of Unlisted Class Units, the right to require redemptions in excess of 10% of the total Net Asset Value of a Sub-Fund (or such higher percentage as the Manager may determine) may be deferred, or the period for the payment of redemption proceeds may be extended.

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

#### *Foreign Exchange Risk*

If a substantial portion of the revenue and income of a Sub-Fund 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 Sub-Fund denominated in the HKD regardless of the performance of its underlying portfolio. If the relevant Sub-Fund's Net Asset Value is determined on the basis of the HKD, an investor may lose money if it invests in any Sub-Fund if the local currency of a foreign market depreciates against the HKD, even if the local currency value of an investment fund's holdings goes up.

#### *Borrowing Risks*

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

#### *Financial Derivative Instruments and Collateral Risks*

The risks associated with the use of FDIs are different from, or possibly greater than, the risks associated with investing directly in Securities and other traditional investments. Generally, a derivative is a financial contract the value of which depends upon, or is derived from, the value of an underlying asset, reference rate or index, and may relate to stocks, bonds, interest rates, currencies or currency exchange rates, commodities, and related indices. Any Sub-Fund investing in FDIs may utilise both exchange-traded and over-the-counter derivatives. Compared to equity securities, FDIs can be more sensitive to changes in market prices of the underlying assets and thus market prices of FDIs may fall in value as rapidly as they may rise. Investors investing in such Sub-Funds are exposed to a higher degree of fluctuation in value than a Sub-Fund which does not invest in FDIs. Transactions in over-the-counter FDIs may involve additional risk such as the risk that a counterparty defaults as there is no regulated market for such FDIs. Investing in FDIs also involves other types of risks including, but not limited to, the risk of adopting different valuation methodologies and imperfect correlation between the FDI and its underlying securities, rates and indices. Risks associated with FDIs also include counterparty/credit risk, liquidity risk, valuation risk, volatility risk

and over-the-counter transaction risk. The leverage element/component of a FDI can result in a loss significantly greater than the amount invested in the FDI by a Sub-Fund. Exposure to FDIs may lead to a high risk of significant loss by a Sub-Fund. There is no assurance that any derivative strategy used by a Sub-Fund will succeed.

There are risks associated with management of collateral and re-investment of collateral. The value of any collateral received in respect of any FDI 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 Sub-Fund's exposure to such counterparty to be under-collateralised. If the Sub-Fund reinvests cash collateral, it is subject to investment risk including the potential loss of principal.

#### *No Right to Control the Sub-Fund's Operation Risk*

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

### **Risks Associated with Investment in Index Tracking Sub-Funds**

#### *Passive Investment Risk*

The index-tracking Sub-Funds are not actively managed. Accordingly, such Sub-Funds may be affected by a decline in the market segments relating to the relevant Index or Indices. The Manager will not take defensive positions in declining markets. Investors may lose a significant part of their respective investments if the Index falls. Each index-tracking Sub-Fund invests 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. The Manager does not attempt to select Securities or Futures Contracts individually or to take defensive positions in declining markets. Investors should note that the lack of discretion on the part of the Manager, under the Manager's ongoing supervision and regular monitoring, to adapt to market changes due to the inherent investment nature of the Sub-Fund will mean a decline in the Index or Indices are expected to result in corresponding falls in the Net Asset Values of the Sub-Fund, and investors may lose substantially all of their investment.

#### *Representative Sampling Risk*

With a representative sampling strategy, an index-tracking Sub-Fund does not hold all of the Securities and/or Futures Contracts in its Index and may invest in Securities and/or Futures Contracts not included in its Index, provided that the sample closely reflects the overall characteristics of the Index which the Manager believes will help the Sub-Fund achieve its investment objective. The Securities and/or Futures Contracts held by a Sub-Fund may also be over or underweight relative to the Securities and/or Futures Contracts in its Index. It is therefore possible that a Sub-Fund may be subject to larger tracking error.

#### *Tracking Error Risk*

An index-tracking Sub-Fund's returns may deviate from the Index due to a number of factors. For example, the fees and expenses of an index-tracking Sub-Fund, any adoption of a representative sampling strategy, liquidity of the market, imperfect correlation of returns between an index-tracking Sub-Fund's assets and the Securities and/or Futures Contracts constituting its Index, inability to rebalance a Sub-Fund's holdings of Futures Contracts to track its Index, rounding of share prices and/or Futures Contracts prices, foreign exchange costs, changes to an Index and regulatory policies

may affect the Manager's ability to achieve close correlation with the Index of each index-tracking Sub-Fund. Further, an index-tracking Sub-Fund may receive income (such as interests and dividends) from its assets while the Index does not have such sources of income. There can be no guarantee or assurance of exact or identical replication at any time of the performance of the Index or that an index-tracking Sub-Fund will achieve its investment objective at any time of corresponding to the performance of the relevant Index. In addition, there is no guarantee or assurance that the use of representative sampling strategy would help avoid the tracking error and each index-tracking Sub-Fund's returns may therefore deviate from its Index.

Although the Manager regularly monitors the tracking error of each index-tracking Sub-Fund, there can be no guarantee or assurance that any index-tracking Sub-Fund will achieve any particular level of tracking error relative to the performance of its Index.

## **Risks Associated with Mainland China**

### *Economic, Political and Social Risks of Mainland China*

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

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

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

Any political, social or diplomatic developments or changes in Mainland China may result in the imposition of additional government restrictions including expropriation of assets, confiscatory taxes or nationalisation of some or all of the property held by the underlying issuers of the Securities in a Sub-Fund's portfolio.

### *Mainland China Laws and Regulations Risk*

The regulatory and legal framework for capital markets and joint stock companies in Mainland China is still developing. Mainland China laws and regulations affecting securities markets are rapidly evolving, and because of the limited volume of published cases and judicial interpretation and their non-binding nature, interpretation and enforcement of these regulations involve significant uncertainties. In addition, as the Mainland China legal system develops, no assurance can be given that changes in such laws and regulations, their interpretation or their enforcement will not have a material adverse effect on their business operations.

### *Restricted Markets Risk*

A Sub-Fund may invest in Securities in respect of which Mainland China imposes limitations or restrictions on foreign ownership or holdings. Such legal and regulatory restrictions or limitations may have adverse effects on the liquidity and performance of such Sub-Fund holdings as compared to the performance of the Index (if applicable). This may increase the risk of tracking error for an Index Tracking Sub-Fund and, at the worst, a Sub-Fund may not be able to achieve its investment objective.

### *Accounting and Reporting Standards Risk*

Accounting, auditing and financial reporting standards and practices applicable to Mainland China companies may be different to those standards and practices applicable to countries that have more developed financial markets. For example, there are differences in the valuation methods of properties and assets and in the requirements for disclosure of information to investors.

### *Changes in Mainland China Taxation Risk*

The PRC government has implemented a number of tax reform policies in recent years. The current tax laws and regulations may be revised or amended in the future. Any revision or amendment in tax laws and regulations may affect the after-taxation profit of Mainland China companies and foreign investors in such companies. Please also refer to the section below entitled "Mainland China Taxation".

## **Risks Associated with the RMB Currency**

### *RMB is not Freely Convertible and subject to Exchange Controls and Restrictions Risk*

It should be noted that the RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies and repatriation restrictions imposed by the PRC government. Since 1994, the conversion of RMB into USD has been based on rates set by the PBOC, which are set daily based on the previous day's Mainland China interbank foreign exchange market rate. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. In addition, a market maker system was introduced to the interbank spot foreign exchange market. In July 2008, the PRC announced that its exchange rate regime was further transformed into a managed floating mechanism based on market supply and demand. Given the domestic and overseas economic developments, the PBOC decided to further improve the RMB exchange rate regime in June 2010 to enhance the flexibility of the RMB exchange rate. In April 2012, the PBOC decided to take a further step to increase the flexibility of the RMB exchange rate by expanding the daily trading band from +/-0.5% to +/-1%. Effective 11 August 2015 the RMB central parity is fixed against the USD by reference to the closing rate of the inter-bank foreign exchange market on the previous day (rather than the previous morning's official setting).

However, it should be noted that the PRC government's policies on exchange control and repatriation restrictions are subject to change, and any such change may adversely impact a Sub-Fund. There can be no assurance that the RMB exchange rate will not fluctuate widely against the USD or any other foreign currency in the future.

Foreign exchange transactions under the capital account, including principal payments in respect of foreign currency-denominated obligations, currently continue to be subject to significant foreign exchange controls and require the approval of the SAFE. On the other hand, the existing Mainland China foreign exchange regulations have significantly reduced government foreign exchange controls for transactions under the current account, including trade and service related foreign exchange transactions and payment of dividends. Nevertheless, the Manager cannot predict whether the PRC

government will continue its existing foreign exchange policy or when the PRC government will allow free conversion of the RMB to foreign currency.

#### *RMB Trading and Settlement of Units Risk*

The trading and settlement of RMB-denominated securities are recent developments in Hong Kong and there is no assurance that there will not be problem with the systems or that other logistical problems will not arise. Although end-to-end simulation trading and clearing of listed RMB products testing sessions and payment pilot runs for participants of the SEHK were held by the SEHK in March, September and October 2011, some brokers may not have participated in such testing sessions and pilot runs and for those who have, not all of them may be able to successfully complete such testing sessions and pilot runs, and there is no assurance of their readiness for dealing in RMB denominated securities. Investors should note that not all brokers may be ready and able to carry out trading and settlement of RMB traded Units and thus they may not be able to deal in the RMB traded Units through some brokers. Investors should check with their brokers in advance if they intend to engage Multi-Counter trading or in inter-counter transfers and should fully understand the services which the relevant broker is able to provide (as well as any associated fees). Some exchange participants may not provide inter-counter transfer or Multi-Counter trading services.

#### *Non-RMB or Late Settlement Redemption or Distributions Risk*

Where, in extraordinary circumstances, the remittance or payment of RMB funds on the redemption of Units or for distributions in RMB cannot, in the opinion of the Manager in consultation with the Trustee, be carried out normally due to legal or regulatory circumstances beyond the control of the Trustee, and the Manager, redemption proceeds or distribution payments in RMB may be delayed or, if necessary in exceptional circumstances, redemption proceeds may be paid in HKD instead of in RMB (at an exchange rate determined by the Manager after consultation with the Trustee). As such, there is a risk that investors may not be able to receive, through Participating Dealers, settlement upon a redemption of Units in RMB (and may receive HKD) or may receive redemption proceeds or distribution payments in RMB on a delayed basis.

#### *Exchange Rates Movement Between the RMB and Other Currencies Risk*

Investors in RMB traded Units whose assets and liabilities are predominantly in HKD or in currencies other than RMB should take into account the potential risk of loss arising from fluctuations in value between such currencies and RMB. There is no guarantee that RMB will appreciate or depreciate in value against HKD or any other currency. If RMB appreciates in value, an investor may enjoy a gain in RMB terms but suffer a loss when converting funds from RMB back into HKD (or any other currency), and vice versa if RMB depreciates.

#### *Future Movements in RMB Exchange Rates Risk*

The exchange rate of RMB ceased to be pegged to US dollar on 21 July 2005, resulting in a more flexible RMB exchange rate system. China Foreign Exchange Trading System, authorised by the PBOC, promulgates the central parity rate of RMB against US dollar, Euro, Yen, British Pound and Hong Kong dollar at 9:15 a.m. on each business day, which will be the daily central parity rate for transactions on the Inter-bank Spot Foreign Exchange Market and OTC transactions of banks. The exchange rate of RMB against the above-mentioned currencies fluctuates within a range above or below such central parity rate. As the exchange rates are based primarily on market forces, the exchange rates for RMB against other currencies, including US dollar and Hong Kong dollar, are susceptible to movements based on external factors.

There can be no assurance that such exchange rates will not fluctuate widely against US dollar, Hong Kong dollar or any other foreign currency in the future. From 1994 to July 2005, the exchange rate

for RMB against US dollar and the Hong Kong dollar was relatively stable. From 1994 to July 2005, the exchange rate for RMB against US dollar and the HK dollar was relatively stable. Since July 2005, the RMB has begun to appreciate until August 2015 when the PBOC introduced a one-off devaluation of RMB. There can be no assurance that RMB will not be subject to further devaluation. The future movements in RMB exchange rates are uncertain and the fluctuations may have a positive or negative impact on investors' investment in a Sub-Fund.

#### *Offshore RMB ("CNH") Market Risk*

The onshore RMB ("CNY") is the only official currency of Mainland China and is used in all financial transactions between individuals, state and corporations in Mainland China. Hong Kong is the first jurisdiction to allow accumulation of RMB deposits outside Mainland China. Since June 2010, the offshore RMB ("CNH") is traded officially, regulated jointly by the Hong Kong Monetary Authority and the PBOC. While both CNY and CNH represent RMB, they are traded in different and separated markets. The two RMB markets operate independently where the flow between them is highly restricted. Though the CNH is a proxy's of the CNY, they do not necessarily have the same exchange rate and their movement may not be in the same direction. This is because these currencies act in separate jurisdictions, which leads to separate supply and demand conditions for each, and therefore separate but related currency markets.

However, the current size of RMB-denominated financial assets outside Mainland China is limited. As at 30 June 2016, the total amount of RMB (CNH) deposits held by institutions authorised to engage in RMB banking business in Hong Kong amounted to approximately RMB712 billion. In addition, participating authorised institutions are also required by the Hong Kong Monetary Authority to maintain a total amount of RMB (in the form of cash and its settlement account balance with the Renminbi Clearing Bank) of no less than 25% of their RMB deposits, which further limits the availability of RMB that participating authorised institutions can utilise for conversion services for their customers. RMB business participating banks do not have direct RMB liquidity support from PBOC. The Renminbi Clearing Bank only has access to onshore liquidity support from PBOC (subject to annual and quarterly quotas imposed by PBOC) to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and for individual customers. The Renminbi Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source RMB from the offshore market to square such open positions. Although it is expected that the offshore RMB market will continue to grow in depth and size, its growth is subject to many constraints as a result of Mainland China laws and regulations on foreign exchange. There is no assurance that new Mainland China regulations will not be promulgated or the relevant settlement agreement between Hong Kong banks and the PBOC will not be terminated or amended in the future which will have the effect of restricting availability of RMB offshore. The limited availability of RMB outside Mainland China may affect the ability of investors to acquire Units or to sell Units of a Sub-Fund affecting the liquidity and therefore the trading price of the Units on the SEHK. To the extent the Manager is required to source RMB in the offshore market, there is no assurance that it will be able to source such RMB on satisfactory terms, if at all.

#### **Risk Associated with Emerging Markets**

Some overseas markets in which a Sub-Fund may invest are considered emerging market countries. The economies of many emerging markets are still in the early stages of modern development and subject to abrupt and unexpected change. In many cases, governments retain a high degree of direct control over the economy and may take actions that have a sudden and widespread effect. Also, many less developed market and emerging market economies have a high degree of dependence on a small group of markets or even a single market that can render such economies more susceptible to the adverse impact of internal and external shocks.



Emerging market regions are also subject to special risks including, but not limited to: generally less liquid and less efficient securities markets; generally greater price volatility; exchange rate fluctuations and exchange control; higher volatility of the value of debt (particularly as impacted by interest rates); imposition of restrictions on the expatriation of funds or other assets; less publicly available information about issuers; the imposition of taxes; higher transaction and custody costs; settlement delays and risk of loss; difficulties in enforcing contracts; less liquidity and smaller market capitalisations; less well-regulated markets resulting in more volatile stock prices; different accounting and disclosure standards; governmental interference; higher inflation; social, economic and political uncertainties; custodial and/or settlement systems may not be fully developed which may expose a Sub-Fund to sub-custodial risk in circumstances whereby the Trustee will have no liability as provided under the provisions of the Trust Deed; the risk of expropriation of assets and the risk of war.

### **Risks Associated with Depositary Receipts**

Exposure to depositary receipts including American Depositary Receipts (“ADRs”) and Global Depositary Receipts (“GDRs”) may generate additional risks compared to a direct exposure to the corresponding underlying stocks, in particular, the risk of non-segregation under applicable law of the depositary bank who holds the underlying stock as collateral and its own assets. In case of bankruptcy of the depositary bank, there could be a risk that the underlying shares would not be attributed to holders of depositary receipts, although segregation is an integral part of the depositary agreement regulating the issuance of the ADRs. In such case, the most likely scenario would be the trading suspension and thereafter a freeze of the price of the depositary receipts impacted by such bankruptcy event. Bankruptcy events in respect of the depositary banks issuing the depositary receipts may negatively affect the performance and/or the liquidity of the relevant Sub-Fund. There are fees related to depositary receipts, for example fees charged by banks for the custody of underlying assets of depositary receipts, which may impact the performance of the depositary receipts. Also, holders of depositary receipts are not direct shareholders of the underlying company and generally do not have voting and other shareholder rights as shareholders do. A Sub-Fund may also be subject to liquidity risk as depositary receipts are often less liquid than the corresponding underlying stocks.

### **Risk of Investing in Other Collective Investment Schemes**

A Sub-Fund may invest in other collective investment schemes, including exchange traded funds, which may or may not be authorised by the SFC or in a recognised jurisdiction. The Manager does not have control of the investments of such collective investment schemes and there is no assurance that the investment objective and strategy of such collective investment schemes will be successfully achieved which may have a negative impact to the Net Asset Value of the relevant Sub-Fund.

The value of the shares or units of the collective investment schemes will take into account their fees and expenses, including fees charged by their investment managers. Some collective investment schemes may also impose fees or levies which may be payable by the relevant Sub-Fund when it subscribes to or redeems out of such collective investment schemes. Whilst the Manager will take the level of any such fees into account when deciding whether or not to invest, investors should nevertheless be aware that investing into other collective investment schemes may involve another layer of fees, in addition to the fees charged by the relevant Sub-Fund.

There is no guarantee that the other collective investment schemes which a Sub-Fund invests in will have sufficient liquidity to meet the relevant Sub-Fund’s redemption requests. The Sub-Fund may therefore be subject to liquidity risk by investing in these collective investment schemes.

If a Sub-Fund invests in collective investment schemes managed by the Manager, or its Connected Person, all initial charges on these collective investment schemes must be waived, and the Manager must not obtain rebate of any fees or charges levied by these collective investment schemes. In case any conflict of interest may still arise out of such investments, the Manager will use its best endeavours to resolve it fairly. Please refer to the section headed “Conflicts of interest and soft dollars” for details under the circumstances.

## **Risks relating to commodities market investments**

A Sub-Fund may invest in commodities or FDIs the underlying investment of which are commodities. Commodity prices generally may fluctuate widely and may be affected by numerous factors, including:

- global or regional political, economic or financial events and situations, particularly war, terrorism, expropriation and other activities which might lead to disruptions to supply from countries that are major commodity producers;
- investment trading, hedging or other activities conducted by large trading houses, producers, users, hedge funds, commodities funds, governments or other speculators which could impact global supply or demand;
- the weather, which can affect short-term demand or supply for some commodities;
- the future rates of economic activity and inflation, particularly in countries which are major consumers of commodities;
- major discoveries of sources of commodities; and
- disruptions to the infrastructure or means by which commodities are produced, distributed and stored, which are capable of causing substantial price movements in a short period of time.

## **Risks Associated with Multi-Counter (applicable to the Listed Class Units only)**

The Multi-Counter arrangement for exchange traded funds listed on the SEHK is relatively new. The novelty may bring additional risks for investment in such ETF for example where for some reason there is a settlement failure on an inter-counter transfer if the Listed Class Units of one counter are delivered to CCASS at the last batch settlement run on a trading day, leaving not enough time to transfer the Listed Class Units to the other counter for settlement on the same day.

In addition, where there is a suspension of the inter-counter transfer of Listed Class Units between different counters for any reasons, for example, operational or systems interruption, Unitholders will only be able to trade their Listed Class Units in the currency of the relevant counter. Accordingly, it should be noted that inter-counter transfers may not always be available. There is a risk that the market price on the SEHK of Listed Class Units traded in one counter may deviate significantly from the market price on the SEHK of Listed Class Units traded in another counter due to different factors such as market liquidity, supply or demand in each counter and exchange rate fluctuations. The trading price of Listed Class Units in each counter is determined by market forces and so will not be the same as the trading price of Listed Class Units multiplied by the prevailing rate of foreign exchange. Accordingly, when selling Listed Class Units or buying Listed Class Units traded in one counter, an investor may receive less or pay more than the equivalent amount in the currency of another counter if the trade of the relevant Listed Class Units took place on another counter. There can be no assurance that the price of Listed Class Units in each counter will be equivalent. Investors without RMB accounts may not be able to buy or sell RMB traded Listed Class Units.

It is possible that some brokers and CCASS participants may not be familiar with and may not be able to (i) buy Listed Class Units in one counter and to sell Listed Class Units in the other, (ii) carry out inter-counter transfers of Listed Class Units, or (iii) trade Listed Class Units in different counters at the same time. In such a case another broker or CCASS participant may need to be used. Accordingly, investors may only be able to trade their Listed Class Units in one currency, investors are recommended to check the readiness of their brokers in respect of the Multi-Counter trading and inter-counter transfer and should fully understand the services which the relevant broker is able to provide (as well as any associated fees).

## **Risks Associated with Market Trading (applicable to the Listed Class Units only)**

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

Although Listed Class Units of each Sub-Fund are listed for trading on the SEHK, there can be no assurance that an active trading market for such Listed Class Units will develop or be maintained. In addition, if the underlying Securities and/or Futures Contracts which comprise each Sub-Fund themselves have limited trading markets, or if the spreads are wide, this may adversely affect the price of the Listed Class Units and the ability of an investor to dispose of its Listed Class Units at the desired price. If an investor needs to sell his, her or its Listed Class Units at a time when no active market for them exists, the price received for the Listed Class 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 will investors be able to sell, Listed Class Units on the SEHK during any period in which trading of the Listed Class Units is suspended. The SEHK may suspend the trading of Listed Class 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 Listed Class Units may also be suspended if the trading of Listed Class Units is suspended.

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

Listed Class 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 Sub-Fund is calculated at the end of each Dealing Day and fluctuates with changes in the market value of the relevant Sub-Fund's holdings. The trading prices of the Listed Class Units fluctuate continuously throughout the trading hours based on market supply and demand rather than Net Asset Value of the Listed Class Units. The trading price of the Listed Class Units may deviate significantly from Net Asset Value of the Listed Class Units particularly during periods of market volatility. Any of these factors may lead to the Listed Class Units of the relevant Sub-Fund trading at a premium or discount to the Net Asset Value of the Listed Class Units. On the basis that Listed Class Units can be created and redeemed in Application Units at Net Asset Value of the Listed Class Units, the Manager believes that large discounts or premiums to Net Asset Value of the Listed Class Units are not likely to be sustained over the long-term. While the creation/redemption feature is designed to make it likely that the Listed Class Units will normally trade at prices close to the relevant Sub-Fund's next calculated Net Asset Value, trading prices are not expected to correlate exactly with the relevant Sub-Fund's Net Asset Value attributable to the Listed Class Units 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 of the Listed Class Units. In particular, if an investor purchases Listed Class Units at a time when the market price is at a premium to Net Asset Value of the Listed Class Units or sells when the market price is at a discount to Net Asset Value of the Listed Class Units, then the investor may sustain losses.

### *Restrictions on Creation and Redemption of Listed Class Units Risk*

Investors should note that an investment in the Listed Class Units of a Sub-Fund is not like a typical retail investment fund offered to the public in Hong Kong (for which units can generally be purchased and redeemed directly from the manager). Listed Class Units of a Sub-Fund may only be created and redeemed in Application Unit sizes directly by a Participating Dealer (either on its own account or on behalf of an investor through a stockbroker which has opened an account with the Participating Dealer). Other investors may only make a request (and if such investor is a retail investor, through a stockbroker which has opened an account with a Participating Dealer) to create or redeem Listed Class Units in Application Unit sizes through a Participating Dealer which reserves the right to refuse to accept a request from an investor to create or redeem Listed Class Units under certain circumstances. Alternatively, investors may realize the value of their Listed Class Units by selling their

Listed Class Units through an intermediary such as a stockbroker on the SEHK, although there is a risk that dealings on the SEHK may be suspended. Please refer to the section headed “Creations and Redemptions (Primary Market) of the Listed Class Units” for details in relation to the circumstances under which creation and redemption applications can be rejected.

#### *Cost of Trading Listed Class Units Risk*

As investors will pay certain charges (e.g. trading fees and brokerage fees) to buy or sell Listed Class Units on the SEHK, investors may pay more than the Net Asset Value per Unit when buying Listed Class Units on the SEHK, and may receive less than the Net Asset Value per Unit when selling Listed Class 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 Listed Class Units (bid price) and the price at which they are willing to sell Listed Class Units (ask price). Frequent trading may detract significantly from investment results and an investment in Listed Class Units may not be advisable particularly for investors who anticipate making small investments regularly.

#### *Secondary Market Trading Risk*

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

#### *Reliance on the Manager Risk*

Although the Manager has experience of managing SFC authorised funds, the Manager has limited experience of managing exchange traded funds.

#### *Reliance on Market Makers Risk*

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 Listed Class Units of each Sub-Fund. Where a Multi-Counter arrangement has been adopted in respect of the Listed Class Units of a Sub-Fund the Manager will use its best endeavours to put in place arrangements so that there is at least one Market Maker for Listed Class Units traded in each counter. Nevertheless, it should be noted that liquidity in the market for the Listed Class Units may be adversely affected if there is no Market Maker for Listed Class Units in a particular counter. 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 for each counter gives not less than 3 months' notice prior to terminating market making arrangement under the relevant market making agreements. There may be less interest by potential market makers in making a market in RMB denominated or traded Listed Class Units. Furthermore, any disruption to the availability of RMB may adversely affect the capability of Market Makers in providing liquidity for such RMB traded Listed Class Units. It is possible that there is only one SEHK Market Maker to a counter (RMB, USD or HKD) or to the Sub-Fund or the Manager may not be able to engage a substitute Market Maker within the termination notice period of a Market Maker, and there is also no guarantee that any market making activity will be effective.

#### *Reliance on Participating Dealers Risk*

The creation and redemption of Listed Class 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 Listed Class Units during any period when, amongst other things, dealings on the SEHK are restricted or suspended, settlement or clearing of Securities and/or Futures Contracts through the CCASS is disrupted or (for Index Tracking Sub-Funds) the Index is not compiled or published. In addition, Participating Dealers will not be able to issue or redeem Listed

Class Units if some other event occurs that impedes the calculation of the Net Asset Value of the relevant Sub-Fund or disposal of the relevant Sub-Fund's Securities and/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 Listed Class Units freely.

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

The following risk factors relate to Index Tracking Sub-Funds only.

#### *Fluctuations Risk*

The performance of the Units should, before fees and expenses, correspond closely with the performance of the relevant Index. If the relevant Index experiences volatility or declines, the price of the Units of the Sub-Fund which tracks that Index will vary or decline accordingly.

#### *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 Sub-Fund based on the Index and to use certain trade-marks and any copyright in the Index. A Sub-Fund 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 each Sub-Fund's Appendix. Although the Manager will seek to find a replacement Index, a Sub-Fund 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 Sub-Fund. Each Sub-Fund is not sponsored, endorsed, sold or promoted by the relevant Index Provider. Each Index Provider makes no representation or warranty, express or implied, to investors in the relevant Sub-Fund or other persons regarding the advisability of investing in Securities and/or Futures Contracts generally or in the relevant Sub-Fund particularly. Each Index Provider has no obligation to take the needs of the Manager, or investors in the relevant Sub-Fund into consideration in determining, composing or calculating the relevant Index. 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 Sub-Fund, 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 or where the methodology of the Index is changed by the Index Provider. When this happens the weightings or composition of the Securities and/or Futures Contracts owned by the relevant Sub-Fund will change as considered appropriate by the Manager to achieve the investment objective. Thus, an investment in Units will generally reflect the Index as its constituents change and not necessarily the way it is comprised at the time of an investment in Units. However, there can be no guarantee that a Sub-Fund will, at any given time accurately reflect the composition of the relevant Index (please refer to

the section on “Tracking Error Risk”).

#### *Difficulties in Valuation of Investments Risk*

Securities and/or Futures Contracts acquired on behalf of a Sub-Fund may subsequently become illiquid due to events relating to the issuer of the Securities and/or Futures Contracts, market and economic conditions and regulatory sanctions. In cases where no clear indication of the value of a Sub-Fund’s portfolio of Securities and/or Futures Contracts is available (for example, when the secondary markets on which a security is traded have become illiquid) the Manager may in consultation with the Trustee apply valuation methods to ascertain the fair value of such Securities and/or Futures Contracts, pursuant to the Trust Deed.

#### **Risks Associated with Regulation**

##### *Withdrawal of SFC Authorisation Risk*

The Trust and each Sub-Fund 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. For an Index Tracking Sub-Fund, the SFC reserves the right to withdraw the authorisation of the Trust or a Sub-Fund if the relevant Index is no longer considered acceptable or impose such conditions as it considers appropriate. If the Manager does not wish the Trust or a Sub-Fund 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 which may be withdrawn or varied by the SFC. If, as a result of such withdrawal or variation of conditions, it becomes illegal, impractical or inadvisable to continue the Trust or a Sub-Fund, the Trust or the Sub-Fund (as applicable) will be terminated.

##### *General Legal and Regulatory Risk*

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

##### *Listed Class Units may be Delisted from the SEHK Risk (**applicable to the Listed Class Units only**)*

The SEHK imposes certain requirements for the continued listing of Securities, including the Listed Class Units, on the SEHK. Investors cannot be assured that any Sub-Fund will continue to meet the requirements necessary to maintain the listing of Listed Class Units on the SEHK or that the SEHK will not change the listing requirements. If the Listed Class Units of a Sub-Fund are delisted from the SEHK, Unitholders will have the option to redeem their Listed Class Units by reference to the Net Asset Value of the Sub-Fund. Where the relevant Sub-Fund 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 a Sub-Fund for any reason it is likely that Listed Class Units may also have to be delisted.

##### *Taxation Risk*

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

#### *Foreign Account Tax Compliance Act Related Risks*

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

In general, an FFI which does not sign an FFI Agreement or agree to be subject to the terms of an FFI Agreement and is not otherwise exempt will face a 30% withholding tax on all “withholdable payments”, including U.S.-sourced dividends, interest and certain other payments. In addition, starting from 1 January 2019, gross proceeds such as sales proceeds and returns of principal derived from stocks and debt obligations generating US source dividends or interest will be treated as “withholdable payments.” It is possible that certain non-US source payments attributable to amounts that would be subject to FATCA withholding (referred to as “passthru payments”) may also be subject to FATCA withholding starting 1 January 2019, though the definition of “passthru payment” in US Treasury Regulations is currently pending.

The Hong Kong Government has entered into an intergovernmental agreement (“IGA”) for the implementation of FATCA, adopting “Model 2” IGA arrangements. Under these “Model 2” IGA arrangements, FFIs in Hong Kong (such as the Trust and/or each Sub-Fund) would be required to be subject to the terms of the FFI Agreement with the US IRS and register with the US IRS. Otherwise they may be subject to a 30% withholding tax on withholdable payments to them.

Under the IGA, FFIs in Hong Kong (such as the Trust and/or each Sub-Fund) complying with the FFI Agreement (i) will generally not be subject to the above described 30% withholding tax; and (ii) will not be required to withhold tax on withholdable payments made to non-consenting accounts (including accounts which the holders are U.S. persons and do not provide their US taxpayer identification number or consent to the FFI to report their information to the US IRS).

The Trust and/or each Sub-Fund intend to satisfy the requirements imposed under FATCA and the terms of the FFI Agreement to avoid any withholding tax. In the event the Trust and/or a Sub-Fund is not able to comply with the requirements imposed by FATCA or the terms of the FFI Agreement, the Trust and/or the relevant Sub-Fund may be subject to US withholding tax on withholdable payments. The Net Asset Value of the Trust or the relevant Sub-Fund may be adversely affected and the Trust or the relevant Sub-Fund may suffer significant loss as a result.

In the event a Unitholder does not provide the requested information and/or documentation, whether or not that actually leads to compliance failures by the Trust or a Sub-Fund, or a risk of the Trust or a Sub-Fund being subject to withholding tax under FATCA, the Manager on behalf of the Trust and the relevant Sub-Fund reserves the right to take any action and/or pursue all remedies at its disposal including, without limitation and to the extent permitted by applicable laws and regulations, (i) reporting the relevant information of such Unitholder to the US IRS; and/or (ii) withholding, deducting from such Unitholder’s account, or otherwise collecting any such tax liability from such Unitholder to the extent permitted by applicable laws and regulations. The Manager in taking any such action or pursuing any such remedy shall act in good faith and on reasonable grounds and in compliance with

all applicable laws and regulations.

Each Sub-Fund has been registered with the IRS as at the date of this Prospectus. The Global Intermediary Identification Number is 5ZSSDU.00004.SF.344 for the CICC Bloomberg China Treasury 1-10 Years ETF, 5ZSSDU.00005.SF.344 for the CICC CSI Select 100 ETF, 5ZSSDU.00006.SF.344 for the ICBC CICC USD Money Market ETF, 5ZSSDU.00007.SF.344 for the CICC Hong Kong Equity Fund, 5ZSSDU.00008.SF.344 for the CICC HKD Money Market ETF, 5ZSSDU.00009.SF.344 for the CICC Carbon Futures ETF, and 5ZSSDU.00010.SF.344 for the CICC China Equity Fund.

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

#### *Valuation and Accounting Risk*

The Manager intends to adopt IFRS in drawing up the annual financial accounts of each Sub-Fund. 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. To the extent that the basis adopted by a Sub-Fund 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 Risk*

The Trust Deed allows the Trustee and the Manager to issue Units in separate Sub-Funds. The Trust Deed provides for the manner in which the liabilities are to be attributed across the various Sub-Funds under the Trust (liabilities are to be attributed to the specific Sub-Fund in respect of which the liability was incurred). A person to whom such a liability is owed has no direct recourse against the assets of the relevant Sub-Fund (in the absence of the Trustee granting that person a security interest). However, the Trustee will have a right of reimbursement and indemnity out of the assets of the Trust as a whole or any part thereof, against any action, costs, claims, damages, expenses or demands relating to the Trust as a whole, which may result in Unitholders of one sub-fund being compelled to bear the liabilities incurred in respect of other Sub-Funds in which such Unitholders do not themselves own Units, if there are insufficient assets in that other Sub-Fund to satisfy the amount due to the Trustee. Accordingly, there is a risk that liabilities of one Sub-Fund may not be limited to that particular Sub-Fund and may be required to be paid out of one or more other Sub-Funds.

#### *Cross Liability Risk*

The assets and liabilities of each Sub-Fund under the Trust will be tracked, for book keeping purposes, separately from the assets and liabilities of any other Sub-Funds, and the Trust Deed provides that the assets of each Sub-Fund should be segregated from each other. There is no guarantee that the courts of any jurisdiction will respect the limitations on liability and that the assets of any particular Sub-Fund will not be used to satisfy the liabilities of any other Sub-Fund.

#### **Differences in dealing, fee and cost arrangements between Listed Class and Unlisted Class Units**

A Sub-Fund may offer both Listed Class Units and Unlisted Class Units. Dealing arrangements in respect of Listed Class Units and Unlisted Class Units are different, and depending on market conditions, investors of the Listed Class Units may be at an advantage compared to investors of the Unlisted Class Units, or vice versa.

Unlike investors of Listed Class Units who may buy and sell Listed Class Units in the secondary market during SEHK trading hours, investors of Unlisted Class Units are only able to subscribe and



redeem at the relevant Subscription Price and Redemption Value (as the case may be) based on the latest available Net Asset Value as at the end of each Dealing Day. As such, holders of Listed Class Units would have intra-day trading opportunities which will not be available to holders of Unlisted Class Units. In a stressed market scenario, holders of Listed Class Units can sell their units on the secondary market during SEHK trading hours if the market continues to deteriorate, while holders of Unlisted Class Units will not be able to do so.

Conversely, investors in the secondary market generally do not have access to the redemption facilities which are available to investors of Unlisted Class Units. During stressed market conditions, Participating Dealers may, on their own account or on behalf of Primary Market Investors, redeem Listed Class Units on the primary market at the Net Asset Value of the relevant Sub-Fund, but the secondary market trading prices may have diverged from the corresponding Net Asset Value. In such circumstances, holders of the Listed Class Units in the secondary market will be at an apparent disadvantage to holders of the Unlisted Class Units as the latter will be able to redeem from the relevant Sub-Fund at Net Asset Value whilst the former will not.

In addition, the levels and types of fees and costs applicable to each of the Listed Class Units and the Unlisted Class Units may differ. As such, the Net Asset Value per Unit of each of the Listed Class Units and Unlisted Class Units may also be different due to the different fees and costs applicable to each class of Units. For instance:

- For Listed Class Units, the Transaction Fee and Service Agent's Fee, as well as the Registrar Fee, may be payable by the Participating Dealer in respect of Creation and Redemption Applications. Investors in the secondary market will not bear the foregoing, but may incur SEHK-related fees such as brokerage fees, transaction levy, FRC transaction levy, trading fee, and inter-counter transfer fee.
- For Unlisted Class Units, Unitholders may be subject to a Subscription Fee and/or a Redemption Fee in respect of subscription and redemption of Unlisted Class Units respectively.

For details of the fees and costs applicable to each class of Units, please refer to the section headed "Fees and Expenses" in the relevant Appendix to this Prospectus.

Please also refer to "Risks Associated with Market Trading (applicable to the Listed Class Units only)" above for additional risks relating to Listed Class Units.

## MANAGEMENT OF THE TRUST AND SUB-FUNDS

### The Manager

The Manager of the Trust and each Sub-Fund is China International Capital Corporation Hong Kong Asset Management Limited.

China International Capital Corporation Hong Kong Asset Management Limited (the “Manager”) is an indirect wholly owned subsidiary of the China International Capital Corporation Limited (“CICC”). The Manager was incorporated in Hong Kong with limited liability on 17 December 2005 and is licensed by the SFC in Hong Kong to carry on Types 4 and 9 regulated activities under the Securities and Futures Ordinance. The parent company of the Manager, CICC, was established in 1995 as a strategic partnership among prestigious Mainland Chinese and international financial institutions and corporations. It was the first joint venture investment bank in Mainland China and had a registered capital of RMB4,827 million with business interests in investment banking, brokerage and asset management. The major shareholder of CICC is Central Huijin Investment Limited.

In 2010, the Manager launched its first SFC authorised collective investment scheme in Hong Kong, CICC-SZSE 100 Index Tracker, which is a synthetic exchange traded fund. Investors should note that this fund is delisted and no longer authorised by the SFC and is not available to Hong Kong investors. In March 2018, the Manager launched, together with Krane Funds Advisors, LLC, the CICC KraneShares ETF Trust and its initial exchange traded fund, CICC KraneShares CSI China Internet Index ETF (Stock Codes: 3186/83186/9186), which is listed on the SEHK.

Details of the directors of the Manager are as follows:

#### *Mr. Wong King Fung*

Mr. Wong King Fung is the Chief Financial Officer and a member of the Management Committee of the CICC since February 2017. He joined the CICC Group in May 2016 and served as a Managing Director in the Firm Management Department. Mr. Wong has 25 years of working experience in Mainland China, Hong Kong, Japan and the United Kingdom, with international commercial bank, international investment bank, domestic securities firm and in public accounting firm. Before joining the CICC Group, Mr. Wong worked in Goldman Sachs and Beijing Gao Hua Securities Company Limited from March 2000 to May 2016; during which he held a number of positions in the asset management division of Goldman Sachs (Asia) from June 2008 to May 2016, including Asia Pacific COO, Asia Pacific ex Japan COO, Head of Product Development and Managing Director. From December 2006 to June 2008, he was responsible for coordinating the middle and back offices as well as risk management functions at Beijing Gao Hua Securities Company Limited. From March 2000 to June 2008, he served in a number of roles, including Head of FICC Product Financial Control, Head of Equities Product Financial Control, Head of Japan Product Financial Control, the Hong Kong Financial Controller and Executive Director at Goldman Sachs (Asia) and Goldman Sachs Japan. From July 1997 to February 2000, Mr. Wong worked at HSBC HK as Financial Manager of Capital Markets and Financial Manager of Money Foreign Exchange Markets. From September 1991 to May 1997, Mr. Wong worked in the audit department as an auditing and accounting trainee, Assistant Manager and Manager at KPMG (United Kingdom and Hong Kong). Mr. Wong has been a member of the HKICPA and ICAEW for over 20 years. Mr. Wong obtained a bachelor’s degree in mechanical engineering from University of Bristol, United Kingdom in June 1990.

#### *Ms. Ma Kui*

Ms. Ma Kui has been appointed as the Financial Controller, Head of Entity and Process Department and Head of Operation Support Department of CICC since May 2015, September 2011 and April 2015, respectively. She joined the CICC Group in April 1998 and held several positions, including Head of Finance Department, Head of Market Risk Department, Head of Planning and Analysis Department, Assistant Chief Financial Officer, and chairman of the board of directors of CICC

Pucheng Investment Co., Ltd. She currently serves as a director of CICC Jiacheng, a subsidiary of the Company, since June 2014. Prior to joining the CICC Group, she served as, among other things, an accountant in Motorola (China) Electronics Co., Ltd. from May 1995 to August 1997. She currently serves as a director of a number of our subsidiaries, including CICC Hong Kong, CICC Jiacheng, CICC Futures, CICC HK Securities, CICC HK AM and CICC HK Futures. Ms. Ma obtained a bachelor's degree in international economic cooperation and a master's degree in international finance from University of International Business and Economics, Beijing, PRC in June 1993 and June 1996, respectively.

*Mr. Feng Ping*

Mr. Feng Ping is a Managing Director and Head of Asset Management Department of CICC. He joined CICC in November 2016, and was appointed as Director of the Manager on 3 August 2017. From 1993 Mr. Feng worked at Lehman Brothers in New York for 15 years, first as structurer of asset backed securities, and then trader of structured derivatives and eventually manager of derivatives trading department. Between 2008 and 2010, Mr. Feng was charge of structured products trading in Hong Kong with Nomura International. After that Mr. Feng joined CITICS headquarter in Beijing as head of fixed income trading. He was made head of the fixed income department during his 5 year tenure with CITICS. Mr. Feng obtained his bachelor's degree in thermal physics from University of Science and Technology of China, PRC and master's degree and doctoral degree in physics from Harvard University, United States.

*Mr. Lin Ning*

Mr. Lin Ning is a Managing Director and Head of CICC Hong Kong Asset Management. He is also a Director of the Manager since 3 August 2017. Before joining CICC in March 2017, Mr. Lin was partner and CEO of 9M Stone Capital Limited, a Hong Kong incorporated asset management firm. Between 2010 and 2016 Mr. Lin worked at UBS AG in Hong Kong. He was a Managing Director and fixed income trading head, and was also an Executive Officer of UBS AG HK Branch under HKMA. Lin held various senior roles in the investment bank, including APAC Head of Rates in Non-Core and Legacy division, and head of hybrids trading in APAC. Before joining UBS, Mr. Lin worked at Nomura International HK, and Lehman Brothers before the merger in 2008, for a combined 11 years. A CFA charterholder, Mr. Lin obtained his master's degree in international business from Sophia University, Tokyo, Japan in 1999, and a bachelor's degree in economics from Fudan University, Shanghai, PRC in 1997.

Under the Trust Deed, the Manager may delegate all or any of its duties, powers and discretions to any other person. Where any delegate has been appointed in respect of the investment management of a Sub-Fund, the Manager shall be responsible for the acts and omissions of such delegate notwithstanding that it is not a Connected Person of the Manager. Where the investment management function is delegated, the Manager will supervise on an ongoing basis and regularly monitor the competence of the delegate. If a delegate is appointed by the Manager in respect of the investment management function of a Sub-Fund, the relevant details will be set out in the relevant Appendix.

**The Trustee and Registrar**

The Trustee of the Trust is Brown Brothers Harriman Trustee Services (Hong Kong) Limited, a Hong Kong registered trust company with a Trust or Company Service Provider Licence (No.TC002136). The Trustee also acts as the Registrar of each Sub-Fund, and provides services in respect of the establishment and maintenance of the register of the Unitholders of each Sub-Fund.

The Trustee is a subsidiary of Brown Brothers Harriman & Co., a New York limited partnership founded in 1818. It is the oldest and largest privately owned bank in the United States. It is a leading global investment fund custodian and administrator supporting in the leading fund centres.

Under the Trust Deed, the Trustee is responsible for the safe-keeping of the assets of the Trust and each Sub-Fund, and such assets will be dealt with pursuant to the terms of the Trust Deed. The

Trustee may, from time to time appoint such person or persons (including a connected person) as custodian, co-custodians or sub-custodian in respect of the whole or any part of the assets of any Sub-Fund and may empower any such custodian or co-custodian to appoint, with the prior consent in writing of the Trustee, sub-custodians. The fees and expenses of such custodian, co-custodian and sub-custodians or any persons appointed by the Trustee in relation to the relevant Sub-Fund shall be paid out of the relevant Sub-Fund.

The Trustee shall (A) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of its agent, nominee, custodian, co-custodian or sub-custodian to hold any of the investments of a Sub-Fund (each a "Correspondent"); and (B) be satisfied that each Correspondent retained remains suitably qualified and competent on an ongoing basis to provide services to the Trust or any Sub-Fund, having regard to the market or markets for which such Correspondent is appointed. Provided that the Trustee has discharged its obligations set out in (A) and (B) the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any Correspondent that is not a connected person of the Trustee. The Trustee shall remain liable for any act or omission of any Correspondent that is a connected person of the Trustee as if the same were the act or omission of the Trustee. The Trustee shall use reasonable endeavours to recover any loss of investments and other assets arising from any default of a Correspondent.

The Trustee shall not be responsible for any act or omission of: (a) Euroclear Bank S.A./N.V., Clearstream Banking, S.A. or any other central depository or clearing system in relation to any investment deposited with such central depository or clearing system; or (b) any lender or a nominee appointed by the lender in whose name any assets of a Sub-Fund are registered pursuant to a borrowing undertaken for the account of such Sub-Fund.

Under the Trust Deed, the Trustee and its directors, officers, employees, delegates and agents shall be entitled for the purpose of indemnity against any actions, proceedings, liabilities, costs, claims, damages, expenses (including all reasonable legal, professional and other similar expenses) or demands to which it may be put or asserted against, or may incur or suffer in performing its obligations or functions relating to a Sub-Fund to have recourse to the assets of the relevant Sub-Fund or any part thereof but shall not have a right of recourse to the assets of any other Sub-Fund. Notwithstanding the foregoing, the Trustee shall not be exempted from or indemnified against any liability imposed under the laws of Hong Kong (including under the Trustee Ordinance) or for breach of trust through fraud or negligence for which it may be liable in relation to its duties, or be indemnified against such liability by Unitholders or at Unitholders' expense.

The Manager is solely responsible for making investment decisions in relation to the Trust and/or each Sub-Fund. The Trustee shall take reasonable care to ensure that the investment and borrowing limitations set out under the section headed "INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTIONS, SECURITIES LENDING AND BORROWING" and specific investment and borrowing limitations (if any) as set out in the relevant Appendix as they relate to a Sub-Fund and the conditions under which such Sub-Fund is authorised pursuant to the SFO are complied with and save for the aforesaid, the Trustee is not responsible and has no liability for any investment decision made by 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 Sub-Fund.

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

The Trustee is not responsible for the preparation or issue of this Prospectus other than the disclosures on the profiles of the Trustee as set out herein.

### **The Mainland Custodian and Onshore Settlement Agent**

Standard Chartered Bank (China) Limited has been appointed to act as Mainland Custodian of the CICC Bloomberg China Treasury 1-10 Years ETF and the CICC CSI Select 100 ETF by the Trustee under the relevant custody agreement. It has also been appointed to act as Onshore Settlement Agent of the CICC Bloomberg China Treasury 1-10 Years ETF in accordance with the Bond Settlement Agency Service Agreement. The Mainland Custodian and Onshore Settlement Agent

will take into its custody or under its control, and will be responsible for the safe custody of the assets of the relevant Sub-Funds in connection with QFI and the Foreign Access Regime within Mainland China, as appropriate.

According to “Announcement (2016) No 3” issued by the PBOC (中國人民銀行公告 [2016] 第3號) on 24 February 2016, an onshore settlement agent is required to be appointed by the Manager for the relevant Sub-Fund to utilise the Foreign Access Regime. Under the Bond Settlement Agency Service Agreement, Standard Chartered Bank (China) Limited (which is separately appointed as Mainland Custodian by an agreement with the Trustee) is further appointed to perform the functions of an onshore settlement agent. The services it provides as onshore settlement agent to the Manager for the Sub-Fund’s investment in Foreign Access Regime is agreed under the Bond Settlement Agency Service Agreement, which include the filing of inter-bank bond market investment with the PBOC, opening of accounts, trading and settlement of bonds, handling of matters relating to payment of interest and processing of financial statements.

The Mainland Custodian and Onshore Settlement Agent is not responsible for the preparation of this Prospectus and it accepts no responsibility or liability for the information contained here other than the description under the section “The Mainland Custodian and Onshore Settlement Agent”.

### **The Service Agent (applicable in respect of Listed Class Units only)**

HK Conversion Agency Services Limited acts as Service Agent under the terms of the Service Agreement. The Service Agent performs, through HKSCC, certain of its services in connection with the creation and redemption of Listed Class Units in the Sub-Fund by Participating Dealers or PD Agents.

### **The Auditor**

The Manager has appointed KPMG to act as the auditor of the Trust and each Sub-Fund (the “Auditor”). The Auditor is independent of the Manager and the Trustee.

### **The Participating Dealers (applicable in respect of Listed Class Units only)**

A Participating Dealer may act for its own account or for your account as its clients in making Creation Applications and Redemption Applications in respect of the Listed Class Units of a Sub-Fund. Different Sub-Funds which offer Listed Class Units may have different Participating Dealers. The latest list of the Participating Dealers in respect of each Sub-Fund which offers Listed Class Units is available at <https://cicchkam.com> (the contents of which and of any other website referred to in this Prospectus have not been reviewed by the SFC).

### **The Market Makers (applicable in respect of Listed Class Units only)**

A Market Maker is a broker or dealer permitted by the SEHK to make a market for the Listed Class 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 Listed Classes of Units on the SEHK. Market Makers facilitate the efficient trading of Listed Classes 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 Listed Class Units of each counter. If the SEHK withdraws its permit to the existing Market Maker(s), the Manager will endeavour to ensure that there is at least one other Market Maker for each Sub-Fund which offers Listed Class Units or counter (as appropriate) to facilitate the efficient trading of Listed Class Units. The Manager use its best endeavours to put in place arrangements so that that at least one Market Maker for each Sub-Fund which offers Listed Class Units or counter (as appropriate) in respect of the Listed Class Units 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 Sub-Fund which offers

Listed Class Units is available at [www.hkex.com.hk](http://www.hkex.com.hk) and <https://cicchkam.com> (the contents of both websites and of any other website referred to in this Prospectus have not been reviewed by the SFC).

### **The Listing Agent (applicable in respect of Listed Class Units only)**

In respect of the Listed Class Units of the relevant Sub-Fund, the Manager may appoint a Listing Agent for the relevant Sub-Fund in accordance with The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited in respect of a Sub-Fund's listing on the SEHK. Any Listing Agent will be a registered institution or licensed corporation which is registered or licensed by the SFC to carry out, amongst others, Type 6 (advising on corporate finance) regulated activity under the SFO. The name of the Listing Agent for each Listed Class is set out in the relevant Appendix for that Sub-Fund.

### **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 each Sub-Fund 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 Sub-Fund as agent for the Sub-Fund or deal with any Sub-Fund as principal with the prior written consent of the Trustee.
- (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 Sub-Fund'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 a Sub-Fund.
- (e) Any arrangements for the borrowing or deposit of any monies for the account of a Sub-Fund may be made with any of the Trustee, the Manager 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) None of the Trustee, the Manager and any of their Connected Persons shall be liable to account to each other or to any Sub-Fund 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 Sub-Fund. Each will, at all times, have regard in such event to its obligations to the Sub-Fund and the Unitholders and will endeavour to ensure that such conflicts are resolved fairly.

Subject to applicable rules and regulations, the Manager or any of their Connected Persons may enter into portfolio transactions for or with a Sub-Fund as agent in accordance with normal market

practice, provided that commissions charged to the Sub-Fund 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 Sub-Fund 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 Sub-Fund 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 Sub-Fund.

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

The Manager (as well as any of its Connected Persons) will not receive or enter into any soft dollar commissions or arrangements in respect of the management of a Sub-Fund.

The services of the Trustee provided to the Trust and each Sub-Fund 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 any Sub-Fund any fact or thing which comes to the notice of the Trustee in the course of the Trustee rendering similar services to others or in the course of its business in any other capacity or in any manner whatsoever otherwise than in the course of carrying out its duties under the Trust Deed.

Conflicts of interest may also arise due to the widespread business operations of the Trustee, the Manager, the Registrar, the custodian, sub-custodians, 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 a Sub-Fund will be on arm's length terms and in the best interest of Unitholders. For so long as a Sub-Fund 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 or any of its 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 Sub-Fund.

## STATUTORY AND GENERAL INFORMATION

### Reports

The financial year-end of the Trust (and each Sub-Fund) is 31 December every year. The first financial year-end of the CICC CSI Select 100 ETF and the CICC Bloomberg China Treasury 1-10 Years ETF was 31 December 2019. The first financial year-end of the ICBC CICC USD Money Market ETF was 31 December 2019. The first financial year-end of the CICC Hong Kong Equity Fund was 31 December 2020. The first financial year-end of the CICC HKD Money Market ETF was 31 December 2021. The first financial year-end of the CICC Carbon Futures ETF will be 31 December 2022. The first financial year-end of the CICC China Equity Fund will be 31 December 2023. Audited annual financial reports are to be prepared (in accordance with IFRS) and published on the Manager's website in English only within 4 months of each financial year-end. Half-yearly unaudited financial reports are also to be prepared up to 30 June of each year and published on the Manager's website within 2 months of such date. The first half-yearly unaudited financial reports of the CICC Carbon Futures ETF and CICC China Equity Fund will be for the period up to 30 June 2023. 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 reports and the half-yearly unaudited financial reports of each Sub-Fund 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 Sub-Fund and the Manager's statement on transactions during the period under review (including for an Index Tracking Sub-Fund, 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 Sub-Fund have been complied with). The financial reports shall also provide a comparison of each Sub-Fund's performance and (for an Index Tracking Sub-Fund) the actual relevant Index performance over the relevant period and such other information as is required under the Code.

### Trust Deed

The Trust and each Sub-Fund 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 Sub-Fund. Nothing in any of the provisions of the Trust Deed shall (i) exempt either the Trustee or the Manager (as the case may be) from or against any liability to Unitholders for breaches of trust through fraud or negligence or any liability to Unitholders imposed by virtue of any Hong Kong law nor (ii) indemnify either the Trustee or the Manager (as the case may be) against such liability by Unitholders or at Unitholders' expense.

### Modification of the Trust Deed

The Trustee and the Manager may agree to modify, alter or add to the provisions of the Trust Deed by supplemental deed provided that the Trustee shall certify in writing that 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 liability 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 each Sub-Fund; 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 made to correct a manifest error. In all other cases, modifications, alterations and additions involving material changes require the sanction of an extraordinary resolution of the Unitholders where the interests of the Unitholders as a whole are affected or an extraordinary resolution of the Unitholders of a Sub-Fund or of a class of Units where only the interests of such Unitholders are 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 if such notification is required under the Code.

### **Meetings of Unitholders**

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

### **Voting Rights**

Unitholders' meetings may be convened by the Manager, by the Trustee or by Unitholders representing at least 10% of the Units in issue, on not less than 21 calendar 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 a Sub-Fund 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 of those present and entitled to vote in person or by proxy at a duly convened meeting. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to such day and time not being less than 15 days thereafter and to such place as may be appointed by the chairman of the meeting. At such adjourned meeting, the Unitholders present in person or by proxy shall be a quorum. Notice of any adjourned meeting of Unitholders shall be given in the same manner as for an original meeting and such notice shall state that the Unitholders present at the adjourned meeting, whatever their number and the number of Units held by them, will form a quorum.

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

### **Termination**

The Trust may be terminated by the Trustee if: (i) the Manager goes into liquidation or a receiver is appointed and not discharged within 60 days; or (ii) in the opinion of the Trustee, the Manager is incapable of performing its duties satisfactorily; or (iii) the Manager has failed to perform its duties satisfactorily or has, in the opinion of the Trustee, done something calculated to bring the Trust into disrepute or that is harmful to the interests of Unitholders; or (iv) 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 unable to find a person acceptable to the Trustee to act as the new Manager within 30 days after the removal of the Manager, or the person nominated shall fail to be approved by Extraordinary Resolution; or (vi) the Trustee decides to retire but within 60 days of the Trustee giving written notice to the Manager of its desire to retire the Manager is unable to find a suitable person who is willing to act as trustee.

The Manager may terminate the Trust if: (i) after one year from the date of the Trust Deed, the aggregate Net Asset Value of all the Units in each Sub-Fund outstanding is less than USD10 million (or equivalent in the base currency of the relevant Sub-Fund); (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 the Manager to act as the new trustee after retirement of the Trustee or 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 Sub-Fund if: (i) after one year from the date of establishment of the Sub-Fund, the aggregate Net Asset Value of all the Units in the relevant Sub-Fund outstanding is less than USD10 million (or equivalent in the base currency of the relevant Sub-Fund); (ii) any law or regulation is passed or amended or any regulatory directive or order is imposed that affects the relevant Sub-Fund and which renders the relevant Sub-Fund illegal or in the good faith opinion of the Manager makes it impracticable or inadvisable to continue that Sub-Fund; (iii) (if applicable) its Index is no longer available for benchmarking or if the Listed Class Units of the relevant Sub-Fund 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 in respect of a Sub-Fund with only Listed Class Units in issue, the relevant Sub-Fund ceases to have any Participating Dealer; (v) the Manager is unable to implement its investment strategy; or (vi) at any time in respect of a Sub-Fund with only Listed Class Units in issue, the relevant Sub-Fund ceases to have any Market Maker. Further, the Unitholders may at any time authorise termination of the Trust or the relevant Sub-Fund by extraordinary resolution.

The Trustee may, in its absolute discretion, by notice in writing to the Manager, terminate a Sub-Fund 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 Sub-Fund; (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 Sub-Fund or has done something calculated to bring the relevant Sub-Fund into disrepute or that is harmful to the interests of Unitholders of the relevant Sub-Fund; or (iii) any law or regulation is passed or amended or any regulatory directive or order is imposed that affects the relevant Sub-Fund and which renders the relevant Sub-Fund illegal or in the good faith opinion of the Trustee makes it impracticable or inadvisable to continue the relevant Sub-Fund.

Notice of the termination of the Trust or a Sub-Fund 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 Sub-Fund 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.

Investors should note that, due to the nature of the listing of the Listed Class Units on the SEHK, the termination procedures applicable to Listed Class Units and Unlisted Class Units of the same Sub-Fund may differ. In the event of termination of the Trust, a Sub-Fund or a particular Class of Units, Unitholders will be notified of the relevant termination procedures applicable to its holding of the relevant Class of Units.

## **Distribution Policy**

The Manager will adopt a distribution policy for each Sub-Fund as the Manager considers appropriate having regard to the Sub-Fund's net income, fees and costs. For each Sub-Fund this distribution policy (including the currency of such distribution) will be set out in the relevant Appendix. Distributions will always depend on payments on Securities held by the relevant Sub-Fund 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 Sub-Fund. There can be no assurance that such entities will declare or pay dividends or distributions.

### **Inspection of Documents**

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

- (a) Trust Deed;
- (b) Service Agreement(s);
- (c) Participating Dealer Agreement(s);
- (d) Bond Settlement Agency Service Agreement; and
- (e) The most recent annual financial statements of the Trust and each Sub-Fund (if any) and the most recent interim financial statements of the Trust and each Sub-Fund (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 Sub-Fund.

### **Anti-money Laundering Regulations**

As part of the Manager's, the Trustee's, the Registrar's and the Participating Dealer's responsibility for the prevention of money laundering and to comply with all applicable laws to which the Manager, the Trustee, the Registrar, each Sub-Fund or the relevant Participating Dealer is subject, the Manager, the Trustee, the Registrar or the relevant Participating Dealer may require a detailed verification of an investor's identity and the source of payment of any applications for Units at any time as they think appropriate.

Delay or failure to provide with the required documents may result in delay or refusal of application or withholding of redemption proceeds. For the purpose of anti-money laundering and/or counter-terrorist financing, the Manager may compulsorily redeem the Units held by any Unitholder.

The Manager may, to the extent permitted by law, share, for the purposes of combating money laundering and terrorist financing, the information in connection with the Unitholders with its affiliates.

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

Each Unitholder (i) will be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Trust or a Sub-Fund (a) to prevent withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Trust or a Sub-Fund receives payments and/or (b) to satisfy reporting or other obligations under IRS Code and the United States

Treasury Regulations promulgated under the IRS Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority in any jurisdiction (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction, including reporting obligations that may be imposed by future legislation.

### **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 redemption proceeds, to enable the Sub-Fund to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law (including any law, rule and requirement relating to AEOI), regulation or agreement under FATCA).

### **FDI Risk Management**

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 Sub-Fund for investment purposes. Each Sub-Fund 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.

### **Liquidity Risk Management**

The Manager has established a liquidity management policy which enables it to identify, monitor and manage the liquidity risks of each Sub-Fund and to ensure that the liquidity profile of the investments of the relevant Sub-Fund will facilitate compliance with such Sub-Fund'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 each Sub-Fund. These measures seek to ensure fair treatment and transparency for all investors.

The liquidity management policy involves monitoring the profile of investments held by each Sub-Fund on an on-going basis to ensure that such investments are appropriate to the redemption policy as stated under the section headed (for Listed Class Units) "Creations and Redemptions (Primary Market) of the Listed Class Units" and (for Unlisted Class Units) "Provisions relating to the Offer, Subscription, Switching and Redemption of the Unlisted Class Units", and will facilitate compliance with each Sub-Fund'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 each Sub-Fund under normal and exceptional market conditions.

As a liquidity risk management tool, the Manager may limit the number of Units of a Sub-Fund redeemed on any Dealing Day to Units representing 10% (or such higher percentage as the Manager may determine in respect of the Sub-Fund) of the Net Asset Value (both Listed Class Units and Unlisted Class Units) of such a Sub-Fund (subject to the conditions under the heading (for Listed Class Units) entitled “Deferred Redemption” in the section headed “Creations and Redemptions (Primary Market) of the Listed Class Units” and the heading (for Unlisted Class Units) entitled “Restrictions on Redemptions” in the section headed “Provisions relating to the Offer, Subscription, Switching and Redemption of the Unlisted Class Units”).

### **Index Licence Agreements**

Please refer to the relevant Appendix for details in respect of the Index for each Index Tracking Sub-Fund.

### **Material Changes to an Index (for Index Tracking Sub-Funds only)**

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 Sub-Fund 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 (for Index Tracking Sub-Funds only)**

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 Sub-Fund would not be adversely affected, to replace an Index with another index in accordance with the provisions of the Code and the Trust Deed. The circumstances under which any such replacement might occur include but are not limited to the following events:

- (a) the relevant Index ceasing to exist;
- (b) the licence to use the Index being terminated;
- (c) a new index becoming available that supersedes the existing Index;
- (d) a new index becoming available that is regarded as the market standard for investors in the particular market and/or would be regarded as more beneficial to the Unitholders than the existing Index;
- (e) investing in the Securities 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 Sub-Fund 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 Sub-Fund of the Index and/or (ii) the name of the relevant Sub-Fund will be notified to investors.

### **Information Available on the Internet**

The Manager will publish important news and information with respect to each Sub-Fund (including, for Index Tracking Sub-Funds, in respect of the relevant Index), in the English and Chinese languages (unless otherwise specified), on the following website <https://cicchkam.com> and, where applicable in respect of the Listed Class Units, HKEX's website [www.hkex.com.hk](http://www.hkex.com.hk) (the contents of both websites and of any other website referred to in this Prospectus have not been reviewed by the SFC) including:

- (a) this Prospectus and the product key facts statement in respect of each Sub-Fund (as revised from time to time). Investors should note that where a Sub-Fund offers both Listed Class Units and Unlisted Class Units, a separate set of product key facts statement will be available for each of the Listed Class Units and Unlisted Class Units of the same Sub-Fund;
- (b) the latest annual audited accounts and interim half yearly unaudited report (in English only);
- (c) any notices relating to material changes to any Sub-Fund which may have an impact on its investors such as material alterations or additions to this Prospectus (including each product key facts statement) or any of the constitutive documents of the Trust and/or a Sub-Fund;
- (d) any public announcements made by the Manager in respect of any Sub-Fund, including information with regard to a Sub-Fund and (where applicable) the Sub-Fund's Index, the suspension of issue, creations and redemptions of Units, the suspension of the calculation of its Net Asset Value, changes in its fees and the suspension and resumption of trading in its Units;
- (e) (in respect of the Listed Class Units) the near real time indicative Net Asset Value per Unit of each Sub-Fund (updated every 15 seconds throughout each Dealing Day in the base currency of the Sub-Fund and in each trading currency);
- (f) the last Net Asset Value of each Sub-Fund in the base currency of the Sub-Fund and the last Net Asset Value per Unit of each class of each Sub-Fund in the class currency of the Sub-Fund and (in respect of the Listed Class Units) in each trading currency;
- (g) the ongoing charges figure and past performance information of each Sub-Fund;
- (h) (in respect of Index Tracking Sub-Funds) the tracking difference and tracking error of each Sub-Fund;
- (i) (in respect of Sub-Funds which are Index Tracking ETFs or active ETFs) the full holdings of each Sub-Fund:
  - for an Index Tracking ETF, updated on a monthly basis within one month of the end of each month, unless otherwise specified in the relevant Appendix;
  - for an active ETF, updated on a monthly basis within one month of the end of each month;
- (j) (in respect of the Listed Class Units) the latest list of the Participating Dealers and Market Makers;
- (k) if applicable to the Sub-Fund, the composition of distributions (i.e. the relative amounts paid out of (i) net distributable income, and (ii) capital), if any, for a 12-month rolling period; and
- (l) in respect of a passively managed Sub-Fund which has a net derivative exposure exceeding 50% of its Net Asset Value, information on FDIs acquired by the Sub-Fund (such as counterparty exposure and collateral information) (if any).

For the CICC Bloomberg China Treasury 1-10 Years ETF and CICC CSI Select 100 ETF:

- the near real time indicative Net Asset Value per Unit in HKD and RMB, and the latest Net

Asset Value per Unit in HKD referred to above, are indicative and for reference only. The near real time indicative Net Asset Value per Unit (HKD and RMB) is updated every 15 seconds during SEHK trading hours and is calculated by Solactive AG;

- the near real time indicative Net Asset Value per Unit in HKD is calculated using the near real time indicative Net Asset Value per Unit in RMB multiplied by a near real time RMB:HKD foreign exchange rate for offshore RMB (CNH), quoted by Solactive AG. Since the indicative Net Asset Value per Unit in RMB will not be updated when the underlying market is closed, the change in the indicative Net Asset Value per Unit in HKD during such period is solely due to the change in the near real time foreign exchange rate;
- the last Net Asset Value per Unit in HKD is indicative and for reference only and is calculated using the official last Net Asset Value per Unit in RMB multiplied by an assumed foreign exchange rate (i.e. not a real time exchange rate) being the fixing exchange rate provided by Reuters for HKD and offshore RMB (CNH) at 4:00 p.m. (Hong Kong time) as of the same Dealing Day.

For the ICBC CICC USD Money Market ETF:

- (in respect of Listed Class Units) the near real time indicative Net Asset Value per Unit in HKD and USD, and the latest Net Asset Value per Unit in HKD, are indicative and for reference only. The near real time indicative Net Asset Value per Unit (HKD and USD) is updated every 15 seconds during SEHK trading hours and is calculated by Solactive AG;
- (in respect of Listed Class Units) the near real time indicative Net Asset Value per Unit in HKD is calculated using the near real time indicative Net Asset Value per Unit in USD multiplied by a near real time USD:HKD foreign exchange rate, quoted by Solactive AG;
- (in respect of Listed Class Units) the last Net Asset Value per Unit in HKD is indicative and for reference only and is calculated using the official last Net Asset Value per Unit in USD multiplied by an assumed foreign exchange rate (i.e. not a real time exchange rate) being the fixing exchange rate provided by Reuters for HKD and USD at 4:00 p.m. (Hong Kong time) as of the same Dealing Day.

For the CICC HKD Money Market ETF:

- (in respect of Listed Class Units) the near real time indicative Net Asset Value per Unit in HKD are indicative and for reference only. The near real time indicative Net Asset Value per Unit in HKD is updated every 15 seconds during SEHK trading hours and is calculated by Solactive AG.

For the CICC Carbon Futures ETF:

- the near real time indicative Net Asset Value per Unit in HKD, RMB and USD, and the latest Net Asset Value per Unit in RMB and USD, are indicative and for reference only. The near real time indicative Net Asset Value per Unit (HKD, RMB and USD) is updated every 15 seconds during SEHK trading hours and is calculated by ICE Data Indices, LLC;
- the near real time indicative Net Asset Value per Unit in RMB or USD is calculated using the near real time indicative Net Asset Value per Unit in HKD multiplied by a near real time HKD:RMB or HKD:USD (as the case may be) foreign exchange rate quoted by ICE Data Indices, LLC;
- the last Net Asset Value per Unit in RMB or USD is indicative and for reference only and is calculated using the official last Net Asset Value per Unit in HKD multiplied by an assumed foreign exchange rate (i.e. not a real time exchange rate) being the fixing exchange rate provided by Reuters at 4:00 p.m. (Hong Kong time) as of the same Dealing Day;

- a “performance simulator” of this Sub-Fund, which allows investors to select a historical time period and simulate the performance of: (i) this Sub-Fund vis-a-vis the spot price of European Union Allowance; and (ii) the Index of this Sub-Fund vis-à-vis the spot price of European Union Allowance, during that period based upon historical data.

Where securities financing transactions undertaken by a Sub-Fund (of which Listed Class Units are available) exceeds 50% of its Net Asset Value, the Manager will make available on its website at <https://cicchkam.com> (the contents of which and of other websites referred to in this Prospectus have not been reviewed by the SFC) information on securities financing transactions undertaken by such Sub-Fund (such as counterparty exposure and collateral information) to investors on an ongoing basis.

Where applicable, 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” below 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*

China International Capital Corporation Hong Kong Asset Management Limited  
29/F, One International Finance Centre  
1 Harbour View Street, Central, Hong Kong

### *Trustee*

Brown Brothers Harriman Trustee Services (Hong Kong) Limited  
13/F, Man Yee Building,  
68 Des Voeux Road Central,  
Central, Hong Kong

## Website Information

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



## TAXATION

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

### **Taxation of the Trust and Sub-Funds**

#### *Profits Tax*

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

#### *Stamp Duty*

Pursuant to section 19(1DA) and Part 2 of Schedule 10 of the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the "Stamp Duty Ordinance") and according to the Stamping Circular No.02/2019, each Sub-Fund is an "authorized open-ended collective investment scheme" as defined under the Stamp Duty Ordinance, and, provided that the value of the Hong Kong stock is proportionate to the value of the Unit, any Hong Kong stamp duty (i.e. fixed and ad valorem) on the delivery of Hong Kong stocks as consideration for the issue of Units, where permitted in respect of a Sub-Fund, will be exempted. Similarly, provided that the value of the Hong Kong stock is proportionate to the value of the Unit, Hong Kong stamp duty on the delivery of Hong Kong stocks as consideration for redemption of Units, where permitted in respect of a Sub-Fund, will also be exempted. The issue or redemption is considered to be proportionate if the value of the Hong Kong stock sold or purchased is equivalent to the asset value of the Sub-Fund which the issued or redeemed Unit represents as at the date of issue or redemption (as the case may be). As such, no Hong Kong stamp duty is payable by the relevant Sub-Fund on issue or redemption of Units.

The sale and purchase of the "Hong Kong stocks" (as defined under the Stamp Duty Ordinance) by a Sub-Fund will be subject to Hong Kong stamp duty at the current rate of 0.13% of the consideration or the fair market value (whichever is higher) of the Hong Kong stocks being sold and purchased. The purchaser and the seller will each be liable for the Hong Kong stamp duty upon such transfer and thus the total stamp duty payable for such transfer is 0.26%, borne equally by the purchaser and the seller. As such, the sale and purchase of the Hong Kong stocks by the relevant Sub-Fund will be subject to Hong Kong stamp duty at the current rate of 0.26% of the price of the Hong Kong stocks being sold and purchased. The relevant Sub-Fund will be liable to one half of such Hong Kong stamp duty.

### **Taxation of the Unitholders**

#### *Profits Tax*

Where the Unitholders do not carry on a trade, profession or business in Hong Kong or the Units in a Sub-Fund are held by the Unitholders as capital assets for Hong Kong profits tax purposes, gains

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

Distributions by the Trust/a Sub-Fund should generally not be subject to Hong Kong profits tax in the hands of the Unitholders according to the practice of the Inland Revenue Department of Hong Kong (as at the date of this Prospectus).

### *Stamp Duty*

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

### *Hong Kong stamp duty in respect of Listed Class Units*

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

Under the Stamp Duty (Amendment) Ordinance 2015, stamp duty payable in respect of any contract notes or instruments of transfer relating to transactions in the shares or units of an exchange traded fund (as defined in Part 1 to Schedule 8 of the Stamp Duty Ordinance) on the SEHK is waived with effect from 13 February 2015. Accordingly transfers of Listed Class Units in any Sub-Fund (which is an exchange traded fund as defined in Part 1 to Schedule 8 of the Stamp Duty Ordinance) will not attract stamp duty and no stamp duty is payable by Unitholders.

### *Hong Kong stamp duty in respect of Unlisted Class Units*

No Hong Kong stamp duty should be payable where the sale or transfer of the Unlisted Class Units is effected by selling the relevant Units back to the Manager, who then either extinguish the Unlisted Class Units or re-sells the Unlisted Class Units to another person within two months thereof. Other types of sales or purchases or transfers of Unlisted Class Units by the Unitholders in a Sub-Fund should be liable to Hong Kong stamp duty of 0.26 per cent (equally borne by the buyer and the seller) on the higher of the consideration amount or market value and where instrument of transfer (if any) is executed in relation to any such sales or purchases or transfers, Hong Kong stamp duty is payable at the fixed rate of HKD5 on each instrument of transfer (if any) executed.

## **Hong Kong Requirements Regarding Tax Reporting**

The Inland Revenue (Amendment) (No.3) Ordinance (the "Ordinance") and subsequent related legislation provide the framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information ("AEOI"). The AEOI requires financial institutions ("FIs") in Hong Kong to obtain information from the account holders, conduct due diligence on the account holders and file certain information relating to reportable account holders who are tax resident in "reportable jurisdictions" (as determined for AEOI purposes) with the Hong Kong Inland Revenue Department ("IRD"), which in turn will exchange the information with the jurisdiction(s) in which that reportable account holder is a tax resident. However, the Trust and/or its agents may adopt the wider approach in collecting residency information of account holders.

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

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

By investing in a Sub-Fund and/or continuing to invest in a Sub-Fund, Unitholders acknowledge that they are required to enable the Trust and/or the Sub-Fund to comply with AEOI by providing the required information to the Trust, the Sub-Fund, the Managers and/or the agents of the Trust and/or the Sub-Fund in order to open an account. Moreover, Unitholders acknowledge that they may be required to provide additional information to the Trust, the Manager and/or the Trust’s agents in order for the Trust to comply with the Ordinance. The Unitholder’s information (and information on controlling person including beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such Unitholders that are passive non-financial entities), may be transmitted by the IRD to authorities in other jurisdictions. The failure of a Unitholder to provide any requested information, may result in the Trust, the Manager and/or other agents of the Trust taking any action and/or pursue remedies at their disposal including, without limitation, mandatory redemption or withdrawal of the Unitholder concerned.

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 Sub-Fund(s).

## **PART 2 – SPECIFIC INFORMATION RELATING TO EACH SUB-FUND**

Part 2 of this Prospectus includes specific information relevant to each Sub-Fund established under the Trust. It is updated from time to time by the Manager. Information relating to each Sub-Fund 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, it is applicable to the specific Sub-Fund 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 “Sub-Fund” refer to the relevant Sub-Fund which is the subject of that Appendix. References in each relevant Appendix to “Index” refer to the relevant Index details of which are set out in that Appendix.

## APPENDIX 1: CICC CSI Select 100 ETF

### Key Information

Set out below is a summary of key information in respect of this Sub-Fund which should be read together with the full text of this Appendix and this Prospectus.

<b>Index</b>	CSI CICC Select 100 Index
<b>Type of Index</b>	Total return
<b>Initial Issue Date</b>	4 December 2018 (the Business Day immediately before the Listing Date)
<b>Listing Date (SEHK)</b>	5 December 2018
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	03093 – HKD counter 83093 – RMB counter
<b>Stock Short Name</b>	CICCSELECT100 – HKD counter CICCSELECT100-R – RMB counter
<b>ISIN Numbers</b>	HK0000458304 – HKD counter HK0000458312 – RMB counter
<b>Trading Board Lot Size</b>	500 Units
<b>Base Currency</b>	Renminbi (RMB)
<b>Trading Currency</b>	Renminbi (RMB) Hong Kong dollars (HKD)
<b>Distribution Policy</b>	Subject to the Manager’s discretion, the Manager intends to pay distributions to Unitholders at least annually (in December each year). <b>All units will receive distributions in the base currency (RMB) only</b> <sup>13</sup> . Distributions may be made out of capital or effectively out of capital as well as income at the Manager’s discretion.
<b>Creation/Redemption Policy</b>	Cash (RMB)
<b>Application Unit Size (only by or through Participating Dealers)</b>	Minimum 500,000 Units (or multiples thereof)
<b>Dealing Deadline</b>	12:00 p.m. (Hong Kong time) on the relevant Dealing Day

<sup>13</sup> Unitholders without RMB accounts may have to bear the fees and charges associated with the conversion of such dividend from RMB into any other currency. Unitholders are advised to check with their brokers regarding arrangements for distributions.

<b>Management Fee</b>	Currently 0.68% per year of the Net Asset Value
<b>Investment Strategy</b>	Representative sampling. Please refer to the section on “What is the investment strategy?” below
<b>Financial Year End</b>	31 December
<b>Listing Agent</b>	China International Capital Corporation Hong Kong Securities Limited
<b>Market Maker(s) (HKD and RMB counters)</b>	China International Capital Corporation Hong Kong Securities Limited Flow Traders Hong Kong Limited
<b>Participating Dealers</b>	BOCOM International Securities Limited China International Capital Corporation Hong Kong Securities Limited China Merchants Securities (HK) Co., Limited GF Securities (Hong Kong) Brokerage Limited Haitong International Securities Company Limited KGI Asia Limited Merrill Lynch Far East Limited Mirae Asset Securities (HK) Limited Zhongtai International Securities Limited
<b>Service Agent</b>	HK Conversion Agency Services Limited
<b>Website</b>	<a href="https://cicchkam.com">https://cicchkam.com</a> (this website has not been reviewed by the SFC)

### **What is the Investment Objective?**

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index. There can be no assurance that the Sub-Fund will achieve its investment objective.

### **What is the Investment Strategy?**

In seeking to achieve the Sub-Fund’s investment objective, the Manager will primarily use an optimised representative sampling strategy by investing directly in a representative sample of the securities in the Index that collectively reflects the investment characteristics of the Index via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (collectively the “Stock Connect”). The Sub-Fund may or may not hold all of the Securities that are included in the Index, and may hold Securities which are not included in the Index, provided that these collectively feature a high correlation with the Index. For flexibility, the Sub-Fund may also invest through the RQFII capacity of the Manager under the QFI regime as a supplementary access channel. The Manager may invest up to 100% of the Sub-Fund’s Net Asset Value through Stock Connect and not more than 30% of its Net Asset Value through the RQFII capacity of the Manager under the QFI regime.

The Sub-Fund may also invest in cash or cash equivalents (including money market funds) for cash management purposes. Investments in cash or cash equivalents are not anticipated to exceed 5% of the Net Asset Value.

The Manager may also in its discretion utilise a full replication strategy through investing directly in Securities included in the Index in substantially the same weightings in which they are included in the Index.

Currently, the Manager has no intention to invest the Sub-Fund in any financial derivative instruments (including structured products or instruments) for hedging or non-hedging (i.e. investment) purposes, and will not enter into securities lending transactions, repurchase or reverse repurchase transactions and 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 before the Sub-Fund engages in any such investments.

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

#### *Use of derivatives*

The Sub-Fund will not use derivatives for any purposes.

#### **What is the Index's Characteristics?**

The Index is a free float market capitalisation weighted index designed to select 100 A-Shares companies with high and stable return on equity, high dividend yields and high earnings growth rates amongst a stock pool which is comprised of the A-Shares (meaning shares issued by companies incorporated in Mainland China and listed on the SSE or the SZSE) of companies with higher size, liquidity and operating revenue in each industry group according to CSI Industry Classification Standard. The Index is compiled and published by China Securities Index Co., Ltd ("CSI" or the "Index Provider"). The Manager and its Connected Persons are independent of the Index Provider.

The Index is a total return index. A total return index calculates the performance of the index constituents on the basis that any dividends or distributions are reinvested. The Index is denominated and quoted in RMB.

#### **What is the Stock Connect?**

The Stock Connect is a securities trading and clearing linked programme developed by the HKEX, the SSE, the SZSE and the CSDCC, with an aim to achieve mutual stock market access between Mainland China and Hong Kong. It comprises the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.

Each of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect comprises a Northbound Trading Link and a Southbound Trading Link. Under the Northbound Trading Link, Hong Kong and overseas investors (including the Sub-Fund), through their Hong Kong brokers and securities trading service companies (in Shanghai and Qianhai Shenzhen respectively) established by the SEHK and the HKSCC, are able to trade eligible shares listed on the SSE or the SZSE by routing orders to the SSE or the SZSE (as the case may be). Under the Southbound Trading Link, eligible investors, through Mainland China securities firms and securities trading service companies established by the SSE and the SZSE, are able to trade eligible shares listed on the SEHK by routing orders to the SEHK.

#### *Eligible securities*

Initially, Hong Kong and overseas investors are only able to trade certain stocks listed on the SSE market (the "SSE Securities") and the SZSE market (the "SZSE Securities"). SSE Securities include

all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed A-Shares that are not included as constituent stocks of the relevant indices but which have corresponding H Shares listed on the SEHK, except the following:

- a) SSE-listed shares which are not traded in RMB; and
- b) SSE-listed shares which are included in the “risk alert board”.

SZSE Securities will include all the constituent stocks of the SZSE Component Index and the SZSE Small/Mid Cap Innovation Index which have a market capitalisation of not less than RMB 6 billion, and all the SZSE-listed A-Shares which have corresponding H shares listed on SEHK, except the following:

- a) SZSE-listed shares which are not traded in RMB; and
- b) SZSE-listed shares which are included in the “risk alert board”.

At the initial stage of Shenzhen-Hong Kong Stock Connect, shares listed on the ChiNext Board of SZSE under Northbound Trading Link will be limited to institutional professional investors. Subject to resolution of related regulatory issues, other investors may subsequently be allowed to trade such shares.

It is expected that the list of eligible securities will be subject to review.

#### *Trading day*

Investors (including the Sub-Fund) will only be allowed to trade on the other market on days where both markets are open for trading, and banking services are available in both markets on the corresponding settlement days.

#### *Trading quota*

Trading under the Stock Connect will be subject to a daily quota (“Daily Quota”), which will be separate for Northbound and Southbound trading, for each of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect. The Daily Quota limits the maximum net buy value of cross-boundary trades under the Stock Connect each day. The quotas do not belong to any Sub-Fund and are utilised on a first-come-first-serve basis. The SEHK monitors the quota and publishes the remaining balance of the Northbound Daily Quota at scheduled times on the HKEX’s website. The Daily Quota may change in future. The Manager will not notify investors in case of a change of quota.

#### *Settlement and Custody*

The HKSCC is responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by Hong Kong market participants and investors. Accordingly, investors do not hold SSE Securities or SZSE Securities directly – these are held through their brokers’ or custodians’ accounts with CCASS.

#### *Corporate actions and shareholders’ meetings*

Notwithstanding the fact that HKSCC does not claim proprietary interests in the SSE Securities or SZSE Securities held in its omnibus stock account in the CSDCC, the CSDCC as the share registrar for SSE or SZSE listed companies still treats the HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE Securities or SZSE Securities. The HKSCC will monitor the corporate actions affecting SSE Securities or SZSE Securities and keep the relevant CCASS participants informed of all such corporate actions that require CCASS participants to take steps in order to participate in them.



## Currency

Hong Kong and overseas investors (including the Sub-Fund) will trade and settle SSE Securities and SZSE Securities in RMB only.

## Trading fees and taxes

In addition to paying trading fees and stamp duties in connection with A-Share trading, the Sub-Fund may be subject to other fees and taxes concerned with income arising from stock transfers which are determined by the relevant authorities.

## Coverage of Investor Compensation Fund

Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong. For defaults occurring on or after 1 January 2020, the Investor Compensation Fund also covers investors' losses in relation to securities traded on a stock market operated by the SSE or the SZSE and in respect of which an order for sale or purchase is permitted to be routed through the northbound link of a Stock Connect arrangement. On the other hand, since the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not Mainland China brokers, such trading is not protected by the China Securities Investor Protection Fund (中國投資者保護基金) in Mainland China. Further information about the Stock Connect is available at the website: [http://www.hkex.com.hk/eng/market/sec\\_tradinfra/chinaconnect/chinaconnect.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm) (this website has not been reviewed by the SFC).

## What is the QFI regime?

Under current regulations in Mainland China, offshore investors can invest in the onshore securities market through certain foreign institutional investors that have obtained status as QFI from the CSRC to remit foreign freely convertible currencies (in the case of a QFII) and RMB (in the case of a RQFII) into Mainland China for the purpose of investing in Mainland China's onshore securities markets.

The QFI regime is currently governed by the following regulations:

The Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors jointly issued by the CSRC, the PBOC and the SAFE on 25 September 2020 and effective from 1 November 2020 (《合格境外機構投資者和人民幣合格境外機構投資者境內證券期貨投資管理辦法》);

- (i) the Provisions on Issues Concerning the Implementation of the Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors issued by the CSRC on 25 September 2020 and effective from 1 November 2020 (關於實施《合格境外機構投資者和人民幣合格境外機構投資者境內證券期貨投資管理辦法》有關問題的規定);
- (ii) the "Regulations on Funds of Domestic Securities and Futures Investment by Foreign Institutional Investors" issued by the PBOC and the SAFE on 7 May 2020 and effective from 6 June 2020 (《境外機構投資者境內證券期貨投資資金管理規定》); and
- (iii) any other applicable regulations promulgated by the relevant authorities.

(collectively, the "QFI Regulations").

All of the Sub-Fund's assets in Mainland China (including onshore Mainland China cash deposits

and its onshore A-Shares portfolio) via QFI will be held by the Mainland Custodian in accordance with the terms of the agreement entered into between the Manager, Trustee and Mainland Custodian. A securities account shall be opened with CSDCC in the joint names of the Manager (as the QFI holder) and the Sub-Fund. For remittance of foreign currencies, a foreign exchange account and a corresponding RMB special deposit account shall be opened in the joint names of the Manager (as the QFI holder) and the Sub-Fund; for remittance of offshore RMB, an RMB special deposit account shall be established and maintained with the Mainland Custodian in the joint names of the Manager (as the QFI holder) and the Sub-Fund. The Mainland Custodian shall, in turn, have a cash clearing account with CSDCC for trade settlement according to applicable regulations.

Repatriations conducted by the Manager as QFI on behalf of the Sub-Fund are not subject to any lock-up periods or prior approval.

## **The A-Share Market**

The Mainland China's A-Share market commenced in 1990 with 2 exchanges.

The SSE was established on 26 November 1990 and stocks are further divided into class A-Shares and class B-Shares, with access to A-Shares limited to onshore investors as well as QFIs or through Stock Connect only while B-Shares available to both onshore and offshore investors. Bonds traded on the SSE include treasury bonds (T-bonds), local government bonds, corporate bonds (including those approved by the State Development and Reform Commission), corporate bonds with detachable warrants, and convertible corporate bonds. In addition, securities investment funds (including exchange traded funds) and warrants are available for trading on the SSE. As of 28 August 2017, there are 1,334 companies listed on the SSE with total market capitalisation of RMB32.71 trillion.

The SZSE was founded on 1 December 1990 stocks are further divided into class A-Shares and class B-Shares, with access to A-Shares limited to onshore investors as well as QFIs or through Stock Connect only while B-Shares available to both onshore and offshore investors. As of 28 August 2017 there are 2,064 listed companies, 514 of which are listed on the SZSE main board with total market capitalisation of RMB7.837 trillion, 876 of which are listed on the small and medium enterprises ("SME") board with total market capitalisation of RMB10.326 trillion, and 674 of which are listed on the ChiNext (the board mainly for "hi-tech" companies) with total market capitalisation of RMB5.214 trillion. The SZSE's products cover equities, mutual funds and bonds. The product lines include A-Shares, B-Shares, indices, mutual funds (including exchange traded funds and listed open ended funds), fixed income products (including SME collective bonds and asset backed securities), and diversified derivative financial products (including warrants and repurchases).

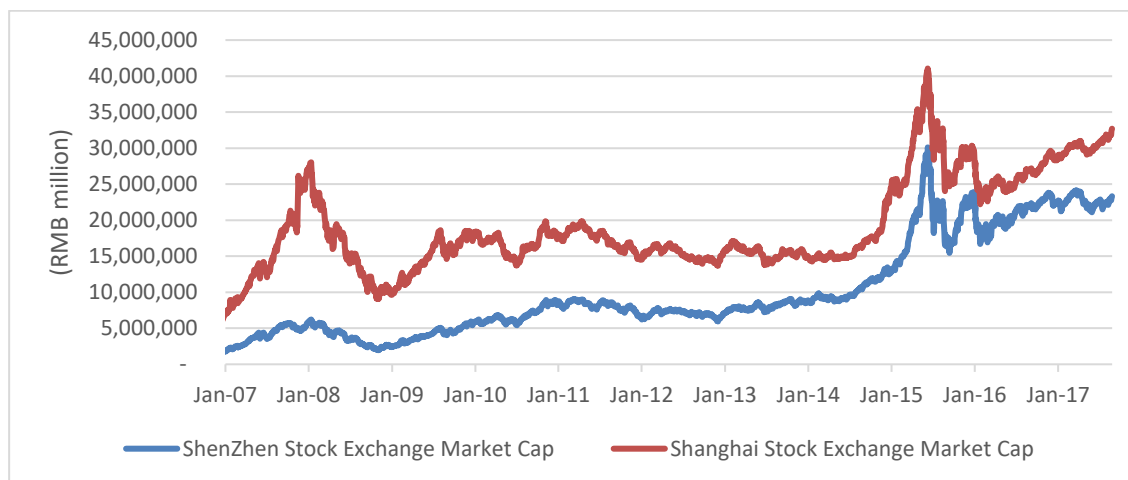
The A-Shares market has grown significantly in the past 20 years, with the latest total market capitalisation reaching RMB55,906 billion comprising 3,342 A-Shares listed companies by 28 August 2017.

In terms of investor breakdown, there is an increasing number of institutional investors participating in the A-Share market since the inception, which include securities investment funds, social pension funds, qualified foreign institutional investors and insurance companies, ordinary investment institutions. However, on a daily basis, retail investors still make up for the majority of the trading volume.

## Development of the A-Share market

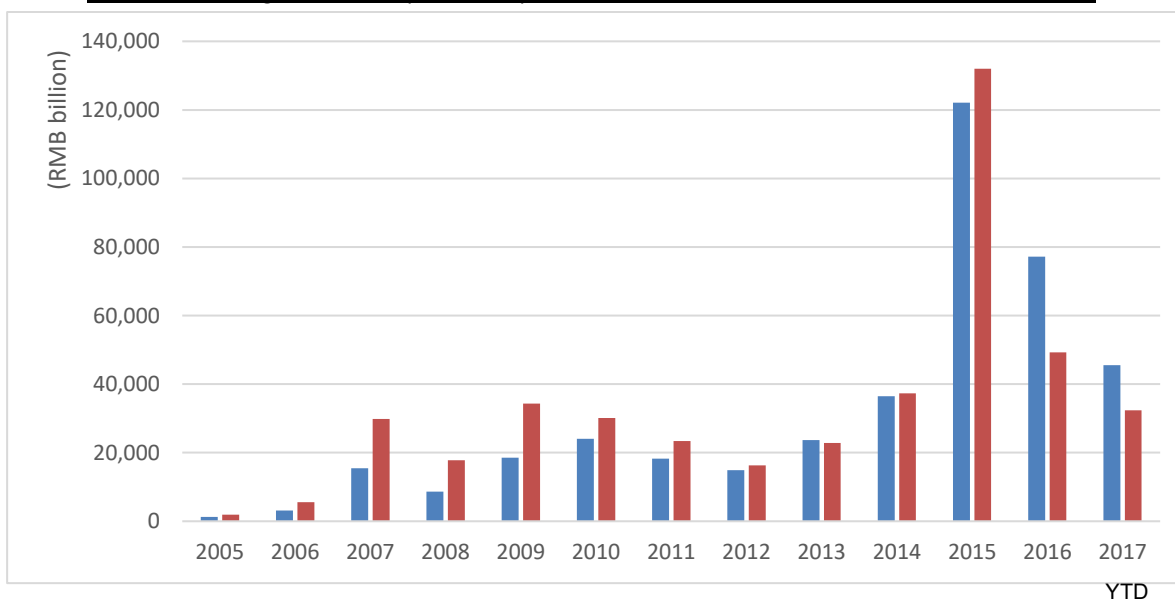
The A-Share market's development is illustrated in the following tables:

### Total market capitalisation of A-Shares of both the SSE and the SZSE



Data source: Bloomberg, as of 28 August 2017

### Annual trading volumes (turnover) of A-Shares of both the SSE and the SZSE



Data source: Shanghai Stock Exchange, Shenzhen Stock Exchange as of 28 August 2017

### Differences with the Hong Kong market

The major differences between the A-Share market and the Hong Kong market are set out in the table below:

	Mainland China	Hong Kong
<b>Key indexes</b>	SSE Composite Index (SHCOMP) / CSI 300 Index (CSI 300) / SZSE Component Index (SZCOMP)	Hang Seng Index (HSI) / Hang Seng China enterprises Index (HSCEI)
<b>Trading band limits</b>	10% / 5% (for ST/S stocks)*	No Limit
<b>Trading lots</b>	100 shares for BUY / 1 share for SELL**	Each stock has its own individual board lot size (an online broker will usually display this along with the stock price when you get a quote); purchases in amounts which are not multiples of the board lot size are done in a separate "odd lot market".
<b>Trading hours</b>	pre-open: 0915-0925 morning session: 0930-1130 afternoon session: 1300-1500 (1457-1500 is closing auction for the SZSE)	pre-open order input: 0900-0915 pre-order matching: 0915-0920 order matching: 0920-0928 morning session: 0930-1200 afternoon session: 1300-1600 closing auction session: 1600 to a random closing between 1608 and 1610
<b>Settlement</b>	T+1	T+2
<b>Reporting requirements</b>	Annual report: <ul style="list-style-type: none"> <li>Full annual report must be disclosed within 4 months after the reporting period.</li> </ul> Interim report: <ul style="list-style-type: none"> <li>Full report must be disclosed within 2 months after the reporting period.</li> </ul> Quarterly report: <ul style="list-style-type: none"> <li>Full report must be disclosed within 1 month after the reporting period. The first quarterly report cannot be disclosed before last year's annual report.</li> </ul>	Annual report: <ul style="list-style-type: none"> <li>Earnings must be disclosed within 3 months after the reporting period;</li> <li>Full annual report must be disclosed within 4 months after the reporting period.</li> </ul> Interim report: <ul style="list-style-type: none"> <li>Earnings must be disclosed within 2 months after the reporting period;</li> <li>Full report must be disclosed within 3 months after the reporting period.</li> </ul>

Note:

\* 1) ST stocks refer to special treatment stocks, which means special treatment for companies with financial problems (consecutive 2 fiscal years loss or audited net assets per share less than par value in the most recent fiscal year), effective from 22 April 1998. Stocks with ST usually means they have a delisting risk.

2) S stocks refer to those stocks which have not yet performed the "split share structure reform".

*\*\* Purchasing in an odd lot is not allowed while selling in an odd lot is allowed in the A-Share market, with no price difference between odd lot and round lot trading.*

## **Risk Factors Specific to the Sub-Fund**

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 to the Sub-Fund.

### *A-Shares Market Suspension and Volatility Risk*

A-Shares may only be bought from, or sold to, the Sub-Fund from time to time where the relevant A-Shares may be sold or purchased on the SSE or the SZSE, as appropriate. Given that the A-Shares market is considered volatile and unstable (with the risk of suspension of a particular stock or government intervention), the creation and realisation of Units may be disrupted. A Participating Dealer is unlikely to realise or create Units if it considers that A-Shares may not be available. High market volatility and potential settlement difficulties in the A-Shares market may also result in significant fluctuations in the prices of the securities traded on the A-Shares market and thereby may adversely affect the value of the relevant Sub-Fund.

### *Risks Associated with the Stock Connect*

The Sub-Fund's investments through the Stock Connect may be subject to the following risks.

#### *Quota Limitations*

The Stock Connect is subject to quota limitations. In particular, once the remaining balance of the Northbound Daily Quota drops to zero or the Northbound Daily Quota is exceeded during the opening call session, new buy orders will be rejected (though investors will be allowed to sell their cross-boundary securities regardless of the quota balance). The Sub-Fund's ability to invest in A-Shares through the Stock Connect may be affected.

#### *Suspension Risk*

It is contemplated that both the SEHK and the SSE would reserve the right to suspend Northbound and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the Northbound trading is effected, the Sub-Fund's ability to access the Mainland China market through the Stock Connect will be adversely affected.

#### *Differences in Trading Day*

The Stock Connect will only operate on days when both the Mainland China and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the Mainland China market but Hong Kong investors (such as the Sub-Fund) cannot carry out any A-Shares trading.

#### *Operational Risk*

The Stock Connect provides a new channel for investors from Hong Kong and overseas to access the Mainland China stock market directly. Market participants are able to participate in this programme subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house. Market participants may need to address issues arising from the differences on an on-going basis.

Further, the “connectivity” in the Stock Connect requires routing of orders across the border. This requires the development of new information technology systems on the part of the SEHK and exchange participants. There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems fail to function properly, trading in both markets through the programme could be disrupted.

#### *Recalling of Eligible Stocks*

If a stock is recalled from the scope of eligible stocks for trading via the Stock Connect, the stock can only be sold and cannot be bought. This may affect the Sub-Fund’s tracking of the Index if, for example, a constituent of the Index is recalled from the scope of eligible stocks.

#### *Clearing and Settlement Risk*

The HKSCC and CSDCC establish clearing links and each has become a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house. Should the remote event of CSDCC default occur and the CSDCC be declared as a defaulter, HKSCC’s liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against the CSDCC. HKSCC will in good faith seek recovery of the outstanding stocks and monies from the CSDCC through available legal channels or through the CSDCC’s liquidation. In that event, the Sub-Fund may suffer delay in the recovery process or may not be able to fully recover its losses from the CSDCC.

#### *Regulatory Risk*

The Stock Connect is novel in nature, and will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in Mainland China and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connect. The regulations are untested and there is no certainty as to how they will be applied, and are subject to change. There can be no assurance that the Stock Connect will not be abolished.

#### *Coverage of Investor Compensation Fund*

Hong Kong’s Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong. For defaults occurring on or after 1 January 2020, the Investor Compensation Fund also covers investors’ losses in relation to securities traded on a stock market operated by the SSE or the SZSE and in respect of which an order for sale or purchase is permitted to be routed through the northbound link of a Stock Connect arrangement. On the other hand, since the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not Mainland China brokers, it is protected by the China Securities Investor Protection Fund (中國投資者保護基金) in Mainland China. Therefore the Sub-Fund is exposed to the risks of default of the broker(s) it engages in its trading in A-Shares through the programme.

#### *Risks associated with the QFI regime*

##### *QFI systems risk*

The current QFI Regulations include rules on investment restrictions applicable to the Sub-Fund. Transaction sizes for QFIs are relatively large (with the corresponding heightened risk of exposure to decreased market liquidity and significant price volatility leading to possible adverse effects on the timing and pricing of acquisition or disposal of securities).

Onshore A-Shares are registered in the joint names of the Manager (as QFI holder) and the Sub-Fund in accordance with the relevant rules and regulations, and maintained in electronic form via a securities account with the CSDCC. The account is required to bear the name of the Manager as this is the name under which the QFI is approved by the relevant regulator. The QFI holder selects a Mainland broker (the "Mainland Broker") to act on its behalf in the relevant onshore A-Share market as well as the Mainland Custodian to maintain its assets in custody in accordance with the terms of the agreement entered into between the Manager, the Trustee and the Mainland Custodian.

In the event of any default of either the relevant Mainland Broker or the Mainland Custodian in the execution or settlement of any transaction or in the transfer of any funds or securities in Mainland China, the Sub-Fund may encounter delays in recovering its assets which may in turn adversely impact the Net Asset Value of the Sub-Fund.

In extreme circumstances, the Sub-Fund 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 QFI investment restrictions, illiquidity of Mainland China's securities markets, and delay or disruption in execution of trades or in settlement of trades.

The regulations which regulate investments by QFIs in Mainland China and the repatriation of capital from QFI investments are relatively new. The application and interpretation of such investment regulations are therefore relatively untested and there is no certainty as to how they will be applied as Mainland China authorities and regulators have been given wide discretion in such investment regulations and there is no precedent or certainty as to how such discretion may be exercised now or in the future.

#### *Mainland Custodian and Mainland Broker risk*

Mainland China assets will be maintained by the Mainland Custodian in electronic form via a securities account with the CSDCC and a special deposit account with the Mainland Custodian.

The QFI holder also selects the Mainland Broker to execute transactions for the Sub-Fund in the Mainland China markets. It is possible that the Sub-Fund may rely on only one Mainland Broker in each of the SSE and the SZSE (which may be the same Mainland Broker). Should, for any reason, the Manager be unable to use the relevant Mainland Broker, the operation of the Sub-Fund would be adversely affected and may cause Units to trade at a premium or discount to the Sub-Fund's Net Asset Value or cause the Sub-Fund to be unable to track the Index. The Sub-Fund may also incur losses due to the acts or omissions of either the Mainland Broker(s) or the Mainland Custodian in the execution or settlement of any transaction or in the transfer of any funds or securities. Subject to the applicable laws and regulations in Mainland China, the Manager will make arrangements to ensure that the relevant Mainland Broker and Mainland Custodian have appropriate procedures to properly safe-keep the Sub-Fund's assets.

Investors should note that cash deposited in the special deposit account of the Sub-Fund with the Mainland Custodian will not be segregated but will be a debt owing from the Mainland Custodian to the Sub-Fund as a depositor. Such cash will be co-mingled with cash belong to other clients of the Mainland Custodian. In the event of bankruptcy or liquidation of the Mainland Custodian, the Sub-Fund will not have any proprietary rights to the cash deposited in such special deposit account, and Sub-Fund will become an unsecured creditor, ranking *pari passu* with all other unsecured creditors, of the Mainland Custodian. The Sub-Fund may face difficulty and/or encounter delays in recovering such debt, or may not be able to recover it in full or at all, in which case the Sub-Fund will suffer losses.

#### *Repatriation risk*

Repatriations by QFIs in respect of a fund such as the Sub-Fund are not subject to any lock-up periods or prior approval. There is no assurance, however, that Mainland China rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Any restrictions on repatriation of the invested capital and net profits may impact on the Sub-Fund's ability to meet redemption requests from Unitholders.

#### *RMB Distributions Risk*

Investors should note that all Units will receive distributions in the base currency (RMB) only. In the event that the relevant Unitholder has no RMB account, the Unitholder may have to bear the fees and charges associated with the conversion of such distribution from RMB to HKD. The Unitholder may also have to bear bank or financial institution fees and charges associated with the handling of the distribution payment. Unitholders are advised to check with their brokers regarding arrangements for distributions.

#### *New Index Risk*

The Index is a new index. The Sub-Fund may be riskier than other exchange traded funds tracking more established indices with longer operating history.

#### *Trading Differences Risks*

As the SSE and the SZSE may be open when Units are not priced, the value of the securities in the Sub-Fund's portfolio may change on days when investors will not be able to purchase or sell the Sub-Fund's units. Differences in trading hours between the SSE or the SZSE and the SEHK may also increase the level of premium or discount of the Unit price to its Net Asset Value.

A-Shares are subject to trading bands which restrict increase and decrease in the trading price. Units listed on the SEHK are not. This difference may also increase the level of premium or discount of the Unit price to its Net Asset Value.

#### *Distributions Out of or Effectively Out of Capital Risk*

The Manager may, at its discretion make distributions out of capital. The Manager may also, at its discretion, make distributions out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of the capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Unit. The Manager may amend its distribution policy subject to the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

### **Mainland China Tax Implications**

*The following summary of Mainland China 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 Mainland China and the laws and practice of their respective jurisdictions. The information below is based on the law and practice in force in Mainland China 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.*

### *Corporate Income Tax*

Under current PRC Corporate Income Tax Law (“PRC CIT Law”) and regulations, if the Sub-Fund is considered to be a tax resident of the Mainland China, it would be subject to Mainland China enterprise income tax (“Mainland China CIT”) at the rate of 25% on its worldwide taxable income. If the Sub-Fund is considered to be a non-resident enterprise with a “permanent establishment” (“PE”) in Mainland China, it would be subject to Mainland China CIT on the profits attributable to the PE. The Manager intends to operate the Sub-Fund in a manner that will prevent them from being treated as tax resident of the Mainland China and from having a PE in the Mainland China, although this cannot be guaranteed. It is possible however, that the relevant tax authority could disagree with the conclusion or that changes in Mainland China tax law could affect the Mainland China CIT status of the Sub-Fund.

### Dividend

Unless a specific exemption or reduction is available under current Mainland China tax laws and regulations or relevant tax treaties, non-tax resident enterprises without a PE in the Mainland China are subject to CIT on a withholding basis (“WHT”), generally at a rate of 10%, to the extent it directly derives Mainland China sourced passive income. Mainland China sourced passive income (such as dividend income) may arise from investments in the Mainland China Securities. The entity distributing such dividends is required to withhold such tax. Accordingly, the Trust or the Sub-Fund may be subject to WHT on any cash dividends and distributions it receives from its investment in Mainland China Securities.

Under current regulations in Mainland China, foreign investors (such as the Trust and the Sub-Fund) may invest in onshore Mainland China securities through a QFI (in this section and for the Sub-Fund referred to as the “relevant QFI”). Since only the relevant QFI’s interests in onshore Mainland China securities are recognised under Mainland China laws, any tax liability would, if it arises, be payable by the relevant QFI. However, under the terms of the arrangement between the relevant QFI and the Trust, the relevant QFI will pass on any tax liability to the Trust for the account of the Sub-Fund. As such, the Trust is the ultimate party which bears the risks relating to any Mainland China taxes which are so levied by the relevant Mainland China tax authority. Under current Mainland China tax laws and regulations, a relevant QFI is subject to a WHT of 10% on cash dividends and distributions from the Mainland China Securities unless exempt or reduced under current Mainland China tax laws and regulations or relevant tax treaties. The A-Shares issuers distributing such dividends are technically obliged to withhold the tax on behalf of the QFIs.

The MOF, the SAT and the CSRC have jointly issued a circular concerning the tax treatment for the Shanghai-Hong Kong Stock Connect (Caishui [2014] No. 81 – The Circular Concerning the Tax Treatment for the Pilot Program of the Shanghai-Hong Kong Stock Connect) (“Notice No. 81”) and a circular concerning the tax treatment for the Shenzhen-Hong Kong Stock Connect (Caishui [2016] No. 127 – The Circular Concerning the Tax Treatment for the Pilot Program of the Shenzhen-Hong Kong Stock Connect) (“Notice No. 127”). Pursuant to Notice No. 81 and Notice No. 127, dividends received by Hong Kong market investors (including the Sub-Fund) from A-Shares investment via Stock Connect will be subject to 10% WHT and the company distributing the dividend has the withholding obligation. If the recipient of the dividend is entitled to a lower treaty rate, it can apply to the tax bureau in-charge of the payer for a refund.

Under the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" (the “Mainland-HK Arrangement”), dividends received by a Hong Kong tax resident

holder of shares issued by a Mainland China tax resident enterprise will be subject to a reduced Mainland China WHT rate of 5% on the gross amount of the dividends, if (i) the Hong Kong tax resident is the beneficial owner of the dividends; (ii) the Hong Kong tax resident directly holds at least 25% of the equity of the company paying the dividends; and (iii) other relevant treaty conditions are satisfied. Due to the Sub-Fund's investment restriction, the Sub-Fund will not hold more than 10% of any ordinary shares issued by any single entity. In this connection, dividends derived from A-Shares invested through Stock Connect or QFI will not be able to benefit from the reduced WHT rate of 5% and the general WHT rate of 10% will be applicable to the Sub-Fund.

### *Capital gains*

#### Stock Connect

Based on the PRC CIT Law and its Implementation Rules, "income from the transfer of property" sourced from Mainland China by a non-Mainland China tax resident enterprise should be subject to WHT of 10%. However, pursuant to Notice No. 81 and Notice No. 127, Mainland China CIT will be temporarily exempted on gains derived by Hong Kong market investors (including the Sub-Fund) on the trading of A-Shares through Stock Connect. Based on Notice No. 81 and Notice No. 127, no provision for gross realised or unrealised gains derived from trading of A-Shares via the Stock Connect is made by the Manager on behalf of the Sub-Fund.

#### QFI

The "Notice on the issues of temporary exemption from the imposition of corporate income tax arising from capital gains from the transfer of equity investment assets such as PRC domestic stocks by QFII and RQFII" (Caishui [2014] No.79) promulgated by the MOF, the SAT and the CSRC on 14 November 2014 (the "Notice No. 79") states that (i) Mainland China CIT will be imposed on gains obtained by QFI from equity investment assets (including A-Shares) derived prior to 17 November 2014 in accordance with the laws; and (ii) QFIs will be temporarily exempt from CIT on gains derived from the trading of equity investment assets effective from 17 November 2014. Notice No. 79 applies to QFIs without a PE in Mainland China or having a PE in Mainland China but the income so derived in Mainland China is not effectively connected with such PE.

Pursuant to the Notice No. 79, the Manager would not make WHT provision for gross realised or unrealised gains derived by the Sub-Fund from trading of A-Shares via QFI.

It is noted that the Notice No. 79, Notice No. 81 and Notice No. 127 all state that the CIT exemption is temporary. As such, as and when the Mainland China authorities announce the expiry date of the exemption, the Sub-Fund may in future need to make provision to reflect taxes payable, which may have a substantial negative impact on the Net Asset Value of the Sub-Fund.

It should be noted that there is a possibility of the Mainland China tax rules and practices being changed.

#### *Mainland China Value-added Tax ("VAT") and other surtaxes*

With the Caishui [2016] No. 36 ("Notice No. 36") which came into effect on 1 May 2016, gains derived from the trading of Mainland China marketable securities are subject to VAT starting from 1 May 2016.

According to Notice No. 36 and Caishui [2016] No. 70 ("Notice No. 70"), gains derived by QFIs from the trading of onshore Mainland China Securities (including A-Shares) are exempt from VAT since 1 May 2016. Based on Notice No. 36 and Notice No. 127, the gains derived by Hong Kong market investors (including the Sub-Fund) from trading of A-Shares through the Shanghai-Hong Kong Stock Connect are exempt from VAT since 1 May 2016 and the gains derived from transfer of A-Shares through the Shenzhen-Hong Kong Stock Connect are exempt from VAT since 5 December 2016.

Dividend income or profit distributions on equity investment derived from Mainland China are not

included in the taxable scope of VAT.

If VAT is applicable, there are also other surtaxes (which include Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) that would amount to as high as 12% of VAT payable. In addition, there may also be other local levies such as flood prevention fee, commodity reconciliation fund and water conservancy fund, depending on the locations of the Mainland China companies.

#### *Stamp duty*

Stamp duty under Mainland China laws generally applies to the execution and receipt of all taxable documents listed in the PRC's Provisional Rules on Stamp Duty. Stamp duty is levied on the execution or receipt in Mainland China of certain documents, including contracts for the sale of China A- and B-shares traded on the Mainland China stock exchanges. In the case of contracts for sale of China A- and B-shares, such stamp duty is currently imposed on the seller but not on the purchaser, at the rate of 0.1% on the sales consideration. The Sub-Fund will be subject to this tax on each disposal of A-Shares.

According to Notice No. 127, the borrowing and return of shares in relation to shares guarantee and short-selling by Hong Kong market investors through Stock Connect are exempt from stamp duty since 5 December 2016.

#### *General*

It should be noted that the actual applicable tax imposed by Mainland China tax authorities may be different and may change from time to time. There is a possibility of the rules and practices being changed and taxes being applied retrospectively. As such, any provision for taxation made by the Manager may be excessive or inadequate to meet final Mainland China tax liabilities. Consequently, Unitholders may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units.

The Manager reserves the right to make tax provision for any tax liabilities arising from the income derived from the Sub-Fund's investments in Mainland China. If the actual applicable tax levied by Mainland China tax authorities is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may suffer more than the tax provision amount as the Sub-Fund will ultimately have to bear the additional tax liabilities. In this case, the then existing and new Unitholders will be disadvantaged. On the other hand, if the actual applicable tax levied by Mainland China tax authorities is lower than that provided for by the Manager so that there is an excess in the tax provision amount, Unitholders who have redeemed their Units before Mainland China tax authorities' ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager's overprovision. In this case, the then existing and new Unitholders may benefit if the difference between the tax provision and the actual taxation liability under that lower tax rate can be returned to the account of the Sub-Fund as assets thereof. Notwithstanding the above provisions, Unitholders who have already redeemed their Units in the Sub-Fund before the return of any overprovision to the account of the Sub-Fund will not be entitled or have any right to claim any part of such overprovision.

Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund.

It is possible that the current tax laws, regulations and practice in Mainland China will change, including the possibility of taxes being applied retrospectively, and that such changes may result in higher taxation on Mainland China investments than currently contemplated.

#### **The Offering Phases**

The Initial Offer Period has ended. Dealings in the Units on the SEHK commenced on 5 December 2018.

The current Dealing Deadline after Listing is 12:00 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 investors may buy and sell Units in the secondary market on the SEHK and Participating Dealers (for themselves or for their clients) may apply for cash (RMB) creation and redemption of Units in the primary market.

All Creation Applications shall be in RMB only, notwithstanding a Multi-Counter arrangement being adopted for the Sub-Fund. Settlement in cash for subscribing Units is due at the time specified in the Operating Guidelines on or before the relevant Dealing Day in accordance with the Operating Guidelines.

The attention of investors is drawn to the section entitled “The Offering Phases of the Listed Class Units” in Part 1 of this Prospectus.

### **Are there any special RMB payment or account procedures?**

Investors may, unless otherwise agreed by the relevant Participating Dealer, apply for Units through Participating Dealers only if they have sufficient RMB to pay the application monies and the related fees. Investors should note that RMB is the only official currency of Mainland China. While both onshore RMB (“CNY”) and offshore RMB (“CNH”) are the same currency, they are traded in different and separated markets. Since the two RMB markets operate independently where the flow between them is highly restricted, CNY and CNH are traded at different rates and their movement may not be in the same direction. Although there is a significant amount of RMB held offshore (i.e. outside Mainland China), CNH cannot be freely remitted into Mainland China and is subject to certain restrictions, and vice versa. As such whilst CNH and CNY are both the same currency, certain special restrictions do apply to RMB outside Mainland China. The liquidity and trading price of the Sub-Fund may be adversely affected by the limited availability of, and restrictions applicable to, RMB outside Mainland China.

Application monies from Participating Dealers to the Sub-Fund will be paid in RMB only. Accordingly a Participating Dealer may require you (as its client) to pay RMB to it. Payment details will be set out in the relevant Participating Dealer’s documentation such as the application form for its clients. As such, you may need to have opened a bank account (for settlement) and a securities dealing account if a Participating Dealer is to subscribe for Units on your behalf as you will need to have accumulated sufficient RMB to pay at least the aggregate Issue Price and related costs, to the Participating Dealer or if an application to the Participating Dealer is not successful or is successful only in part, the whole or appropriate portion of the monies paid will need to be returned to you by the Participating Dealer by crediting such amount into your RMB bank account. Similarly, if you wish to buy and sell Units in the secondary market on the SEHK, you may need to open a securities dealing account with your broker. You will need to check with the relevant Participating Dealer and/or your broker for payment details and account procedures.

If any investors wish to buy or sell Units on the secondary market, they should contact their brokers and they are reminded to confirm with their brokers in respect of Units traded in RMB their brokers’ readiness for dealing and/or clearing transactions in RMB securities and to check other relevant information published by the SEHK regarding readiness of its participants for dealing in RMB securities from time to time. CCASS Investor Participants who wish to settle the payment in relation to their trades in the Units traded in RMB using their CCASS Investor Participant account or to receive distributions in RMB should make sure that they have set up an RMB designated bank account with CCASS.

Investors intending to purchase Units traded in RMB from the secondary market should consult their stockbrokers as to the RMB funding requirement and settlement method for such purchase. Investors may need to open and maintain securities dealing accounts with the stockbroker first before any dealing in Units traded in either HKD or RMB can be effected.

Investors should ensure they have sufficient RMB to settle trades of Units traded in RMB. Investors should consult the banks for the account opening procedures as well as terms and conditions of the RMB bank account. Some banks may impose restrictions on their RMB cheque account and fund transfers to third party accounts. For non-bank financial institutions (e.g. brokers), however, such restriction may not be applicable and investors should consult their brokers as to the currency exchange service arrangement if required.

The transaction costs of dealings in the Units on the SEHK include the SEHK trading fee, SFC transaction levy, and FRC transaction levy. All these secondary trading related fees and charges will be collected in Hong Kong dollars and, in respect of Units traded in RMB, calculated based on an exchange rate as determined by the Hong Kong Monetary Authority on the date of the trade which will be published on HKEX's website by 11:00 a.m. or earlier on each trading day.

Investors should consult their own brokers or custodians as to how and in what currency the trading related fees and charges and brokerage commission should be paid by the investors.

Where payment in RMB is to be made by cheque investors are advised to consult the bank at which their respective RMB bank accounts are opened in advance whether there are any specific requirements in relation to the issue of RMB cheques. In particular, investors should note that some banks have imposed an internal limits (usually RMB80,000) on the balance of RMB cheque account of their clients or the amount of cheques that their clients can issue in a day and such limit may affect an investor's arrangement of funding for an application (through a Participating Dealer) for the creation of Units.

When an individual investor opens an RMB bank account or settle RMB payments, he or she will be subject to a number of restrictions, including the daily maximum remittance amount to Mainland China of RMB80,000 and a remittance service is only available to an RMB deposit account-holder who remits from his or her RMB deposit account to Mainland China and provided that the account name of the account in Mainland China is identical with that of the RMB bank account with the bank in Hong Kong.

Please also refer to the section entitled "Risks associated with RMB currency" in Part 1 of this Prospectus for further details.

### **Renminbi Equity Trading Support Facility**

The Renminbi Equity Trading Support Facility (the "TSF") was launched on 24 October 2011 by HKEX to provide a facility to enable investors who wish to buy RMB-traded shares (RMB shares) in the secondary market with Hong Kong dollars if they do not have sufficient RMB or have difficulty in obtaining RMB from other channels. With effect from 6 August 2012, the coverage of TSF was extended and the Sub-Fund is eligible for the TSF. As such the TSF is currently available to investors who wish to invest in the Sub-Fund by purchasing Units trading in RMB on the SEHK.

Investors should consult their financial advisers if they have any questions concerning the TSF. More information with regard to the TSF is available on HKEX's website [http://www.hkex.com.hk/eng/market/sec\\_tradinfo/tsffx/tsffx.asp](http://www.hkex.com.hk/eng/market/sec_tradinfo/tsffx/tsffx.asp) (this website has not been reviewed by the SFC).

### **Multi-Counter**

The Manager has arranged for the Units of the Sub-Fund to be available for trading on the secondary market on the SEHK under a Multi-Counter arrangement. Units are denominated in RMB. The Sub-Fund offers 2 trading counters on the SEHK (i.e. HKD counter and RMB counter) to investors for secondary trading purposes. Units traded in HKD counter will be settled in HKD and Units traded in RMB counter will be settled in RMB. Apart from settlement in different currencies, the trading prices of Units in the counters may be different as the different counters are distinct and separate markets.

Units traded on each counter are of the same class and all Unitholders of all counters are treated equally. The counters will have different stock codes, different stock short names and different ISIN numbers and set out in the section “Key Information” above.

Normally, investors can buy and sell Units traded in the same counter or alternatively buy in one counter and sell in another counter provided their brokers provide HKD and RMB trading services at the same time and offer inter-counter transfer services to support Multi-Counter trading. Inter-counter buy and sell is permissible even if the trades take place within the same trading day. However, investors should note that the trading price of Units traded in each counter may be different and may not always maintain a close relationship depending on factors such as market demand and supply and liquidity in each counter.

Investors should consult their brokers if they have any questions concerning fees, timing, procedures and the operation of the Multi-Counter, including inter-counter transfers. Investors’ attention is also drawn to the risk factor in Part 1 of the Prospectus entitled “Risks Associated with Multi-Counter”.

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

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) of the Listed Class Units” in Part 1 of this Prospectus for further information.

Units have been accepted as eligible securities by HKSCC for deposit, clearing and settlement in the CCASS. Dealings on the SEHK in Units began on 5 December 2018. Units trade on the SEHK in board lots of 500 Units.

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). Any accepted Redemption Application will be effected by the payment of cash in accordance with the Operating Guidelines and the Trust Deed. Redemption proceeds paid in cash shall be in RMB only, notwithstanding a Multi-Counter arrangement being adopted for the Sub-Fund.

### **Distribution Policy**

Subject to the Manager’s discretion, the Manager intends to declare and distribute net dividends to Unitholders at least annually (in December each year). The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in RMB only. Distributions may be made out of capital as well as income at the Manager’s discretion. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. The Manager may amend the policy with respect to distribution out of capital or effectively out of capital subject to the SFC’s prior approval and by giving not less than one month’s prior notice to investors.

Each Unitholder will receive distributions in RMB only. Unitholders without RMB accounts may have to bear the fees and charges associated with the conversion of such dividend from RMB into any other currency. Unitholders are advised to check with their brokers regarding arrangements for

distributions.

Distribution payment rates in respect of Units will depend on factors beyond the control of the Manager or Trustee including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions.

Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment out of or effectively out of the Sub-Fund's capital may result in an immediate reduction in the Net Asset Value per Unit.

The composition of distributions payable on Units (i.e. the relative amounts of distributions paid and the percentages of dividends out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the website <https://cicchkam.com> (this website has not been reviewed by the SFC). The Manager may amend the Sub-Fund's distribution policy with respect to the distributions out of capital or effectively out of capital of the Sub-Fund subject to the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

## **Fees and Expenses**

### *Management fee*

The Manager is entitled to receive out of the assets of the Sub-Fund a management fee of up to 3% per year of the Net Asset Value of the Sub-Fund. The current management fee is 0.68% per year of the Net Asset Value of the Sub-Fund and is accrued daily and calculated as at each Dealing Day and payable monthly in arrears.

### *Trustee's fee*

The Trustee is entitled to receive out of the Sub-Fund a trustee's fee of up to 1% per year of the Net Asset Value of the Sub-Fund. The current fee payable to the Trustee is calculated as a percentage per annum of the Net Asset Value of the Sub-Fund at a rate of up to 0.08% per annum of the Net Asset Value (subject to a minimum of RMB28,465 per month), each accrued daily and calculated as at each Dealing Day and payable monthly in arrears.

The fees payable to the Registrar and the Mainland Custodian are included in the fees payable to the Trustee.

The Trustee's fee may be increased by agreement with the Manager up to the maximum on giving one month's notice to Unitholders.

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

## **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 of 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*

The Index of the Sub-Fund is the CSI CICC Select 100 Index. The Index is a free float market capitalisation weighted index which is designed to select 100 A-Shares companies with high and stable return on equity, high dividend yields and high earnings growth rates amongst a stock pool which is comprised of the A-Shares companies with higher size, liquidity and operating revenue in each Industry Group according to CSI Industry Classification Standard. Details of the CSI Industry Classification Standard are available at <http://www.csindex.com.cn/en/downloads/other?show=3> (this website has not been reviewed by the SFC).

The Index is a total return index. A total return index calculates the performance of the index constituents on the basis that any dividends or distributions are reinvested.

As at 31 March 2022, the Index had a market capitalisation of RMB3.1 trillion and 100 constituents.

CSI publishes the real time Index level via its website at [www.csindex.com.cn](http://www.csindex.com.cn) (this website has not been reviewed by the SFC).

The Index methodology and the latest information and news about the Index will be available on the website of the Index Provider [www.csindex.com.cn](http://www.csindex.com.cn) (this website has not been reviewed by the SFC).

## *Eligible Securities*

The selection universe of the Index (the “Index Universe”) includes all the A-Shares (each a “Stock”) listed on the SSE or the SZSE satisfying the following conditions:

- (a) The Stock has been listed for more than 500 trading days at the time it is considered for inclusion in the Index.
- (b) The Stock is not designated for special treatment or potential delisting by any of the CSRC, the SSE or the SZSE as a result of continuous financial losses; and
- (c) The Stock is not suspended from listing.

## *Constituent Selection*

The following steps are applied to select the Index constituents:

Step 1: Exclude the stocks with negative equity. Then rank the stocks in each Industry Group according to CSI Industry Classification Standard by operating revenue (trailing 12 months), average daily float A-share market capitalization in the past year and average daily trading value in the past year in descending order respectively. Sum up these rankings into an overall ranking and delete the bottom 70% stocks within each Industry Group.

Step 2: Calculate net profit (trailing 12 months) and average equity at the end of each financial reporting period over the past 5 years, and then divide the net profit by the equity so as to get the return on equity (“ROE”) sequence over the past 5 years of each stock.

Step 3: Calculate the ROE Mean-Standard Deviation Factor by the mean minus the standard deviation of each ROE sequence. Then rank the factor in descending order and delete the bottom 50% stocks.

Step 4: Rank the remaining stocks by average dividend yield in the last 5 years and growth rate of net profit (trailing 12 months) in descending order respectively. Sum up the two rankings into an



overall ranking and select the top 100 stocks as constituents of the Index.

#### *Index Calculation*

The Index is calculated according to the following formula:

Current Index = Current Total Adjusted Market-Cap / Divisor × Base Level

Where Current Total Adjusted Market-Cap =  $\sum(\text{Stock Price} \times \text{Number of Free Float Adjusted Shares} \times \text{Weight Factor})$  and

- The number of free float adjusted shares of a stock are calculated in accordance with the CSI Index Calculation and Maintenance Methodology.
- The value of Weight Factor is between 0 and 1 and is calculated at each rebalancing so that the weight of each constituent will be less than 5%.

#### *Index Constituents*

The Index was launched on 14 February 2018 and had a base point of 1,000 on 31 December 2008.

You can obtain the most updated list of the constituents of the Index, their respective weightings and additional information of the Index from the website of CSI at [www.csindex.com.cn](http://www.csindex.com.cn) (this website has not been reviewed by the SFC).

#### *Index Provider Disclaimer*

All rights in the CSI CICC Select 100 Index (the “Index”) vest in China Securities Index Company (“CSI”). CSI does not make any warranties, express or implied, regarding the accuracy or completeness of any data related to the Index. CSI is not liable to any person for any error of the Index (whether due to negligence or otherwise), nor shall it be under any obligation to advise any person of any error therein. The Sub-Fund is in no way sponsored, endorsed, sold or promoted by CSI and CSI shall not have any liability with respect thereto.

#### *Index Licence Agreement*

The initial term of the licence of the Index commenced on 31 October 2018 and should continue until 31 October 2021 on which date the licence should be renewed for successive terms of 2 years unless either party to the licence agreement serves a written notice of termination of at least 1 month 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.

## APPENDIX 2: CICC Bloomberg China Treasury 1-10 Years ETF

### Key Information

*Set out below is a summary of key information in respect of this Sub-Fund which should be read together with the full text of this Appendix and this Prospectus.*

<b>Index</b>	Bloomberg China Treasury 1-10 Years Index
<b>Type of Index</b>	Total return
<b>Initial Issue Date</b>	11 December 2018 (the Business Day immediately before the Listing Date)
<b>Listing Date (SEHK)</b>	12 December 2018
<b>Issue Price during the Initial Offer Period</b>	RMB100
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	03079 – HKD counter 83079 – RMB counter
<b>Stock Short Name</b>	CICC CGB – HKD counter CICC CGB-R – RMB counter
<b>ISIN Numbers</b>	HK0000458288 – HKD counter HK0000458296 – RMB counter
<b>Trading Board Lot Size</b>	20 Units
<b>Base Currency</b>	Renminbi (RMB)
<b>Trading Currency</b>	Renminbi (RMB) Hong Kong dollars (HKD)
<b>Distribution Policy</b>	Subject to the Manager’s discretion, the Manager intends to pay distributions to Unitholders at least annually (in December each year). <b>All units will receive distributions in the base currency (RMB) only</b> <sup>14</sup> . Distributions may be made out of capital or effectively out of capital as well as income at the Manager’s discretion.
<b>Creation/Redemption Policy</b>	Cash (RMB)
<b>Application Unit Size (only by or through Participating</b>	Minimum 50,000 Units (or multiples thereof)

<sup>14</sup> Unitholders without RMB accounts may have to bear the fees and charges associated with the conversion of such dividend from RMB into any other currency. Unitholders are advised to check with their brokers regarding arrangements for distributions.

<b>Dealers)</b>	
<b>Dealing Deadline</b>	12:00 p.m. (Hong Kong time) on the relevant Dealing Day
<b>Management Fee</b>	Currently 0.20% per year of the Net Asset Value
<b>Investment Strategy</b>	Representative sampling. Please refer to the section on “What is the investment strategy?” below
<b>Financial Year End</b>	31 December
<b>Listing Agent</b>	China International Capital Corporation Hong Kong Securities Limited
<b>Market Maker(s) (HKD and RMB counters)</b>	Flow Traders Hong Kong Limited
<b>Participating Dealers</b>	BOCOM International Securities Limited China International Capital Corporation Hong Kong Securities Limited China Merchants Securities (HK) Co., Limited GF Securities (Hong Kong) Brokerage Limited Haitong International Securities Company Limited KGI Asia Limited Merrill Lynch Far East Limited Mirae Asset Securities (HK) Limited Zhongtai International Securities Limited
<b>Service Agent</b>	HK Conversion Agency Services Limited
<b>Website</b>	<a href="https://cicchkam.com">https://cicchkam.com</a> (this website has not been reviewed by the SFC)

### What is the Investment Objective?

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index. There can be no assurance that the Sub-Fund will achieve its investment objective.

### What is the Investment Strategy?

In seeking to achieve the Sub-Fund’s investment objective, the Manager will use a representative sampling strategy by investing in a representative sample of RMB denominated and settled fixed-rate bonds issued by the MOF (“Treasury Bonds”) in the Index that collectively reflects the investment characteristics of the Index. The Sub-Fund may or may not hold all of the Treasury Bonds that are included in the Index, and may hold Treasury Bonds which are not included in the Index, provided that these bonds collectively feature a high correlation with the Index. Up to 100% of the Sub-Fund’s Net Asset Value will be invested in Treasury Bonds. Not more than 30% of the Net Asset Value may be invested in Government and Other Public Securities of the same issue; and the Sub-Fund may invest all of its assets in Government and Other Public Securities in at least 6 different issues.

The Sub-Fund will gain direct exposure to Treasury Bonds by investing up to 100% of the Net Asset Value in the China inter-bank bond market under mutual bond market access between Hong Kong and Mainland China (“Bond Connect”) and the regime allowing foreign institutional investors to invest in the China inter-bank bond market (“Foreign Access Regime”). However, the Manager may, in exceptional circumstances, invest in bonds distributed outside of Mainland China and settled in offshore RMB (CNH), provided that the portfolio closely reflects the overall characteristics of the Index. The Sub-Fund may also utilise other means as may be permitted by the relevant regulations from time to time.

As the Index comprises only Treasury Bonds, there is no credit rating requirement for inclusion in the Index. The current credit rating of the PRC government as the issuer of Treasury Bonds is A+ by Standard & Poor’s and A1 by Moody’s.

The Sub-Fund may also invest in cash or cash equivalents (including money market funds) for cash management purposes. Investments in cash or cash equivalents are not anticipated to exceed 5% of the Net Asset Value.

Currently, the Manager has no intention to (i) invest the Sub-Fund in any financial derivative instruments (including structured products or instruments) for hedging or non-hedging (i.e. investment) purposes, (ii) invest in urban investment bonds (城投債), (iii) invest in structured products or instruments, structured deposits, asset backed securities, asset backed commercial papers and mortgage backed securities, or (iv) enter into securities lending transactions, repurchase or reverse repurchase transactions and 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 before the Sub-Fund engages in any such investments.

The Manager may also in its discretion utilise a full replication strategy through investing directly in Securities included in the Index in substantially the same weightings in which they are included in the Index.

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

#### *Use of derivatives*

The Sub-Fund will not use derivatives for any purposes.

#### **What are the Index’s Characteristics?**

The Bloomberg China Treasury 1-10 Years Index tracks the performance of RMB-denominated fixed rate Treasury securities that are listed on the China inter-bank bond market. The Index aims to reflect the performance of the fixed rate RMB denominated treasury bonds with a remaining maturity between 1 year and up to, but not including, 10 years and a par value of at least RMB 5 billion outstanding. The Index is a sub-index of the Bloomberg China Aggregate Index, covering specifically the Treasury Bonds.

The Index is a total return index, which includes the return from interest accrual/payments (coupon return), security price movements (price return) and scheduled and unscheduled payments of principal payments of principal (paydown return). The methodology used to weigh security-level returns within the Index is market value weighting, where the weight of each index-eligible security is calculated at the beginning of each monthly reporting period based on its price, accrued interest and par amount outstanding. The Index is denominated and quoted in RMB.

The Index is compiled and published by Bloomberg Index Services Limited (“Bloomberg” or the “Index Provider”). The Manager and its Connected Persons are independent of the Index Provider.

## The Mainland China Bond Market

The Mainland China bond market consists of three markets: (i) the interbank bond market regulated by the PBOC and functions as a wholesale market for institutional investors; (ii) the exchange bond market regulated by the CSRC and targets non-bank institutions and individual investors; and (iii) the bank over-the-counter market regulated by the PBOC and targets non-financial institutions and individual investors. However, the current size and trading volume of the bank over-the-counter market is much smaller than the interbank bond market and the exchange bond market.

With its dominant market position, the interbank bond market accounts for more than 90% of the total bonds outstanding as at the end of December 2016. At the same time, the interbank bond market had a diversified investor base of which most have direct access to the centralised trading system, which covers all types of financial institutions such as commercial banks, securities firms, fund houses, insurance companies and various kinds of investment products like mutual funds and pension funds. The remaining which include small financial institutions, non-financial enterprises and foreign entities as well, gain access to the market through settlement agencies.

The CCDCC acts as the central custodian of all marketable RMB bonds. For the exchange bond market, it adopts a two-level custody system, with the CCDCC acting as the primary custodian and the CSDCC acting as the secondary custodian.

The main features of the different Mainland China bond markets are set out in the table below.

	<b>Inter-bank bond market</b>	<b>Exchange-traded bond market</b>
Market size	Approximately RMB52 trillion outstanding, as of end of 2016	Approximately RMB4.4 trillion, as of end of 2016
Major types of products traded	China government bonds, local government bonds, central bank bills, financial bonds, enterprise bonds, short-term financing bills, medium term notes, asset backed securities, panda bonds (i.e. RMB-denominated bonds issued by international financial institutions within the boundaries of Mainland China)	China government bonds, local government bonds, enterprise bonds, corporate bonds, financial bonds, convertible bonds, asset back securities
Key market participants	Institutional investors (such as commercial banks, securities firms, funds and trust investment companies), QFIs	Individuals and non-bank institutions (such as insurance companies and funds), QFIs
Trading and settlement mechanism	Trading mechanism: a quote-driven OTC market between institutional investors	Trading an electronic automatic matching system where Securities are traded on the SSE or SZSE

	Settlement mechanism: primarily delivery versus payment (DVP), on either a T+0 or T+1 settlement cycle	Settlement mechanism: clearing and settlement are through the CSDCC on T+1 settlement cycle
Regulator	PBOC	CSRC
Counterparty with whom investors will trade	The trading counterparty (i.e. the other market participants)	CSDCC, which acts as the central counterparty to all Securities transactions on the SSE and the SZSE
Central clearing	CCDCC; short-term financing bills issued on or after 1 September 2011 are cleared through the Shanghai Clearing House (上海清算所)	CSDCC
Liquidity	High	Medium to low
Associated risks	Interest rate risk, credit risk, counterparty risk	Interest rate risk, credit risk, liquidity risk
Minimum rating requirements	No requirement However, market participants typically require a rating of at least “BBB” given by a local credit rating agency.	No requirement However, if upon listing a corporate bond or enterprise bond does not have a credit rating of at least “AA” given by a local credit rating agency, then such bond can only be traded on the fixed income electronic platform of the relevant exchange (固定收益證券綜合電子平臺), which is open only to institutional investors. Bonds that do not satisfy this minimum requirement cannot be traded via the quote-driven platform (競價交易系統), which is open to all investors, including retail investors.
Types of debt instruments commonly seen	Government bonds, Treasury Bonds: issued by the MOF	Government bonds, Treasury Bonds: issued by the MOF Enterprise bonds: issued by

and the issuers	<p>Central bank bills: issued by PBOC</p> <p>Policy bank bonds: issued by policy banks (China Development Bank, Agricultural Development Bank of China and Export-Import Bank of China), commercial banks and other financial institutions</p> <p>Enterprise bonds: issued by government-related, state-owned or state-held entities</p>	<p>government-related, state-owned or state-held entities</p> <p>Corporate bonds: issued by listed companies</p> <p>Convertible bonds: issued by listed companies</p>
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The major types of bonds available in the China inter-bank bond market can be grouped into 6 broad categories: (i) Central bank bills issued by the PBOC; (ii) Treasury Bonds issued by the MOF; (iii) Policy bank bonds issued by policy banks, including China Development Bank, Export-Import Bank of China and Agricultural Development Bank of China; (iv) Financial bonds, including commercial bank bonds and non-bank financial institution bonds; (v) Non-financial credit bonds issued by non-financial institution corporates, including enterprise bonds, commercial papers (“CP”), medium-term notes (“MTN”) and corporate bonds; (vi) other types of bonds or instruments such as local government bonds issued by provincial or city governments, foreign bonds issued by foreign entities, asset backed securities and mortgage backed securities, etc.

The PRC central government (through the MOF) issues Chinese government bonds, called “Treasury Bonds” in the Mainland China bonds markets. It is generally considered by market participants that Treasury Bonds have a solid financial foundation and therefore they have received the widest market acceptance. The outstanding amount of Treasury Bonds in the interbank bond market is over RMB10,000 billion, comprising approximate 25% of the whole market. It offers the most diverse tenors and the best liquidity in secondary market amongst all types of bonds.

Besides Treasury Bonds, the central government also allows local provinces and cities to issue bonds, so called “local government bonds”. The local government needs to seek permission from the central government before issuing such bonds, and the MOF acts as the proxy agent on local government debt issuance and interest and principal payment. This mechanism aims to afford better protection for investors on the financial transparency.

On the other hand, local governments may set up corporate vehicles (local government financing vehicles) to issue bonds, to avoid the budget control regulations imposed by the central government. The bonds issued by local government financing vehicles are called urban investment bonds (城投債), which are a type of credit bonds.

#### *Investment in the China Inter-bank Bond Market via Northbound Trading Link under Bond Connect*

Bond Connect is an initiative launched in July 2017 for mutual bond market access between Hong Kong and Mainland China (“Bond Connect”) established by China Foreign Exchange Trade System & National Interbank Funding Centre (“CFETS”), CCDCC, SHCH, and Hong Kong Exchanges and Clearing Limited and Central Moneymarkets Unit.

Bond Connect is governed by rules and regulations as promulgated by the Mainland China authorities. Such rules and regulations may be amended from time to time and include (but are not limited to):

- the “Interim Measures for the Administration of Mutual Bond Market Access between Mainland

China and Hong Kong (Decree No.1 [2017])” (內地與香港債券市場互聯互通合作管理暫行辦法(中國人民銀行令[2017]第1號)) issued by the PBOC on 21 June 2017;

- the “Guide on Registration of Overseas Investors for Northbound Trading in Bond Connect” (中國人民銀行上海總部“債券通”北向通境外投資者准入備案業務指引) issued by the Shanghai Head Office of PBOC on 22 June 2017; and
- any other applicable regulations promulgated by the relevant authorities.

Under the prevailing regulations in Mainland China, eligible foreign investors will be allowed to invest in the bonds circulated in the China inter-bank bond market through the northbound trading of Bond Connect (“Northbound Trading Link”). There will be no investment quota for Northbound Trading Link.

Under the Northbound Trading Link, eligible foreign investors are required to appoint the CFETS or other institutions recognised by the PBOC as registration agents to apply for registration with the PBOC.

Pursuant to the prevailing regulations in Mainland China, an offshore custody agent recognised by the Hong Kong Monetary Authority (currently, the Central Moneymarkets Unit) shall open omnibus nominee accounts with the onshore custody agent recognised by the PBOC (currently, the CCDCC and SHCH). All bonds traded by eligible foreign investors will be registered in the name of Central Moneymarkets Unit, which will hold such bonds as a nominee owner.

#### *Investment in the China Inter-bank Bond Market via Foreign Access Regime*

Pursuant to the “Announcement (2016) No 3” issued by the PBOC (中國人民銀行公告 [2016] 第3號) on 24 February 2016, foreign institutional investors can invest in the China inter-bank bond market (“Foreign Access Regime”) subject to other rules and regulations as promulgated by the Mainland Chinese authorities, i.e., PBOC and the SAFE. Such rules and regulations may be amended from time to time and include (but are not limited to):

- the “Implementation Rules for Filing by Foreign Institutional Investors for Investment in Interbank Bond Markets” (境外機構投資者投資銀行間債券市場備案管理實施細則) issued by the Shanghai Head Office of PBOC on 27 May 2016;
- the “Circular concerning the Foreign Institutional Investors’ Investment in Interbank bond market in relation to foreign currency control” (國家外匯管理局關於境外機構投資者投資銀行間債券市場有關外匯管理問題的通知) issued by SAFE on 27 May 2016; and
- any other applicable regulations promulgated by the relevant authorities.

Under the prevailing regulations in Mainland China, foreign institutional investors who wish to invest directly in the China inter-bank bond market may do so via an onshore settlement agent, who will be responsible for making the relevant filings and account opening with the relevant authorities. There is no quota limitation. The onshore settlement agent may provide foreign institutional investors with services including inter-bank bond market investment filing, opening of accounts, trading and settlement of bonds, handling of matters relating to payment of interest, custody and processing of financial statements.

Under the prevailing regulations in Mainland China, the following types of accounts will need to be opened for the Sub-Fund to utilise the Foreign Access Regime:

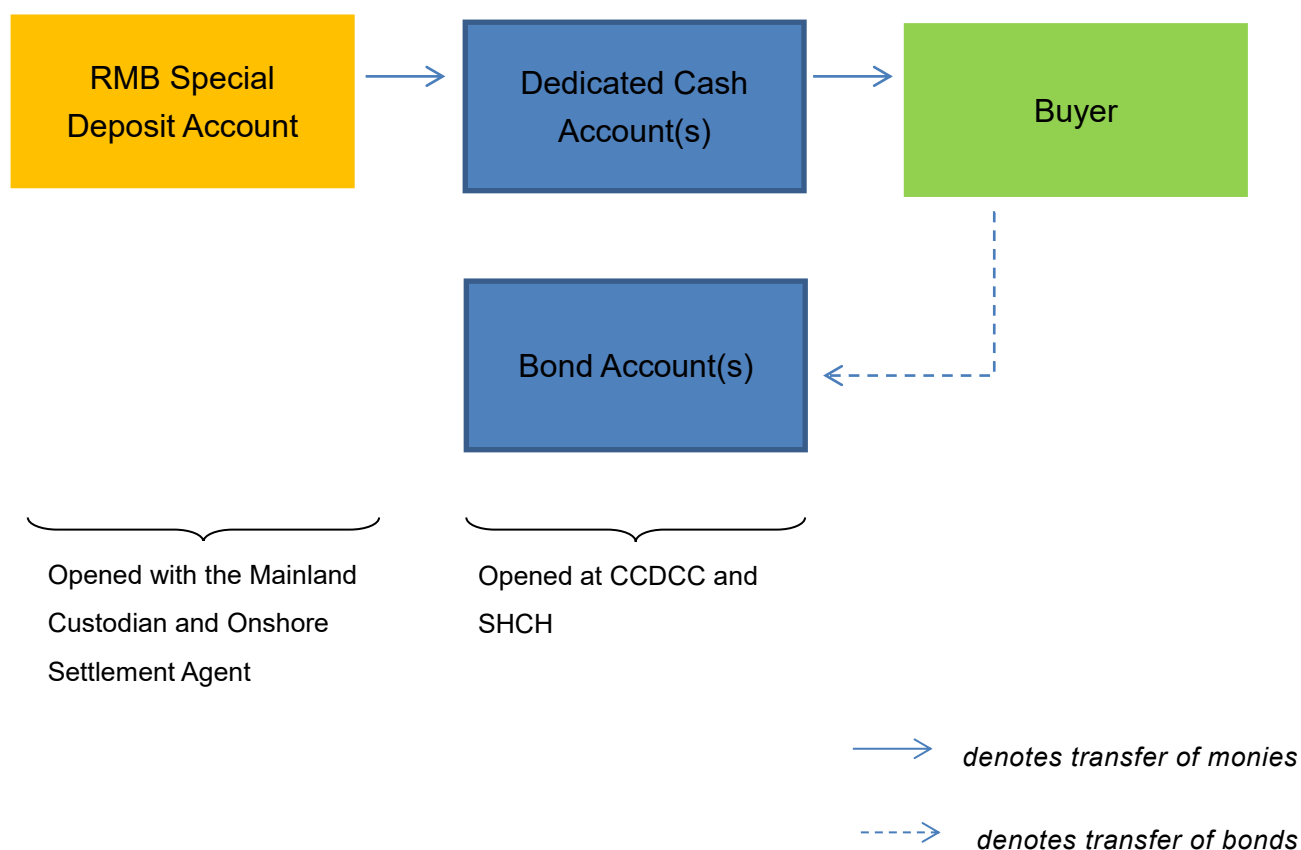
- Bond Account(s), opened at CCDCC and SHCH, for the purpose of registration of bonds held by the Sub-Fund under Foreign Access Regime;
- Dedicated Cash Account(s), opened at CCDCC and SHCH, for handling delivery-versus-payment monies settlements for bond transactions by the Sub-Fund under Foreign Access Regime; and



- RMB Special Deposit Account, opened with the Mainland Custodian and Onshore Settlement Agent, for the sole purpose of monies settlement for bond transactions by the Sub-Fund under Foreign Access Regime, which will be the account to receive investment principal denominated in RMB, to pay monies into and receive monies from the Dedicated Cash Account(s), etc.

In terms of fund remittance, foreign investors (such as the Sub-Fund) may remit investment principal in RMB or foreign currency into Mainland China for investing in the China inter-bank bond market. An investor will need to remit investment principal matching at least 50% of its anticipated investment size within nine months after the completion of the filing with the Shanghai Head Office of PBOC, or else an updated filing will need to be made through the onshore settlement agent. For repatriation, where the Sub-Fund repatriates funds out of Mainland China, the ratio of RMB to foreign currency (“Currency Ratio”) should generally match the original Currency Ratio when the investment principal was remitted into Mainland China, with a maximum permissible deviation of 10%.

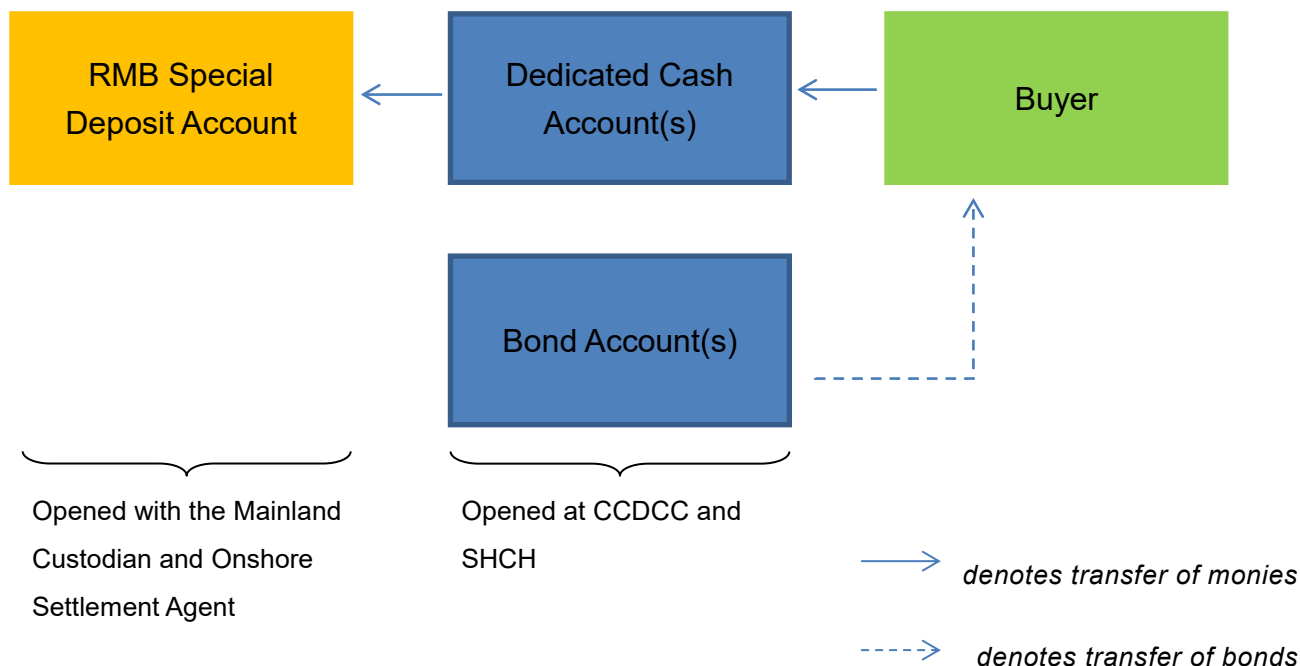
For a purchase of bonds using the Foreign Access Regime, investment principal in RMB will be remitted directly in the RMB Special Deposit Account opened with the Mainland Custodian and Onshore Settlement Agent. Upon the Manager’s instructions for a trade, the Mainland Custodian and Onshore Settlement Agent will transfer monies to the relevant Dedicated Cash Account. Provided that there are enough monies in the relevant Dedicated Cash Account to settle a trade, CCDCC or SHCH (as the case may be) will directly debit the relevant Dedicated Cash Account, and the bonds will be concurrently transferred into the relevant Bond Account. This is illustrated in the diagram below:



For a sale of bonds using the Foreign Access Regime, upon a sale order by the Manager, provided that there are enough bonds in the relevant Bond Account, CCDCC and/or SHCH will directly credit

the relevant Dedicated Cash Account, and the bonds will be concurrently transferred out of the relevant Bond Account.

The Mainland Custodian and Onshore Settlement Agent may transfer monies from the Dedicated Cash Account(s) to the RMB Special Deposit Account during the day. Monies not transferred out of the Dedicated Cash Account(s) by the Mainland Custodian and Onshore Settlement Agent will be automatically transferred to the RMB Special Deposit Account at the end of the day, as the Dedicated Cash Account(s) must maintain a balance of zero at the end of each day according to the relevant regulations.



## Legal Opinion

The Manager has obtained a legal opinion confirming that, as a matter of Mainland China law, on the basis of the published and publicly available laws and regulations of Mainland China effective as of the date of the legal opinion:

- (a) bond accounts and dedicated cash accounts for bond settlements opened with CCDCC and SHCH (respectively, “Bond Account(s)” and “Dedicated Cash Account(s)”) and RMB special deposit account opened with the Mainland Custodian and Onshore Settlement Agent (the “RMB Special Deposit Account”) have been opened in the joint names of the Manager and the Sub-Fund for the sole benefit and use of the Sub-Fund in accordance with all applicable laws, rules and regulations of Mainland China, based on the approval of, or completion of relevant procedures with, all competent authorities in Mainland China;
- (b) the assets held/credited in the Bond Account(s) and Dedicated Cash Account(s) (i) belong solely to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager and the Mainland Custodian and Onshore Settlement Agent, and from the assets of other clients of the Manager and the Mainland Custodian and Onshore Settlement Agent;
- (c) the assets held/credited in the RMB Special Deposit Account (i) become an unsecured debt owing from the Mainland Custodian and Onshore Settlement Agent to the Sub-Fund, and (ii)

are segregated and independent from the proprietary assets of the Manager and from the assets of other clients of the Manager;

- (d) the Trustee, for and on behalf of the Sub-Fund is the only entity which has a valid claim of ownership over the assets in the Bond Account(s) and Dedicated Cash Account(s) and the debt in the amount deposited in the RMB Special Deposit Account of the Sub-Fund;
- (e) if the Manager is liquidated, the assets contained in the Bond Account(s), Dedicated Cash Account(s) and RMB Special Deposit Account of the Sub-Fund will not form part of the liquidation assets of the Manager; and
- (f) if the Mainland Custodian and Onshore Settlement Agent is liquidated, (i) the assets contained in the Bond Account(s) and Dedicated Cash Account(s) of the Sub-Fund will not form part of the liquidation assets of the Mainland Custodian and Onshore Settlement Agent in liquidation in Mainland China, and (ii) the assets contained in the RMB Special Deposit Account of the Sub-Fund will form part of the liquidation assets of the Mainland Custodian and Onshore Settlement Agent in liquidation in Mainland China and the Sub-Fund will become an unsecured creditor for the amount deposited in the RMB Special Deposit Account.

### **Trustee arrangements**

The Trustee has put in place proper arrangements to ensure that:

- (i) the Trustee takes into its custody or under its control the assets of the Sub-Fund, including Mainland China assets deposited in the Bond Account(s) and cash of the Sub-Fund deposited in the Dedicated Cash Account(s) or RMB Special Deposit Account with or otherwise held by CCDCC, SHCH or the Mainland Custodian and Onshore Settlement Agent, and holds the same in trust for the Unitholders in accordance with the Trust Deed;
- (ii) cash and registrable assets of the Sub-Fund, including assets deposited in the Bond Account(s) and cash of the Sub-Fund deposited in the Dedicated Cash Account(s) or RMB Special Deposit Account with or otherwise held by CCDCC, SHCH or the Mainland Custodian and Onshore Settlement Agent, are registered in the name of or held to the order of the Trustee; and
- (iii) the Mainland Custodian and Onshore Settlement Agent will look to the Trustee for instructions and solely act in accordance with the Trustee's instructions, save as otherwise required under applicable regulations.

### **Risk Factors Specific to the Sub-Fund**

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 to the Sub-Fund.

#### *China Inter-bank Bond Market Risks*

Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the China inter-bank bond market may result in prices of certain debt securities traded on such market fluctuating significantly. The Sub-Fund is therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the Sub-Fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

The Sub-Fund is also exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the Sub-Fund may default

in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

For investments via the Foreign Access Regime and/or Bond Connect, the relevant filings, registration with the PBOC and account opening have to be carried out via an onshore settlement agent, offshore custody agent, registration agent or other third parties (as the case may be). As such, the Sub-Fund is subject to the risks of default or errors on the part of such third parties.

Investing in the China inter-bank bond market via Foreign Access Regime and/or Bond Connect is also subject to regulatory risks. The relevant rules and regulations on these regimes are subject to change which may have potential retrospective effect. In the event that the relevant Mainland Chinese authorities suspend account opening or trading on the China inter-bank bond market, the Sub-Fund's ability to invest in the China inter-bank bond market will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective will be negatively affected.

#### *Bond Connect Risks*

The relevant rules and regulations on Bond Connect are subject to change which may have potential retrospective effect. Where a suspension in the trading through Bond Connect is effected, the Sub-Fund's ability to invest in Treasury Bonds or access the Mainland China market through the programme will be adversely affected. In such event, the Sub-Fund will have to increase its reliance on the Foreign Access Regime, and its ability to achieve its investment objective could be negatively affected.

#### *Market Concentration Risk*

The Sub-Fund is subject to concentration risk as a result of tracking the performance of Treasury Bonds which are debt securities from a single region (i.e. Mainland China). The Sub-Fund will likely be more volatile than a broadly-based fund such as a global or regional bond fund as it is more susceptible to fluctuations in value resulting from adverse conditions in that single region.

#### *Distribution Risk*

Dividend distributions are not guaranteed and are subject to the discretion of the Manager. Therefore, investors may not receive any dividends from the Sub-Fund, notwithstanding that the Sub-Fund may receive dividend distributions from the Treasury Bonds it holds.

Unitholders will receive distributions in the base currency (RMB) only. In the event that a Unitholder has no RMB account, the Unitholder may have to bear the fees and charges associated with the conversion of such distributions from RMB to HKD, and bear bank or financial institution fees and charges associated with the handling of the distribution payment. Unitholders are advised to check with their brokers regarding arrangements for distributions.

#### *Interest Rate Risk*

Because the Sub-Fund invests in fixed-income securities, the Sub-Fund is subject to interest rate risk. Interest rate risk is the risk that the value of the Sub-Fund's portfolio will decline because of rising interest rates. Interest rate risk is generally lower for shorter term fixed income investments and higher for longer term fixed income investments.

As the Sub-Fund invests in Treasury Bonds, the Sub-Fund is additionally subject to policy risk as changes in macro-economic policies in Mainland China (including monetary policy and fiscal policy) may have an influence over Mainland China's capital markets and affect the pricing of the bonds in the Sub-Fund's portfolio, which may in turn adversely affect the return of the Sub-Fund.

### *Liquidity Risk*

Liquidity risk exists when a particular investment is difficult to purchase or sell. If the Sub-Fund invests in illiquid Securities or the current market become illiquid, it may reduce the returns of the Sub-Fund because the Sub-Fund cannot sell the illiquid Securities at an advantageous time or price. The cost of dealing may be high in such illiquid markets. A disruption in the asset allocation in the Sub-Fund is also possible if underlying Securities cannot be purchased or sold. The Sub-Fund is subject to liquidity risk as continued regular trading activity and active secondary market for Treasury Bonds is not guaranteed. The Sub-Fund may suffer losses in trading such instruments. The bid and offer spread of the price of Treasury Bonds may be large, so the Sub-Fund may incur significant trading and realisation costs and may suffer losses accordingly.

### *Credit Risk*

The value of the Sub-Fund is affected by the credit worthiness of its underlying investments. A deterioration of credit quality (e.g. an issuer credit downgrade or credit event leading to widening of credit spread) of an underlying investment will adversely impact the value of such investment.

### *Credit Rating Downgrades Risk*

Credit rating of issuers of fixed income instruments and credit rating of investment grade Securities may be downgraded, thus adversely affecting the value and performance of a Sub-Fund holding such investments.

### *PRC Sovereign Debt Risk*

The Sub-Fund invests in Treasury Bonds which are sovereign debt Securities and such investments involve special risks. The Chinese governmental entity that controls the repayment of sovereign debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. A Chinese governmental entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the Chinese governmental entity's policy towards the International Monetary Fund and the political constraints to which a governmental entity may be subject. Chinese governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearage on their debt. The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a Chinese governmental entity's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the Chinese governmental entity, which may further impair such debtor's ability or willingness to service its debt on a timely basis. Consequently, governmental entities may default on their sovereign debt. Holders of PRC sovereign debt, including the Sub-Fund, may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. As at the date of this Prospectus, there is no bankruptcy proceeding by which sovereign debt on which a Chinese governmental entity has defaulted may be collected in whole or in part. The Sub-Fund's recourse against a defaulting sovereign is limited.

In addition, the current credit rating of the Chinese government is A+ by Standard & Poor's and A1 by Moody's. A lowering of the credit rating of the Chinese government may also affect the liquidity of Treasury Bonds, making it more difficult to sell. In general, debt instruments that have a lower credit rating or that are non-rated will be more susceptible to the credit risk of the issuers. In the event of a credit rating downgrade of the Chinese government, the Sub-Fund's value will be adversely

affected and investors may suffer a substantial loss as a result.

#### *Valuation Risk*

In a thinly traded market, it may be more difficult to achieve fair value when purchasing or selling underlying Securities because of the wide bid-ask spread. The inability to transact at advantageous times or prices may result in a reduction in the Sub-Fund's returns. Further, changing market conditions or other significant events, such as credit rating downgrades affecting issuers or major financial institutions, may also pose valuation risk to the Sub-Fund as the value of the Sub-Fund's portfolio of fixed income instruments may become more difficult or impossible to ascertain. In such circumstances, valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations as there is a possibility that independent pricing information may at times be unavailable. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may need to be adjusted and may be adversely affected. Such events or credit rating downgrades may also subject the Sub-Fund to increased liquidity risk as it may become more difficult for the Sub-Fund to dispose of its holdings of bonds at a reasonable price or at all.

#### *Over-the-counter Market Risk*

OTC markets such as the China inter-bank bond market are subject to less governmental regulation and supervision of transactions than organised exchanges. In addition, many of the protections afforded to participants on some organised exchanges, such as the performance guarantee of an exchange clearing house, may not be available in connection with transactions on OTC markets. Therefore, by entering into transactions on OTC markets, the Sub-Fund will be subject to the risk that its direct counterparty will not perform its obligations under the transactions and that the Sub-Fund will sustain losses.

#### *Income Risk*

Falling market interest rates can lead to a decline in income for the Sub-Fund. This can result when, in declining interest rate environment, the Sub-Fund reinvests into securities at a lower yield than then-current Sub-Fund portfolio yield.

#### *Illiquidity of Bonds Close to Maturity Risk*

The Sub-Fund's underlying fixed income securities may become more illiquid when nearing maturity. It therefore may be more difficult to achieve fair valuation in the market.

#### *Operational and Settlement Risks*

Trading errors are an intrinsic factor in any complex investment process, and will occur, notwithstanding the execution of due care and special procedures designed to prevent such errors. Such trade errors may have adverse consequences (for example, due to an inability to correct effectively such an error when detected).

Settlement procedures in Mainland China are less developed and less reliable and may involve the Sub-Fund's delivery of Securities, or transfer of title to Securities, before receipt of payment for their sale. The Sub-Fund may be subject to a risk of substantial loss if a securities firm defaults in the performance of its responsibilities. The Sub-Fund may incur substantial losses if its counterparty fails to pay for Securities the Sub-Fund has delivered, or for any reason fails to complete its contractual obligations owed to the Sub-Fund. On the other hand, significant delays in settlement may occur in certain markets in registering the transfer of Securities. Such delays could result in substantial losses for the Sub-Fund if investment opportunities are missed or if the Sub-Fund is unable to acquire or dispose of a security as a result.

The Sub-Fund is subject to operational risks that may arise from any breaches by the Manager's investment management staff of the Manager's operational policies or technical failures of communication and trading systems. Whilst the Manager has in place internal control systems, operational guidelines and contingency procedures to reduce the chances of such operational risks, there is no guarantee events beyond the control of the Manager (such as unauthorised trading, trading errors or system errors) will not occur. The occurrence of any such events may adversely affect the value of the Sub-Fund.

To the extent that Sub-Fund transacts in the inter-bank bond market in Mainland China, the Sub-Fund may also be exposed to risks associated with settlement procedures and default of counterparties. All trades settled through CCDCC are on delivery versus payment basis. If a counterparty defaults in delivering the securities, the trade may be cancelled and this may adversely affect the value of the Sub-Fund.

The Sub-Fund may invest in the Mainland Chinese bond market via the exchange market and all bond trades will be settled through the CSDCC. If a counterparty defaults in payment or delivery obligation, a trade may be delayed and this may adversely affect the value of the Sub-Fund.

#### *Distributions out of or effectively out of capital risk*

The Manager may, at its discretion make distributions out of capital. The Manager may also, at its discretion, make distributions out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of the capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Unit. The Manager may amend its distribution policy subject to the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

### **Mainland China Tax Implications**

*The following summary of Mainland China 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 Mainland China and the laws and practice of their respective jurisdictions. The information below is based on the law and practice in force in Mainland China 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.*

#### *Corporate income tax*

Under current PRC Corporate Income Tax Law ("PRC CIT Law") and regulations, if the Sub-Fund is considered to be a tax resident of the Mainland China, it would be subject to Mainland China enterprise income tax ("Mainland China CIT") at the rate of 25% on its worldwide taxable income. If the Sub-Fund is considered to be a non-resident enterprise with a "permanent establishment" ("PE") in Mainland China, it would be subject to Mainland China CIT on the profits attributable to the PE.

The Manager intends to operate the Sub-Fund in a manner that will prevent them from being treated as tax resident of the Mainland China and from having a PE in the Mainland China, although this cannot be guaranteed. It is possible however, that the relevant tax authority could disagree with the conclusion or that changes in Mainland China tax law could affect the Mainland China CIT status of the Sub-Fund.

Unless a specific exemption or reduction is available under current Mainland China tax laws and regulations or relevant tax treaties, non-tax resident enterprises without an establishment or place of business in Mainland China are subject to Mainland China CIT on a withholding basis (“WHT”), generally at a rate of 10%, to the extent it directly derives Mainland China sourced passive income.

### Interest

Under the PRC CIT Law and regulations, interest derived from government bonds issued by the in-charge Finance Bureau of the State Council and/or local government bonds approved by the State Council shall be exempt from Mainland China income tax.

### Capital gains

In relation to gains realised from the disposal of bonds issued by Mainland China issuers, the Mainland China authorities have verbally indicated, on various public occasions that such gains are non-Mainland China sourced income and hence not subject to WHT. However, there is no specific written tax regulation to confirm the same. In practice, the Mainland China authorities have not enforced the collection of WHT on gains realised from the disposal of Mainland China debt securities.

### *Value-added tax (“VAT”)*

### Interest income

Pursuant to Caishui [2016] No. 36 (“Circular 36”), starting from 1 May 2016, interest income from Mainland China bond issuers should technically be subject to 6% VAT. Interest income received from PRC State government bonds and Mainland China local government bonds are exempted from VAT.

### Capital gains

Pursuant to Circular 36, gains realized from the trading of Mainland China marketable securities would generally be subject to VAT at 6%. In the absence of specific VAT rules on Bond Connect, it may make reference to Article 4 of the “Supplementary Notice Regarding the VAT Policies on Inter-bank Financial Transactions by Financial Institutions” (Caishui [2016] No. 70), income derived by approved foreign investors from the trading of RMB denominated debt securities in the China interbank bond market should be exempt from Mainland China VAT.

If VAT is applicable, there are also other surtaxes (which include Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) that would also be charged at an amount as high as 12% of the 6% VAT payable (or an additional 0.72%). In addition, there may also be other local levies such as flood prevention fee, commodity reconciliation fund and water conservancy fund, depending on the locations of the Mainland China companies.

In this connection, the Manager, having taken and considered independent professional tax advice, has determined that no withholding income tax provision will be made on the gross realised and unrealised capital gains derived from the Sub-Fund’s disposal of debt instruments issued by the Mainland China issuers.



## *General*

In light of the above-mentioned uncertainty and in order to meet the potential tax liability for gains on disposal of debt securities via the China inter-bank bond market, the Manager reserves the right to provide for the withholding tax on such gains or income, and withhold tax of 10% for the account of the Sub-Fund in respect of any potential tax on the gross realised and unrealised capital gains.

Upon any future resolution of the above-mentioned uncertainty or further changes to the tax law or policies, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision (if any) as they consider necessary. The amount of any such tax provision will be disclosed in the accounts of the Sub-Fund.

Any such withholding tax on gains on disposal of debt securities via the China inter-bank bond market may reduce the income from, and/or adversely affect the performance of, the Sub-Fund. The amount withheld will be retained by the Manager for the account of the Sub-Fund until the position with regard to Mainland Chinese taxation of the Sub-Fund in respect of its gains and profits from trading via the China inter-bank bond market has been clarified. In the event that such position is clarified to the advantage of the Sub-Fund, the Manager may rebate all or part of the withheld amount to the Sub-Fund. The withheld amount so rebated shall be retained by the Sub-Fund and reflected in the value of its Units. Notwithstanding the foregoing, no Unitholder who redeemed his/her Units before the rebate of any withheld amounts shall be entitled to claim any part of such rebate.

It should also be noted that the actual applicable tax imposed by the Mainland China tax authorities may be different and may change from time to time. There is a possibility of the rules being changed and taxes being applied retrospectively. As such, any provision for taxation made by the Manager for the account of the Sub-Fund may be excessive or inadequate to meet final Mainland China tax liabilities. Consequently, Unitholders of the Sub-Fund may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units in/from the Sub-Fund.

If the actual applicable tax levied by the Mainland China tax authorities is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may suffer more than the tax provision amount as that Fund will ultimately have to bear the additional tax liabilities. In this case, the then existing and new Unitholders will be disadvantaged. On the other hand, if the actual applicable tax rate levied by the Mainland China tax authorities is lower than that provided for by the Manager so that there is an excess in the tax provision amount, Unitholders who have redeemed Units in the relevant Fund before the Mainland China tax authorities' ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager's over-provision. In this case, the then existing and new Unitholders may benefit if the difference between the tax provision and the actual taxation liability under that lower tax amount can be returned to the account of the Sub-Fund as assets thereof.

Unitholders should seek their own tax advice on their own tax position with regard to their investment in the Sub-Fund.

It is possible that the current tax laws, regulations and practice in Mainland China will change, including the possibility of taxes being applied retrospectively, and that such changes may result in higher taxation on Mainland China investments than is currently contemplated.

## **The Offering Phases**

The Initial Offer Period has ended. Dealings in the Units on the SEHK commenced on 12 December

2018.

The current Dealing Deadline after Listing is 12:00 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 investors may buy and sell Units in the secondary market on the SEHK and Participating Dealers (for themselves or for their clients) may apply for cash (RMB) creation and redemption of Units in the primary market.

All Creation Applications shall be in RMB only, notwithstanding a Multi-Counter arrangement being adopted for the Sub-Fund. Settlement in cash for subscribing Units is due at the time specified in the Operating Guidelines on or before the relevant Dealing Day in accordance with the Operating Guidelines.

The attention of investors is drawn to the section entitled “The Offering Phases of the Listed Class Units” in Part 1 of this Prospectus.

### **Are there any special RMB payment or account procedures?**

Investors may, unless otherwise agreed by the relevant Participating Dealer, apply for Units through Participating Dealers only if they have sufficient RMB to pay the application monies and the related fees. Investors should note that RMB is the only official currency of Mainland China. While both onshore RMB (“CNY”) and offshore RMB (“CNH”) are the same currency, they are traded in different and separated markets. Since the two RMB markets operate independently where the flow between them is highly restricted, CNY and CNH are traded at different rates and their movement may not be in the same direction. Although there is a significant amount of RMB held offshore (i.e. outside Mainland China), CNH cannot be freely remitted into Mainland China and is subject to certain restrictions, and vice versa. As such whilst CNH and CNY are both the same currency, certain special restrictions do apply to RMB outside Mainland China. The liquidity and trading price of the Sub-Fund may be adversely affected by the limited availability of, and restrictions applicable to, RMB outside Mainland China.

Application monies from Participating Dealers to the Sub-Fund will be paid in RMB only. Accordingly, a Participating Dealer may require you (as its client) to pay RMB to it. Payment details will be set out in the relevant Participating Dealer’s documentation such as the application form for its clients. As such, you may need to have opened a bank account (for settlement) and a securities dealing account if a Participating Dealer is to subscribe for Units on your behalf as you will need to have accumulated sufficient RMB to pay at least the aggregate Issue Price and related costs, to the Participating Dealer or if an application to the Participating Dealer is not successful or is successful only in part, the whole or appropriate portion of the monies paid will need to be returned to you by the Participating Dealer by crediting such amount into your RMB bank account. Similarly, if you wish to buy and sell Units in the secondary market on the SEHK, you may need to open a securities dealing account with your broker. You will need to check with the relevant Participating Dealer and/or your broker for payment details and account procedures.

If any investors wish to buy or sell Units on the secondary market, they should contact their brokers and they are reminded to confirm with their brokers in respect of Units traded in RMB their brokers’ readiness for dealing and/or clearing transactions in RMB securities and to check other relevant information published by the SEHK regarding readiness of its participants for dealing in RMB securities from time to time. CCASS Investor Participants who wish to settle the payment in relation to their trades in the Units traded in RMB using their CCASS Investor Participant account or to receive distributions in RMB should make sure that they have set up an RMB designated bank account with CCASS.

Investors intending to purchase Units traded in RMB from the secondary market should consult their stockbrokers as to the RMB funding requirement and settlement method for such purchase.

Investors may need to open and maintain securities dealing accounts with the stockbroker first before any dealing in Units traded in either HKD or RMB can be effected.

Investors should ensure they have sufficient RMB to settle trades of Units traded in RMB. Investors should consult the banks for the account opening procedures as well as terms and conditions of the RMB bank account. Some banks may impose restrictions on their RMB cheque account and fund transfers to third party accounts. For non-bank financial institutions (e.g. brokers), however, such restriction may not be applicable and investors should consult their brokers as to the currency exchange service arrangement if required.

The transaction costs of dealings in the Units on the SEHK include the SEHK trading fee, SFC transaction levy, and FRC transaction levy. All these secondary trading related fees and charges will be collected in Hong Kong dollars and, in respect of Units traded in RMB, calculated based on an exchange rate as determined by the Hong Kong Monetary Authority on the date of the trade which will be published on HKEX's website by 11:00 a.m. or earlier on each trading day.

Investors should consult their own brokers or custodians as to how and in what currency the trading related fees and charges and brokerage commission should be paid by the investors.

Where payment in RMB is to be made by cheque investors are advised to consult the bank at which their respective RMB bank accounts are opened in advance whether there are any specific requirements in relation to the issue of RMB cheques. In particular, investors should note that some banks have imposed an internal limits (usually RMB80,000) on the balance of RMB cheque account of their clients or the amount of cheques that their clients can issue in a day and such limit may affect an investor's arrangement of funding for an application (through a Participating Dealer) for the creation of Units.

When an individual investor opens an RMB bank account or settle RMB payments, he or she will be subject to a number of restrictions, including the daily maximum remittance amount to Mainland China of RMB80,000 and a remittance service is only available to an RMB deposit account-holder who remits from his or her RMB deposit account to Mainland China and provided that the account name of the account in Mainland China is identical with that of the RMB bank account with the bank in Hong Kong.

Please also refer to the section entitled "Risks associated with RMB currency" in Part 1 of this Prospectus for further details.

### **Multi-Counter**

The Manager has arranged for the Units of the Sub-Fund to be available for trading on the secondary market on the SEHK under a Multi-Counter arrangement. Units are denominated in RMB. The Sub-Fund offers 2 trading counters on the SEHK (i.e. HKD counter and RMB counter) to investors for secondary trading purposes. Units traded in HKD counter will be settled in HKD and Units traded in RMB counter will be settled in RMB. Apart from settlement in different currencies, the trading prices of Units in the counters may be different as the different counters are distinct and separate markets.

Units traded on each counter are of the same class and all Unitholders of all counters are treated equally. The counters will have different stock codes, different stock short names and different ISIN numbers and set out in the section "Key Information" above.

Normally, investors can buy and sell Units traded in the same counter or alternatively buy in one counter and sell in another counter provided their brokers provide HKD and RMB trading services at the same time and offer inter-counter transfer services to support Multi-Counter trading. Inter-counter buy and sell is permissible even if the trades take places within the same trading day. However, investors should note that the trading price of Units traded in each counter may be different and may not always maintain a close relationship depending on factors such as market demand and supply

and liquidity in each counter.

Investors should consult their brokers if they have any questions concerning fees, timing, procedures and the operation of the Multi-Counter, including inter-counter transfers. Investors' attention is also drawn to the risk factor in Part 1 of the Prospectus entitled "Risks Associated with Multi-Counter".

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

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) of the Listed Class Units" in Part 1 of this Prospectus for further information.

Units have been accepted as eligible securities by HKSCC for deposit, clearing and settlement in the CCASS. Dealings on the SEHK in Units began on 12 December 2018. Units trade on the SEHK in board lots of 20 Units.

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). Any accepted Redemption Application will be effected by the payment of cash in accordance with the Operating Guidelines and the Trust Deed. Redemption proceeds paid in cash shall be in RMB only, notwithstanding a Multi-Counter arrangement being adopted for the Sub-Fund.

### **Distribution Policy**

Subject to the Manager's discretion, the Manager intends to declare and distribute net dividends to Unitholders at least annually (in December each year). The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in RMB only. Distributions may be made out of capital as well as income at the Manager's discretion. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. The Manager may amend the policy with respect to distribution out of capital or effectively out of capital subject to the SFC's prior approval and by giving not less than one month's prior notice to investors.

Each Unitholder will receive distributions in RMB only. Unitholders without RMB accounts may have to bear the fees and charges associated with the conversion of such dividend from RMB into any other currency. Unitholders are advised to check with their brokers regarding arrangements for distributions.

Distribution payment rates in respect of Units will depend on factors beyond the control of the Manager or Trustee including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions.

Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment out of or effectively out of the Sub-Fund's capital

may result in an immediate reduction in the Net Asset Value per Unit.

The composition of distributions payable on Units (i.e. the relative amounts of distributions paid and the percentages of dividends out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the website <https://cicchkam.com> (this website has not been reviewed by the SFC). The Manager may amend the Sub-Fund's distribution policy with respect to the distributions out of capital or effectively out of capital of the Sub-Fund subject to the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

## **Fees and Expenses**

### *Management fee*

The Manager is entitled to receive out of the assets of the Sub-Fund a management fee of up to 3% per year of the Net Asset Value of the Sub-Fund. The current management fee is 0.20% per year of the Net Asset Value of the Sub-Fund and is accrued daily and calculated as at each Dealing Day and payable monthly in arrears.

### *Trustee's fee*

The Trustee is entitled to receive out of the Sub-Fund a trustee's fee of up to 1% per year of the Net Asset Value of the Sub-Fund. The current fee payable to the Trustee is calculated as a percentage per annum of the Net Asset Value of the Sub-Fund at a rate of: up to 0.10% per annum of the Net Asset Value (subject to a minimum of RMB28,465 per month), accrued daily and calculated as at each Dealing Day and payable monthly in arrears.

The fees payable to the Registrar and the Mainland Custodian and Onshore Settlement Agent are included in the fees payable to the Trustee.

The Trustee's fee may be increased by agreement with the Manager up to the maximum on giving one month's notice to Unitholders.

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

## **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 of 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*

The Index tracks the performance of the CNY-denominated fixed rate Treasury securities that are listed on the China inter-bank bond market. The Index is a market value weighted index. The Index aims to reflect the performance of the fixed rate RMB-denominated treasury bonds with a remaining maturity between 1 year and up to, but not including, 10 years and a par value of at least RMB 5 billion outstanding. The Index is a sub-index of the Bloomberg China Aggregate Index, covering specifically the Treasury Bonds.

The Index is a total return index, which includes the return from interest accrual/payments (coupon return), security price movements (price return) and scheduled and unscheduled payments of principal (paydown return). The methodology used to weigh security-level returns within the Index is market value weighting, where the weight of each index-eligible security is calculated at the

beginning of each monthly reporting period based on its price, accrued interest and par amount outstanding.

Bloomberg Index Services Limited (the “Index Provider”) is responsible for the calculation and dissemination of the Index. The inception date of the Index was November 2016 and the Index had a base level of 100 on 1 January 2004.

As at 31 March 2022, the Index had an aggregate market value of approximately RMB12.0 trillion and 75 constituents.

The closing price, most updated list of the constituents of the Index and additional information concerning the Index (including end-of-day Index levels and Index performance) can be obtained from the website of the Index Provider at [www.bloombergindices.com](http://www.bloombergindices.com) (this website has not been reviewed by the SFC). The index fact sheets and methodology can be obtained from <https://www.bloomberg.com/professional/product/indices/bloomberg-fixed-income-indices/#/ucits> (this website has not been reviewed by the SFC).

### *Eligible Securities*

All constituent securities of the Bloomberg China Aggregate Index will be eligible for constituent selection of the Index. Constituent securities of the Bloomberg China Aggregate Index are RMB-denominated debt securities listed on the China inter-bank bond market that fulfils the following

criteria:

Currency:	The principal and interest of the bond must be denominated in RMB.
Listing:	The bond must be listed in the China inter-bank bond market.
Amount outstanding:	The bond must have a par value of at least RMB5 billion for treasury and Government-related securities (including policy banks)
Quality:	The bond must not be in default.
Maturity:	The bond must have at least one year until final maturity.
Coupon:	The bond must carry a fixed rate coupon.
Excluded types of Securities:	<ul style="list-style-type: none"><li>• Floating-rate</li><li>• Zero coupon</li><li>• Convertibles</li><li>• Inflation-linked</li><li>• Derivatives</li><li>• Structured products</li><li>• Securitised</li><li>• Warrants</li><li>• Private placements</li><li>• Retail bonds</li><li>• Bonds issued on the Shanghai Stock Exchange and the Shenzhen Stock Exchange</li><li>• Special bonds issued by Ministry of Finance</li></ul>

### *Constituent Selection*

All securities that are eligible for constituent selection are issued by the MOF and distributed within Mainland China will be selected as constituents of the Index. The Index consists of eligible securities with remaining maturities between 1 year and up to, but not including, 10 years.

The number of constituent securities is variable and there is no limit to the number of constituents.

### *Index Review and Constituent Changes*

The constituents of the Index are reviewed and adjusted each month. At monthly rebalancing, any issue whose eligibility status has changed since the previous month-end will either “exit” or “enter” the Index. Bonds that meet all published index inclusion rules and eligibility criteria at the beginning of a given month will remain in the Index for purposes of return calculations until the following month-end, when Index composition is next reset.

For new issuances, eligible bonds issued or announced, but not necessarily settled, on or before the month-end rebalancing date, qualify for inclusion in the following month’s Index if required security reference information and pricing are readily available.

### *Index Calculation*

The index value is calculated by adding 100 to the since inception total return (“SITR”) and is used

to calculate total returns over any given time period where index values are available. The formula for the calculation of index value is as follows:

$$\text{Index Value} = \text{SITR} + 100$$

The SITR is a compounded return linking historical index cumulative monthly returns and the current month-to-date return. This approach assumes that the Index is always fully invested in the new Returns Universe after each monthly rebalancing and that any accumulated cash from the previous month is reinvested pro rata into the new universe. The “Returns Universe” is a static set of securities that is determined at the beginning of each month and is not reset until the beginning of the next month. This fixed universe is not adjusted for securities that become ineligible for inclusion during the month (e.g., due to ratings downgrades, called bonds, securities falling below one year to maturity) or for issues that are newly eligible (e.g., ratings changes, new issuance). The Returns Universe provide a constant base against which index users are measure against.

The SITR of the Index is calculated as:

$$\text{SITR} = [(100 + \text{SITR}_{\text{Beginning of month}}) \times (1 + \text{Total Return}_{\text{Month-to-date}})] - 100$$

Where:

- Total Return is calculated as:

$$\text{Total Return} = \Sigma (\text{Bond Weight} \times \text{Bond Return})$$

- Bond Weight: % security contribution to Returns Universe using market value weights.
- Bond Return: bond-level total return (taking into account returns derived from price changes, interest payment and payments of principal) since last index rebalancing.

### *Pricing*

The Securities are priced on a daily basis by Bloomberg’s evaluated pricing service, Bloomberg Valuation Service (“**BVAL**”). Securities will be priced at 6 p.m. (Tokyo Time). If the last business day of the month is a public holiday, prices from the previous business day will be used. For Index purposes, securities are assumed to settle on the next calendar day (T+1). At month-end, settlement is assumed to be on the first calendar day of the following month, even if the last business day is not the last day of the month.

Bonds are priced on the bid side. Bid pricing values a bond at the level where an investor would be able to sell it as of the index pricing date. Daily price moves for each security are analysed by the index pricing team of the Index Provider.

The quality of index pricing is kept high by (1) using comparisons of a broad range of sources, including third-parties, centralized trade reporting such as TRACE, and available market makers and/or (2) employing a variety of statistical techniques applied on day-to-day movements and point-in-time levels using tolerance bands set at the issuer, sector, quality and maturity levels.

Possible outliers resulting from the verification process are resolved by the index team dedicated to pricing validation. Index users may also challenge price levels, which are then reviewed by the pricing team. If a discrepancy arises, prices may be adjusted on a going forward basis by the primary pricing



source.

### *Index Constituents*

You can obtain the most updated list of the constituents of the Index, their respective weightings and additional information of the Index from the website of Bloomberg at <https://www.bloomberg.com/professional/product/indices/bloomberg-fixed-income-indices/#/ucits> (this website has not been reviewed by the SFC).

### *Index Provider disclaimer*

“Bloomberg®” and Bloomberg China Treasury 1-10 Years Index are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited (“BISL”), the administrator of the index (collectively, “Bloomberg”), and have been licensed for use for certain purposes by China International Capital Corporation Hong Kong Asset Management Limited.

The Sub-Fund is not sponsored, endorsed, sold or promoted by Bloomberg. Bloomberg does not make any representation or warranty, express or implied, to the owners of or counterparties to the Sub-Fund or any member of the public regarding the advisability of investing in securities generally or in the Sub-Fund particularly. The only relationship of Bloomberg to China International Capital Corporation Hong Kong Asset Management Limited is the licensing of certain trademarks, trade names and service marks and of the Bloomberg China Treasury 1-10 Years Index, which is determined, composed and calculated by BISL without regard to China International Capital Corporation Hong Kong Asset Management Limited or the Sub-Fund. Bloomberg has no obligation to take the needs of China International Capital Corporation Hong Kong Asset Management Limited or the owners of the Sub-Fund into consideration in determining, composing or calculating the Bloomberg China Treasury 1-10 Years Index. Bloomberg is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the Sub-Fund to be issued. Bloomberg shall not have any obligation or liability, including, without limitation, to the Sub-Fund’s customers, in connection with the administration, marketing or trading of the Sub-Fund.

BLOOMBERG DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE BLOOMBERG CHINA TREASURY 1-10 YEARS INDEX OR ANY DATA RELATED THERETO AND SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS OR INTERRUPTIONS THEREIN. BLOOMBERG DOES NOT MAKE ANY WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG ASSET MANAGEMENT LIMITED, OWNERS OF THE SUB-FUND OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE BLOOMBERG CHINA TREASURY 1-10 YEARS INDEX OR ANY DATA RELATED THERETO. BLOOMBERG DOES NOT MAKE ANY EXPRESS OR IMPLIED WARRANTIES AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE BLOOMBERG CHINA TREASURY 1-10 YEARS INDEX OR ANY DATA RELATED THERETO. WITHOUT LIMITING ANY OF THE FOREGOING, TO THE MAXIMUM EXTENT ALLOWED BY LAW, BLOOMBERG, ITS LICENSORS, AND ITS AND THEIR RESPECTIVE EMPLOYEES, CONTRACTORS, AGENTS, SUPPLIERS, AND VENDORS SHALL HAVE NO LIABILITY OR RESPONSIBILITY WHATSOEVER FOR ANY INJURY OR DAMAGES—WHETHER DIRECT, INDIRECT, CONSEQUENTIAL, INCIDENTAL, PUNITIVE OR OTHERWISE—ARISING IN CONNECTION WITH THE SUB-FUND OR BLOOMBERG CHINA TREASURY 1-10 YEARS INDEX OR ANY DATA OR VALUES RELATING THERETO—WHETHER ARISING FROM THEIR NEGLIGENCE OR OTHERWISE, EVEN IF NOTIFIED OF THE POSSIBILITY THEREOF.

### *Index Licence Agreement*

The Manager was granted a licence by Bloomberg Index Services Limited (the “Index Provider”) to

use the Index and Index data in connection with the Sub-Fund, commencing as at 1 October 2018. The licence agreement shall continue should continue until 30 September 2020 on which date the licence should be renewed for successive terms of 2 years unless terminated in accordance with the provisions of the licence agreement. The Index Provider or the Manager may terminate the agreement by giving to the other party 90 days' prior notice. The Index Provider may also terminate the agreement forthwith by notice in writing to the Manager if (amongst others) the Manager is in material breach of any provisions of the agreement and has not, in the case of a remediable breach, remedied the breach within 30 days of receiving notice from the Index Provider.

## APPENDIX 3: ICBC CICC USD Money Market ETF

*This is an active exchange traded fund*

Investors should note that this Sub-Fund offers both Listed Class Units and Unlisted Class Units. Please refer to the sections relevant to your intended holding of Units.

### Key Information

Set out below is a summary of key information in respect of this Sub-Fund which should be read together with the full text of this Appendix and this Prospectus.

Key information applicable to both Listed Class and Unlisted Class

<b>Investment Adviser</b>	ICBC Asset Management (Global) Company Limited
<b>Base Currency</b>	United States Dollars (USD)
<b>Distribution Policy</b>	Subject to the Manager's discretion, the Manager intends to pay distributions to Unitholders annually. <b>All Units will receive distributions in the base currency (USD) only</b> <sup>15</sup> . Distributions may be made out of capital or effectively out of capital as well as income at the Manager's discretion. Any distributions out of capital or effectively out of capital may result in an immediate reduction in the Net Asset Value per Unit of the Sub-Fund.
<b>Investment Strategy</b>	Please refer to the section on "What is the investment strategy?" below
<b>Financial Year End</b>	31 December
<b>Website</b>	<a href="https://cicchkam.com">https://cicchkam.com</a> (this website has not been reviewed by the SFC)

Key information applicable to Listed Class only

<b>Initial Issue Date</b>	17 June 2019 (the Business Day immediately before the Listing Date)
<b>Listing Date (SEHK)</b>	18 June 2019
<b>Issue Price during the Initial Offer Period</b>	USD1,000
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	03011 – HKD counter

<sup>15</sup> Unitholders without USD accounts may have to bear the fees and charges associated with the conversion of such dividend from USD into any other currency. Unitholders are advised to check with their brokers regarding arrangements for distributions.

	09011 – USD counter
<b>Stock Short Name</b>	A ICBCCICUSD – HKD counter A ICBCCICUSD-U – USD counter
<b>ISIN Numbers</b>	HK0000507407 – HKD counter HK0000507415 – USD counter
<b>Trading Board Lot Size</b>	1 Unit
<b>Trading Currency</b>	United States Dollars (USD) Hong Kong dollars (HKD)
<b>Creation/Redemption Policy</b>	Cash (USD)
<b>Application Unit Size (only by or through Participating Dealers)</b>	Minimum 1,000 Units (or multiples thereof)
<b>Dealing Deadline</b>	10:00 a.m. (Hong Kong time) on the relevant Dealing Day
<b>Management Fee</b>	Currently 0.245% per year of the Net Asset Value
<b>Listing Agent</b>	China International Capital Corporation Hong Kong Securities Limited
<b>Market Maker(s) (HKD and USD counters)</b>	Flow Traders Hong Kong Limited
<b>Participating Dealers</b>	BOCOM International Securities Limited CGS-CIMB Securities (Hong Kong) Limited China International Capital Corporation Hong Kong Securities Limited China Merchants Securities (HK) Co., Limited GF Securities (Hong Kong) Brokerage Limited Haitong International Securities Company Limited KGI Asia Limited Merrill Lynch Far East Limited Mirae Asset Securities (HK) Limited
<b>Service Agent</b>	HK Conversion Agency Services Limited

*Key information applicable to Unlisted Class only*

<b>Unlisted Classes Offered</b>	Class A (USD) Units Class I (USD) Units
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<b>Minimum Initial Investment Amount</b>	Class A (USD): USD1,000 Class I (USD): USD100,000
<b>Minimum Subsequent Investment, Holding Amount and Redemption Amount</b>	Class A (USD): USD1,000 Class I (USD): USD10,000
<b>Subscription Price during the Initial Offer Period</b>	The Net Asset Value per Unit of the Listed Class of Units on the launch date of Class A (USD) and Class I (USD)
<b>Dealing Deadline</b>	10:00 a.m. (Hong Kong time) on the relevant Dealing Day
<b>Management Fee</b>	Class A (USD) Units: Currently 0.295% per year of the Net Asset Value Class I (USD) Units: Currently 0.195% per year of the Net Asset Value
<b>Trustee Fee</b>	Up to 0.10% (inclusive of administration and custody fee)

*Key similarities and differences between Listed Class and Unlisted Class*

<b>Investment Objective</b>	Same for both Listed Class and Unlisted Class. Please refer to the sections below headed “What is the Investment Objective?” and “What is the Investment Strategy?”
<b>Investment Strategy</b>	
<b>Valuation Policy</b>	Same for both Listed Class and Unlisted Class. Please refer to the section headed “Determination of Net Asset Value” of the Prospectus.
<b>Dealing Arrangements</b>	<p>There are some differences in certain dealing arrangements in respect of each of the Listed Class and Unlisted Class, including but not limited to different minimum amounts for creation/subscription and redemption of Units.</p> <p>Investors should note that the dealing frequency, the definition of “Dealing Day” and the Dealing Deadlines for creation/subscription and redemption in respect of Listed Class and Unlisted Class are the same. However, the applicable dealing procedures and timing with the relevant Participant Dealer (in the case of the Listed Class) and the distributor (if applicable, in the case of the Unlisted Class) may be different. Investors should check with the relevant Participating Dealer or distributor for the applicable dealing procedures and timing.</p> <p><b>In respect of the Listed Class:</b></p> <ul style="list-style-type: none"> <li>- the current Dealing Deadline in the primary market is 10:00 a.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager (with the approval of Trustee) may</li> </ul>

	<p>determine on any day when the trading hours of the SEHK are reduced or otherwise; and</p> <ul style="list-style-type: none"> <li>- a secondary market investor can buy and sell the Listed Class Units on the SEHK through his stockbroker at any time the SEHK is open. Investors can buy or sell the Listed Class Units at market price.</li> </ul> <p><b>In respect of the Unlisted Class:</b></p> <ul style="list-style-type: none"> <li>- the Dealing Deadline is 10:00 a.m. (Hong Kong time) on each Dealing Day. Investors can buy or sell the Unlisted Class Units at the Net Asset Value of the relevant Unlisted Class. Applicants may apply for Unlisted Class Units through a distributor appointed by the Manager. Distributors may have different dealing procedures, including earlier cut-off times for receipt of applications and/or cleared funds. Applicants who intend to apply for Unlisted Class Units through a distributor should therefore consult the distributor for details of the relevant dealing procedures.</li> </ul> <p><b>In respect of the Listed Class and Unlisted Class:</b></p> <ul style="list-style-type: none"> <li>- the creation / subscription or redemption application for Listed Class and Unlisted Class of Units received at or before 10 a.m. (Hong Kong time) on a Dealing Day (“Day T”) will be processed at the net asset value per Unit of Listed Class of Units of Day T;</li> <li>- the creation / subscription or redemption application for Listed Class of Units and Unlisted Class received after 10 a.m. (Hong Kong time) on Day T will be processed on the next Dealing Day (“Day T+1”) at the net asset value per Unit of Listed Class of Units of Day T+1.</li> </ul> <p>Please refer to the sections headed “Provisions relating to the Offer, Creation, Redemption, Listing and Trading of the Listed Class Units” and “Provisions relating to the Offer, Subscription, Switching and Redemption of the Unlisted Class Units” in the Prospectus for details of the dealing arrangements of Listed Class Units and Unlisted Class Units respectively.</p>
<p><b>Valuation Point</b></p>	<p><b>In respect of the Listed Class and the Unlisted Class:</b></p> <p>The valuation point is approximately 2:00 p.m. (Hong Kong time) on the applicable Dealing Day.</p>
<p><b>Fee Structure</b></p>	<p>Different in respect of each of the Listed Class and Unlisted Class.</p> <p><b>In respect of the Listed Class:</b></p> <p>The current management fee is 0.245% per annum of the Net Asset Value of Listed Class and is accrued daily and calculated as at each</p>

	<p>Dealing Day. It is payable out of the Listed Class monthly in arrears in USD.</p> <p>The Listed Class employs a single management fee structure, with the Listed Class paying all of its fees, costs and expenses (and its due proportion of any costs and expenses of the Trust allocated to it) as a single flat fee (the “Management Fee”).</p> <p>An investment in the Listed Class in the secondary market is subject to fees involved in relation to the trading of such Listed Class Units on the SEHK (such as the brokerage fee, transaction levy, FRC transaction levy, trading fee and so on).</p> <p><b>In respect of the Unlisted Classes:</b></p> <p>For Class A (USD) Units, the management fee is 0.295% per annum of the Net Asset Value of Class A (USD) Units accrued daily and calculated as of each Dealing Day.</p> <p>For Class I (USD) Units, the management fee is 0.195% per annum of the Net Asset Value of Class I (USD) Units accrued daily and calculated as of each Dealing Day.</p> <p>The Unlisted Classes do not employ a single management fee structure, the following fees and expenses may be payable out of and borne by each of the Unlisted Classes: The Trustee’s fee, Registrar’s fees, the Investment Adviser’s fees, custodian’s fees, fees and expenses of the auditors, securities transaction fee, ordinary out-of-pocket expenses incurred by the Manager or the Trustee or its agents.</p> <p>The Management Fee may be increased up to a permitted maximum (up to 3% per year of the net asset value according to the Trust Deed) on giving 1 month’s notice to Unitholders.</p> <p>An investment in the Class A (USD) Units and Class I (USD) Units is subject to the payment of Subscription Fees, but not Redemption Fees.</p> <p>Please refer to the section headed “Fees and Expenses” in the Prospectus and the section headed “Fees and Expenses” in this Appendix for further details.</p>
<p><b>Net Asset Value per unit / Creation and Redemption Price</b></p>	<p>The Net Asset Value may be different in respect of each of the Listed Class and Unlisted Class due to various factors, including but not limited to the different fee structures applicable to each class of Units, and charges, stamp duty and so on. Accordingly, the performance of the different classes will be different.</p> <p>Further, Listed Class Units in the secondary market will be bought and sold at market price which may be different from the Net Asset Value per Unit of the Listed Class.</p>

	<p>Please refer to the relevant risk factors in the Product Key Facts Statements of the Listed Class and Unlisted Class and the section headed “Risk Factors” in this Prospectus.</p> <p>There is a separate Net Asset Value for each class of Units. The Trustee does allow each class of Units to have its own Net Asset Value (i.e. one Net Asset Value for one class of Units).</p>
<b>Termination</b>	<p>Due to the nature of the listing of the Listed Class Units, the termination procedures applicable to the Listed Class Units and Unlisted Class Units may differ. Please refer to the sub-section headed “Termination” under the section headed “Statutory and General Information” of this Prospectus for further details.</p>

### **What is the Investment Objective?**

The Sub-Fund’s objective is to invest in short-term deposits and high quality money market investments. The Sub-Fund seeks to achieve a return in USD in line with prevailing money market rates, with primary considerations of both capital preservation and liquidity. There can be no assurance that the Sub-Fund will achieve its investment objective.

### **What is the Investment Strategy?**

The Sub-Fund will invest not less than 70% of its Net Asset Value in USD-denominated and settled short-term deposits and high quality money market investments issued by governments, quasi-governments, international organisations and financial institutions.

The short-term and high quality money market investments the Sub-Fund may invest in include debt securities, commercial papers, certificates of deposits and commercial bills. 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.

The Sub-Fund may invest less than 30% of its Net Asset Value in non-USD-denominated and settled short-term deposits and high quality money market instruments. The Manager may hedge any non-USD-denominated and settled investments into USD to manage any material currency risk.

The Sub-Fund may invest up to 15% of its Net Asset Value in asset backed commercial papers (“ABCP”). ABCP are typically issued by a bank or other financial institution. They are backed by physical assets such as trade receivables, and are generally used for short-term financing needs. The Manager will select short term and high quality ABCP, using the same criteria as set out below for selection of debt securities.

The asset allocation of the Sub-Fund will change according to the Manager’s view of market conditions and the international investment trends and environment. The Manager will assess the yield of money market instruments, and will take into consideration factors such as currency risk, credit/counterparty risk, liquidity, costs, timing of execution and the relative attractiveness of individual securities and issuers in the market.

The debt securities that may be invested by the Sub-Fund include but are not limited to government bonds, fixed and floating rate bonds. Other than the general criteria described above, the Manager will also consider the following in selecting high quality debt securities:

1. *Credit quality.* The Sub-Fund will only invest in debt securities rated investment grade or



above by an independent rating agency, e.g. Fitch, Moody's, Standard and Poor's. A short-term debt security is considered investment grade if its credit rating is A-3 or higher by Standard & Poor's or F3 or higher by Fitch Ratings or P-3 or higher by Moody's or equivalent rating as rated by one of the international credit rating agencies. For this purpose, if the relevant debt security does not itself have a credit rating, then reference can be made to the credit rating of the issuer or guarantor of such debt security. The Manager maintains effective internal policies and procedures and exercises professional independent judgment on credit assessment, and the aforesaid external rating is only one of the factors taken into account by the Manager in assessing credit quality of debt securities.

2. *Maturity.* Out of investments that fulfil the criteria on credit rating, the portfolio will be constructed out of investments with a target maturity of around 60 days (or below), subject to the overall limit in weighted average maturity, weighted average life and remaining maturity of the portfolio as described below.
3. *Liquidity.* Investments that satisfy the above requirements will be assessed based on liquidity. The Manager will assess the liquidity of the investments based on historical liquidity of similar debt securities, by assessing the days to liquidate for such instruments. Only instruments with high liquidity will be included in the portfolio of the Sub-Fund.

There is no specific geographical allocation of the country or region of issue of the debt securities or deposits, except that the Sub-Fund will not invest more than 30% of its Net Asset Value in emerging markets. Countries or regions in which the Sub-Fund may invest in include Hong Kong, Mainland China, Japan, Korea, Australia, Canada, the United Kingdom, the European Union and the United States.

The aggregate value of the Sub-Fund's holding of instruments and deposits issued by a single entity will not exceed 10% of the total Net Asset Value of the Sub-Fund except: (i) where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%; or (ii) in the case of government and other public securities, up to 30% may be invested in the same issue; or (iii) in respect of any deposit of less than USD1,000,000, where the Sub-Fund cannot otherwise diversify as a result of its size.

The Sub-Fund will maintain a portfolio with weighted average maturity not exceeding 60 days and a weighted average life not exceeding 120 days. The Sub-Fund will not purchase an instrument with a remaining maturity of more than 397 days, or two years in the case of government and other public securities.

The Sub-Fund may also enter into reverse repurchase transactions, and its expected exposure to such transactions shall be between 0% to 50% of its Net Asset Value, subject to a maximum of 100% of its Net Asset Value, provided that the aggregate amount of cash provided to the same counterparty may not exceed 15% of its Net Asset Value. Reverse repurchase transactions are transactions where the Sub-Fund buys securities such as bonds using cash and simultaneously agrees to sell such securities back to the counterparty at a pre-determined future date for a pre-determined price. A reverse repurchase transaction is economically similar to secured lending, with the counterparty of the Sub-Fund submitting securities as collateral for the cash that it borrows from the Sub-Fund.

Collateral received may only be cash and high quality money market investments subject to the credit quality, maturity and liquidity requirements set out above. The weighted average maturity and weighted average life of the collateral, together with other investments made by the Sub-Fund in accordance with the investment strategy set out herein, shall not exceed the limits set out above.

A counterparty to the reverse repurchase transactions entered into by the Sub-Fund will be a financial

institution subject to ongoing prudential regulation and supervision. It will 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. Subject to the above, there is no requirement on its country or region of origin. All the revenues arising from such transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of such transactions, will be returned to the Sub-Fund.

The Sub-Fund may enter into repurchase transactions for up to 10% of its Net Asset Value. Repurchase transactions are transactions where the Sub-Fund sells securities such as bonds for cash and simultaneously agrees to repurchase the securities from the counterparty at a pre-determined future date for a pre-determined price. A repurchase transaction is economically similar to secured borrowing, with the counterparty of the Sub-Fund receiving securities as collateral for the cash that it lends to the Sub-Fund. It is the intention of the Manager to sell the securities for cash equal to the market value of the securities provided to the counterparty. Cash obtained in repurchase transactions will be used for meeting redemption requests or defraying operating expenses, but will not be re-invested.

The Sub-Fund may borrow up to 10% of its Net Asset Value but only on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses. The Sub-Fund will not write any options.

Up to 10% of the Net Asset Value of the Sub-Fund may be invested in other money market funds authorised by the SFC<sup>16</sup>.

The Sub-Fund currently has no intention to invest in structured deposits, structured products or over-the-counter securities, or to take any short positions, and the Manager will not enter into any securities lending or other similar over-the-counter transactions in respect of the Sub-Fund. The Sub-Fund will not invest in instruments with loss-absorption features (such as contingent convertible bonds or senior non-preferred debt). The Sub-Fund will only invest in financial derivative instruments for hedging purposes only. If any of this changes in the future, prior approval of the SFC will be sought and not less than one month's notice will be provided to Unitholders before the Sub-Fund enters into any such transaction.

#### *Use of derivatives*

The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's Net Asset Value.

#### **Investment Adviser**

The Manager has appointed ICBC Asset Management (Global) Company Limited (the "Investment Adviser") as its Investment Adviser of the Sub-Fund pursuant to an investment advisory agreement entered into between the Manager and the Investment Adviser. The Manager has delegated its investment management duties in relation to certificates of deposits issued in Hong Kong to the Investment Adviser and the Investment Adviser will exercise investment discretion in respect of the investments in certificates of deposits issued in Hong Kong of the Sub-Fund, in pursuit of the investment objective and in accordance with the investment approach and restrictions described in

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<sup>16</sup> SFC authorization 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.

this Prospectus (including this Appendix), subject to the control and review of the Manager. The Investment Adviser will not provide investment management and advisory services in relation to investments other than certificates of deposits issued in Hong Kong.

ICBC Asset Management (Global) Company Limited is an asset management company incorporated in Hong Kong. The Investment Adviser is registered as a licensed corporation by the SFC in Hong Kong to carry out advising on securities (Type 4), advising on futures contracts (Type 5) and asset management (Type 9).

The Investment Adviser provides professional investment management and advisory services to unit trusts, institutional clients as well as high net worth private individuals. Directors and senior management of the Investment Adviser are reputable and experienced investment professionals with in-depth international financial market knowledge.

The Investment Adviser is a wholly owned subsidiary of Industrial and Commercial Bank of China (Asia) Limited. Industrial and Commercial Bank of China (Asia) Limited is the Hong Kong banking business of Industrial and Commercial Bank of China Limited, the largest commercial bank in Mainland China. Industrial and Commercial Bank of China (Asia) Limited is principally engaged in banking, financial and other financial related services with focus on retail banking, commercial banking as well as corporate banking business.

The fees of the Investment Adviser, if any, will be paid by the Manager out of the Management Fee.

### **Risk Factors Specific to the Sub-Fund**

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 to the Sub-Fund.

#### *Investment risk*

**The purchase of a Unit in the Sub-Fund is not the same as placing funds on deposit with a bank or deposit-taking company. The Sub-Fund does not guarantee principal and the Manager has no obligation to redeem the Units at the offer value. The Sub-Fund does not have a constant Net Asset Value. The Sub-Fund is not subject to the supervision of the Hong Kong Monetary Authority.**

Investors should be aware that investment in the Sub-Fund is subject to normal market fluctuations and other risks inherent in the underlying assets into which the Sub-Fund may invest. There can be no assurance that any appreciation in value of investments will occur. There is no guarantee of repayment of principal.

#### *Active investment management risk*

The Manager employs an actively managed investment strategy for the Sub-Fund. The Sub-Fund does not seek to track any index or benchmark, and there is no replication or representative sampling conducted by the Manager. Instead, investments of the Sub-Fund will be based on the Manager's view of market conditions and international investment trends and environment. The Sub-Fund may fail to meet its objective as a result of the Manager's selection of investments for the Sub-Fund, and/or the implementation of processes which may cause the Sub-Fund to underperform as compared to prevailing money market rates or other money market funds with a similar objective.

Whilst it is the intention of the Manager to implement strategies which are designed to achieve the investment objective, there can be no assurance that these strategies will be successful. The

Manager may not be successful in selecting the best-performing instruments or investment techniques. Accordingly, there is a risk that investors may not recoup the original amount invested in the Sub-Fund or may lose a substantial part or all of their initial investment.

#### *Debt securities risks*

*Short-term debt instruments risk* - As the Sub-Fund may invest significantly in short-term debt instruments with short maturities, it means the turnover rates of the Sub-Fund's investments may be relatively high and the transaction costs incurred as a result of the purchase or sale of short-term debt instruments may also increase which in turn may have a negative impact on the Net Asset Value of the Sub-Fund.

*Credit/counterparty risk* - Investment in debt securities is subject to the credit risk of the issuers which 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 issuers of the debt securities held by the Sub-Fund, valuation of the Sub-Fund's portfolio may become more difficult, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result.

Fixed income instruments are offered on an unsecured basis without collateral, and will rank equally with other unsecured debts of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer's assets will be paid to holders of debt securities only after all secured claims have been satisfied in full. The Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

Changing market conditions or other significant events, such as credit rating downgrades affecting issuers or major financial institutions, may also pose valuation risk to the Sub-Fund as the value of the Sub-Fund's portfolio of debt securities, including corporate bonds and commercial papers, may become more difficult or impossible to ascertain. In such circumstances, valuation of the Sub-Fund's investments may involve uncertainties and judgemental determinations as there is a possibility that independent pricing information may at times be unavailable. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may need to be adjusted and may be adversely affected. Such events or credit rating downgrades may also subject the Sub-Fund to increased liquidity risk as it may become more difficult for the Sub-Fund to dispose its holdings of bonds at a reasonable price or at all.

*Credit Rating Risk* - 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.

*Credit Rating Downgrades Risk* - The credit rating of a debt instrument or its issuer may subsequently be downgraded. In the event of such downgrading, the value of the Sub-Fund may be adversely affected. There is no assurance that the debt instruments invested by the Sub-Fund or the issuer of the debt instruments will continue to have an investment grade rating or continue to be rated. The Manager may or may not be able to dispose the debt instruments that are being downgraded.

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

*Valuation Risk* - Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

### *Risks associated with bank deposits*

Bank deposits are subject to the credit risks of the relevant financial institutions. The Sub-Fund's deposit may not be protected by any deposit protection schemes, or the value of the protection under the deposit protection schemes may not cover the full amount deposited by the Sub-Fund. Therefore, if the relevant financial institution defaults, the Sub-Fund may suffer losses as a result.

### *Interest Rate Risk*

Investment in the Sub-Fund is subject to interest rate risk. Interest rate risk is the risk that the value of the Sub-Fund's portfolio will decline because of rising interest rates. In general, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise.

### *Risks relating to repurchase agreements*

In the event of the failure of the counterparty with which collateral has been placed, the Sub-Fund 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 Sub-Fund 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, the Sub-Fund 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. The Sub-Fund may also be subject to legal risk, operational risks, liquidity risk of the counterparty and custody risk of the collateral.

### *Risks associated with asset backed commercial papers*

The Sub-Fund invests in asset backed commercial papers which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other money market instruments. They are often exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.

### *Risks of investing in other money market funds*

The Sub-Fund may invest in other money market funds, but does not have control of the investments of these underlying funds and there is no assurance that the investment objective and strategy of these underlying funds will be successfully achieved which may have a negative impact on the Net Asset Value of the Sub-Fund.

There may be additional costs involved when investing into these underlying funds. There is also no guarantee that the underlying funds will always have sufficient liquidity to meet the Sub-Fund's redemption requests as and when made.

Investors should also note that the Sub-Fund's investment in another money market fund is not the same as the Sub-Fund placing funds on deposit with a bank or a deposit-taking company. A money market fund does not guarantee principal, and units or shares in such money market fund may not be redeemed by the Sub-Fund at its offer value.

### *Risk of financial derivative instruments*

The Manager may only invest in FDIs for hedging purposes, subject to the investment restrictions applicable to the Sub-Fund as set out in the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing”. These instruments can be highly volatile and expose investors to increased risk of loss. There is no guarantee that the use of FDIs for hedging purposes will be effective. Exposure to FDI may lead to a high risk of substantial loss by the Sub-Fund. Please also refer to “Financial Derivative Instruments and Collateral Risks” under the section headed “Risk Factors” in this Prospectus.

#### *Reliance on the Investment Adviser risk*

The Manager has delegated the investment discretion in relation to certificates of deposits issued in Hong Kong of the Sub-Fund to the Investment Adviser and will rely on the Investment Adviser’s expertise and systems for the Sub-Fund’s investments in certificates of deposits issued in Hong Kong. Any disruption in the communication with or assistance from the Investment Adviser or a loss of service of the Investment Adviser or any of its key personnel may adversely affect the operations of the Sub-Fund.

#### *Distribution Risk*

Dividend distributions are not guaranteed and are subject to the discretion of the Manager. Therefore, investors may not receive any dividends from the Sub-Fund, notwithstanding that the Sub-Fund may receive interests from the underlying investments it holds.

#### *Liquidity Risk*

Liquidity risk exists when a particular investment is difficult to purchase or sell. If the Sub-Fund invests in illiquid Securities or the current market become illiquid, it may reduce the returns of the Sub-Fund because the Sub-Fund cannot sell the illiquid Securities at an advantageous time or price. The cost of dealing may be high in such illiquid markets. A disruption in the asset allocation in the Sub-Fund is also possible if underlying Securities cannot be purchased or sold.

#### *Concentration Risk*

The Sub-Fund will invest primarily in the USD-denominated and settled short-term deposits and money market investments. The Sub-Fund is therefore likely to be more volatile than a broad-based fund that adopts a more diversified strategy. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the USD money markets.

#### *Income Risk*

Falling market interest rates can lead to a decline in income for the Sub-Fund. This can result when, in declining interest rate environment, the Sub-Fund reinvests into securities at a lower yield than then-current Sub-Fund portfolio yield.

#### *Distributions out of or effectively out of capital risk*

The Manager may, at its discretion make distributions out of capital. The Manager may also, at its discretion, make distributions out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of the capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor’s original investment or from any capital gains attributable to that original investment. Any distributions involving payment

of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Unit. The Manager may amend its distribution policy subject to the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

#### *Distribution in other currency risk*

Investors should note that all Units will receive distributions in the base currency (USD) only. In the event that the relevant Unitholder has no USD account, the Unitholder may have to bear the fees and charges associated with the conversion of such distribution from USD to HKD. The Unitholder may also have to bear bank or financial institution fees and charges associated with the handling of the distribution payment. Unitholders are advised to check with their brokers regarding arrangements for distributions.

### **The Offering Phases of the Listed Class Units**

The Initial Offer Period of the Listed Class Units has ended. Dealings in the Listed Class Units on the SEHK commenced on 18 June 2019.

The current Dealing Deadline for the Listed Class Units is 10:00 a.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 investors may buy and sell Listed Class Units in the secondary market on the SEHK and Participating Dealers (for themselves or for their clients) may apply for cash (USD) creation and redemption of Listed Class Units in the primary market.

All Creation Applications shall be in USD only, notwithstanding a Multi-Counter arrangement being adopted for the Sub-Fund. Settlement in cash for subscribing Listed Class Units is due at the time specified in the Operating Guidelines on or before the relevant Dealing Day in accordance with the Operating Guidelines.

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

### **Multi-Counter (applicable to Listed Class Units only)**

The Manager has arranged for the Listed Class Units of the Sub-Fund to be available for trading on the secondary market on the SEHK under a Multi-Counter arrangement. Listed Class Units are denominated in USD. The Sub-Fund offers 2 trading counters on the SEHK (i.e. HKD counter and USD counter) to investors for secondary trading purposes. Listed Class Units traded in HKD counter will be settled in HKD and Listed Class Units traded in USD counter will be settled in USD. Apart from settlement in different currencies, the trading prices of Listed Class Units in the counters may be different as the different counters are distinct and separate markets.

Listed Class Units traded on each counter are of the same class and all Unitholders of all counters are treated equally. The counters will have different stock codes, different stock short names and different ISIN numbers and set out in the section "Key Information" above.

Normally, investors can buy and sell Listed Class Units traded in the same counter or alternatively buy in one counter and sell in another counter provided their brokers provide HKD and USD trading services at the same time and offer inter-counter transfer services to support Multi-Counter trading. Inter-counter buy and sell is permissible even if the trades take place within the same trading day. However, investors should note that the trading price of Listed Class Units traded in each counter

may be different and may not always maintain a close relationship depending on factors such as market demand and supply and liquidity in each counter.

Investors should consult their brokers if they have any questions concerning fees, timing, procedures and the operation of the Multi-Counter, including inter-counter transfers. Investors' attention is also drawn to the risk factor in Part 1 of the Prospectus entitled "Risks Associated with Multi-Counter".

### **Exchange Listing and Trading (Secondary Market) of the Listed Class Units**

Listed Class 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 Listed Class Units on one or more other stock exchanges. Investors' attention is drawn to the section entitled "Exchange Listing and Trading (Secondary Market) of the Listed Class Units" in Part 1 of this Prospectus for further information.

Listed Class Units have been accepted as eligible securities by HKSCC for deposit, clearing and settlement in the CCASS. Dealings on the SEHK in Listed Class Units began on 18 June 2019. Units will trade on the SEHK in board lots of 1 Unit.

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

### **Redemptions of Listed Class Units**

Listed Class Units can be redeemed directly (through a Participating Dealer). Any accepted Redemption Application will be effected by the payment of cash in accordance with the Operating Guidelines and the Trust Deed. Redemption proceeds paid in cash shall be in USD only, notwithstanding a Multi-Counter arrangement being adopted for the Sub-Fund.

### **Subscription and Redemption of Unlisted Class Units**

#### *Unlisted Classes of Units*

The Sub-Fund currently offers the following Unlisted Classes of Units to investors:

Class	Minimum initial investment	Minimum subsequent investment	Minimum holding amount	Minimum redemption amount
Class A Units	USD1,000	USD1,000	USD1,000	USD1,000
Class I Units	USD100,000	USD10,000	USD10,000	USD10,000

#### *Subscription and Redemption Procedures*

The following apply to Unlisted Classes:

- Dealing Day: each Business Day
- Dealing Deadline: 10:00 am (Hong Kong time) on each Dealing Day
- Cleared Funds Deadline: 12:00 noon (Hong Kong time) on each Dealing Day



- Valuation Point: approximately 2:00 pm (Hong Kong time) on the applicable Dealing Day

Please refer to the sections headed “Subscription of Unlisted Class Units” and “Redemption of Unlisted Class Units” in Part I of this Prospectus for further details on the subscription, redemption, and payment procedures in respect of Unlisted Class Units.

### **Switching**

Investors should note that switching between Unlisted Class Units and Listed Class Units is not available.

Switching between Class A Units and Class I Units is currently not available.

### **Distribution Policy**

Subject to the Manager’s discretion, the Manager intends to declare and distribute net dividends to Unitholders annually. The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in USD only. Distributions may be made out of capital as well as income at the Manager’s discretion. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. The Manager may amend the policy with respect to distribution out of capital or effectively out of capital subject to the SFC’s prior approval and by giving not less than one month’s prior notice to investors.

Each Unitholder will receive distributions in USD only. Unitholders without USD accounts may have to bear the fees and charges associated with the conversion of such dividend from USD into any other currency. Unitholders are advised to check with their brokers regarding arrangements for distributions.

Distribution payment rates in respect of Units will depend on factors beyond the control of the Manager or Trustee including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions.

Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor’s original investment or from any capital gains attributable to that original investment. Any distributions involving payment out of or effectively out of the Sub-Fund’s capital may result in an immediate reduction in the Net Asset Value per Unit.

The composition of distributions payable on Units (i.e. the relative amounts of distributions paid and the percentages of dividends out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the website <https://cicchkam.com> (this website has not been reviewed by the SFC). The Manager may amend the Sub-Fund’s distribution policy with respect to the distributions out of capital or effectively out of capital of the Sub-Fund subject to the SFC’s prior approval and by giving not less than one month’s prior notice to Unitholders.

### **Fees and Expenses**

#### *Fees applicable to Listed Class Units only*

The Sub-Fund employs a single management fee structure in respect of the Listed Class Units, with the Sub-Fund paying all of its fees, costs and expenses (and its due proportion of any costs

and expenses of the Trust allocated to it) attributable to the Listed Class Units as a single flat fee (the “Listed Class Management Fee”). Fees and expenses taken into account in determining the Listed Class Management Fee include, but are not limited to, the Manager’s fee, the Investment Adviser’s fees, Trustee’s fee, Registrar’s fees, fees of the Service Agent, fees and expenses of the auditors, securities transaction fee, ordinary out-of-pocket expenses incurred by the Manager or the Trustee. The Listed Class Management Fee does not include brokerage and transaction costs, fees and extraordinary items such as litigation expenses.

The Listed Class Management Fee is 0.245% per year of the Net Asset Value of the Sub-Fund attributable to the Listed Class and is accrued daily and calculated as at each Dealing Day. It is payable out of the assets of the Sub-Fund attributable to the Listed Class, monthly in arrears in USD. Fees and expenses of the Sub-Fund attributable to the Listed Class exceeding this level (excluding brokerage and transaction costs, fees and extraordinary items) will be borne by the Manager. The Listed Class Management Fee may be increased up to a permitted maximum (up to 3% per year of the Net Asset Value according to the Trust Deed) on giving 1 month’s notice to Unitholders.

*Fees applicable to Unlisted Class Units only*

Fees payable by investors of Unlisted Class Units:

Subscription Fee	Up to 3% of the total subscription amount
Redemption Fee	Nil
Switching Fee	Not applicable

Fees and expenses payable from assets of the Sub-Fund:

	Current	Maximum
Management Fee	Class A Units: 0.295% of the Net Asset Value of Class A Units  Class I Units: 0.195% of the Net Asset Value of Class I Units	Up to 3% of the Net Asset Value of the relevant Unlisted Class
Trustee Fee	Up to 0.10% of the Net Asset Value of the Unlisted Class	Up to 0.10% of the Net Asset Value of the Unlisted Class
General Expenses	The following fees and expenses may be payable out of and borne by the Unlisted Class: The Trustee’s fee, Registrar’s fees, the Investment Adviser’s fees, custodian’s fees, fees and expenses of the auditors, securities transaction fee, ordinary out-of-pocket expenses incurred by the Manager or the Trustee or its agents.	

## APPENDIX 4: CICC Hong Kong Equity Fund

Investors should note that this Sub-Fund currently offers Unlisted Class Units only.

### Key Information

Set out below is a summary of key information in respect of this Sub-Fund which should be read together with the full text of this Appendix and this Prospectus.

<b>Base Currency</b>	Hong Kong Dollars (HKD)
<b>Distribution Policy</b>	Subject to the Manager's discretion, the Manager intends to pay distributions to Unitholders annually (in December each year). <b>All Units will receive distributions in the base currency (HKD) only.</b> Distributions may be made out of capital or effectively out of capital as well as income at the Manager's discretion. Any distributions out of capital or effectively out of capital may result in an immediate reduction in the Net Asset Value per Unit of the Sub-Fund.
<b>Investment Strategy</b>	Please refer to the section on "What is the investment strategy?" below
<b>Financial Year End</b>	31 December
<b>Class(es) Offered</b>	Class A (HKD)
<b>Minimum Initial Investment Amount</b>	Class A (HKD): HKD 5,000
<b>Minimum Subsequent Investment Amount</b>	Class A (HKD): HKD 5,000
<b>Minimum Holding Amount</b>	Class A (HKD): HKD 5,000
<b>Minimum Redemption Amount</b>	Class A (HKD): HKD 5,000
<b>Dealing Deadline</b>	4:00 p.m. (Hong Kong time) on the relevant Dealing Day
<b>Management Fee</b>	Class A (HKD): Currently 1.25% per annum of the Net Asset Value
<b>Trustee Fee</b>	Currently up to 1% per annum of the Net Asset Value
<b>Website</b>	<a href="https://cicchkam.com">https://cicchkam.com</a> (this website has not been reviewed by the SFC)

### What is the Investment Objective?

The Sub-Fund's objective is to primarily invest in a diversified portfolio investment of Hong Kong equity market to achieve long-term capital growth through exposure to Hong Kong and/or Mainland China related companies.

## What is the Investment Strategy?

The Sub-Fund seeks to achieve its investment objective by using a diversified **long-only** strategy through a disciplined investment process and detailed fundamental research. The term “long-only” means that the Sub-Fund does not intend to enter into any short-selling transactions. The Manager’s disciplined investment process is based on the identification of investment opportunities taking into account expected risk and return levels of such investment opportunities and the Manager’s analysis of the economic and political environment.

In order to achieve the Sub-Fund’s investment objective, the Manager intends to invest primarily (i.e. at least 70% its Net Asset Value) in equities listed on the Stock Exchange of Hong Kong. These listed equities invested by the Sub-Fund are issued by companies that have significant business exposure to Hong Kong and/or Mainland China.

The total exposure to securities issued or traded outside of Hong Kong will be less than 30% of the Sub-Fund’s Net Asset Value. Such securities include but are not limited to (1) equities (e.g. in the case of China A Shares, through Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (together, the “Stock Connect”) and/or indirectly by way of funded swap transactions or access products (e.g. China A-share access products (“CAAPs”)) or funds investing in China A-shares), (2) equity equivalent securities (including American Depository Receipts (“ADRs”) and/or global depository receipts (“GDRs”)), (3) warrants, as well as (4) equity funds and/or exchange traded funds which will have similar investment objectives and/or strategies as the Sub-Fund.

Notwithstanding the foregoing, the Sub-Fund’s aggregate exposure to direct and indirect investments in securities issued in the Mainland China market, including but not limited to China A Shares and such other financial instruments permitted under applicable Mainland China regulations will not be more than 20% of its Net Asset Value.

Less than 10% of the Net Asset Value of the Sub-Fund may be invested in convertible bonds.

The Sub-Fund may invest in equities issued by companies of any sector or market size. As such, the Sub-Fund may invest in small and mid-capitalisation companies.

The Sub-Fund may hold up to 30% of the Net Asset Value of the Sub-Fund in cash, deposits, short-term papers such as treasury bills, certificates of deposit, bankers’ acceptances, short-term commercial paper and other fixed income instruments issued within and/or outside Hong Kong, pending suitable investment opportunities and for defensive and liquidity management purposes. It is intended that the Sub-Fund will only invest in fixed income instruments rated investment grade or above by an independent rating agency, e.g. Fitch, Moody’s, Standard and Poor’s.

The asset allocation of the Sub-Fund will change according to the Manager’s view of market conditions and the international investment trends and environment. Under exceptional circumstances (e.g. market crash or major crisis), the Sub-Fund may temporarily invest up to e.g. 100% of the Net Asset Value of the Sub-Fund in liquid assets such as bank deposits, certificates of deposit, commercial paper and treasury bills for cash flow management.

The Sub-Fund may make use of FDIs for the purposes of reducing various risks, hedging, and investment (to gain exposure to various assets, markets or other investment opportunities (including derivatives which focus on equities), e.g. funded swap transactions, CAAPs, warrants, and futures).

The Manager will not enter into any securities lending, repurchase or reverse-repurchase transactions in respect of the Sub-Fund.

### *Use of derivatives*

The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's Net Asset Value.

### **Risk Factors Specific to the Sub-Fund**

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 to the Sub-Fund.

#### *Investment risk*

Investors should be aware that investment in the Sub-Fund is subject to normal market fluctuations and other risks inherent in the underlying assets into which the Sub-Fund may invest. There can be no assurance that any appreciation in value of investments will occur. There is no guarantee of repayment of principal.

#### *Active investment management risk*

The Manager employs an actively managed investment strategy for the Sub-Fund. The Sub-Fund does not seek to track any index or benchmark, and there is no replication or representative sampling conducted by the Manager. Instead, investments of the Sub-Fund will be based on the Manager's view of market conditions and international investment trends and environment. The Sub-Fund may fail to meet its objective as a result of the Manager's selection of investments for the Sub-Fund, and/or the implementation of processes which may cause the Sub-Fund to underperform as compared to other funds with a similar objective.

Whilst it is the intention of the Manager to implement strategies which are designed to achieve the investment objective, there can be no assurance that these strategies will be successful. The Manager may not be successful in selecting the best-performing instruments or investment techniques. Accordingly, there is a risk that investors may not recoup the original amount invested in the Sub-Fund or may lose a substantial part or all of their initial investment.

#### *Risk of specific investment strategy*

The Sub-Fund's diversified long-only strategy may not achieve the desired results under all circumstances and market conditions.

#### *Risks of investing in equity securities*

The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

#### *A-Shares Market Suspension and Volatility Risk*

A-Shares may only be bought from, or sold to, the Sub-Fund from time to time where the relevant A-Shares may be sold or purchased on the SSE or the SZSE, as appropriate. Given that the A-Shares market is considered volatile and unstable (with the risk of suspension of a particular stock or government intervention), the Sub-Fund may incur significant loss due to limited investment capabilities, may not be able fully to implement or pursue its investment objectives or strategies. High market volatility and potential settlement difficulties in the A-Shares market may also result in significant fluctuations in the prices of the securities traded on the A-Shares market and thereby may adversely affect the value of the relevant Sub-Fund.

### *Risks associated with regulatory/exchange requirements/policies of Mainland China markets*

Securities exchanges in Mainland China may have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the fund investing in Mainland China. Please also refer to “Risks Associated with Mainland China” under the section headed “Risk Factors” in Part 1 of this Prospectus.

### *Risks Associated with the Stock Connect*

The Sub-Fund’s investments through the Stock Connect may be subject to the following risks.

#### Quota Limitations

The Stock Connect is subject to quota limitations. In particular, once the remaining balance of the Northbound Daily Quota drops to zero or the Northbound Daily Quota is exceeded during the opening call session, new buy orders will be rejected (though investors will be allowed to sell their cross-boundary securities regardless of the quota balance). The Sub-Fund’s ability to invest in A-Shares through the Stock Connect may be affected.

#### Suspension Risk

It is contemplated that both the SEHK and the SSE would reserve the right to suspend Northbound and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the Northbound trading is effected, the Sub-Fund’s ability to access the Mainland China market through the Stock Connect will be adversely affected.

#### Differences in Trading Day

The Stock Connect will only operate on days when both the Mainland China and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days, so it is possible that there are occasions when it is a normal trading day for the Mainland China market but Hong Kong investors (such as the Sub-Fund) cannot carry out any A-Shares trading.

#### Operational Risk

The Stock Connect provides a new channel for investors from Hong Kong and overseas to access the Mainland China stock market directly. Market participants are able to participate in this programme subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house. Market participants may need to address issues arising from the differences on an on-going basis.

Further, the “connectivity” in the Stock Connect requires routing of orders across the border. This requires the development of new information technology systems on the part of the SEHK and exchange participants. There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems fail to function properly, trading in both markets through the programme could be disrupted.

#### Recalling of Eligible Stocks

If a stock is recalled from the scope of eligible stocks for trading via the Stock Connect, the stock can only be sold and cannot be bought. This limits the scope of eligible stocks in which the Sub-Fund may

invest.

### Clearing and Settlement Risk

The HKSCC and CSDCC establish clearing links and each has become a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house. Should the remote event of CSDCC default occur and the CSDCC be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against the CSDCC. HKSCC will in good faith seek recovery of the outstanding stocks and monies from the CSDCC through available legal channels or through the CSDCC's liquidation. In that event, the Sub-Fund may suffer delay in the recovery process or may not be able to fully recover its losses from the CSDCC.

### Regulatory Risk

The Stock Connect is subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in Mainland China and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connect. The regulations are untested and there is no certainty as to how they will be applied, and are subject to change. There can be no assurance that the Stock Connect will not be abolished.

### Coverage of Investor Compensation Fund

Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong. For defaults occurring on or after 1 January 2020, the Investor Compensation Fund also covers investors' losses in relation to securities traded on a stock market operated by the SSE or the SZSE and in respect of which an order for sale or purchase is permitted to be routed through the northbound link of a Stock Connect arrangement. On the other hand, since the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not Mainland brokers, it is not protected by the China Securities Investor Protection Fund (中國投資者保護基金) in Mainland China. Therefore, the Sub-Fund is exposed to the risks of default of the broker(s) it engages in its trading in A-Shares through the programme.

### *Risk associated with access products*

The Sub-Fund may invest indirectly in China A Shares by way of access products (e.g. CAAPs), which are designed to mirror the returns on the underlying China A Shares. While investment in CAAPs entitles the holder to potential profits calculated by reference to the underlying China A Share to which the CAAPs are linked, it is not an investment directly in the China A Shares themselves. The holders of CAAPs have no legal, beneficial or proprietary interest in or to the underlying China A Shares and have no rights to make any claim against the issuer of such underlying China A Shares. The Sub-Fund may obtain exposure to the price appreciation/depreciation and dividend payments in respect of the underlying China A Shares but such products may not reflect the full economic benefits of holding the underlying China A Shares, such as voting rights at meetings of the holders of such China A Shares.

CAAPs are subject to the terms and conditions imposed by their issuers. These terms may lead to delays in implementing the Sub-Fund's investment strategy due to the restrictions they may place on

the issuer acquiring or disposing of the securities underlying the CAAPs or on the implementation of realisations and payment of realisation proceeds to the Sub-Fund. Investment in CAAPs can be illiquid as there is no active market in CAAPs. In order to meet realisation requests, the Sub-Fund relies upon the counterparty issuing the CAAPs to quote a price to unwind any part of the CAAPs. This price will reflect the market liquidity conditions and the size of the transaction.

By seeking exposure to investments in certain China A Shares through CAAPs, the Sub-Fund is taking on, the credit risk of the issuer of the CAAPs. In addition, there is a risk that the issuer will not settle a transaction due to a credit or liquidity problem, thus causing the Sub-Fund to suffer a loss.

Issuers of CAAPs may transfer any possible tax liability by requiring their investors of CAAPs to provide indemnities of possible tax imposed by the tax authorities.

Investment through CAAPs may negatively impact the performance of the Sub-Fund when compared to a fund investing directly in similar assets because of the higher transaction costs involved. This may impact on the performance of the Sub-Fund.

CAAPs may be denominated in currencies other than RMB, and as a result, may expose the Sub-Fund to foreign exchange fluctuations between the denominated currency of the CAAPs and RMB.

Relevant rules and/or the interpretation thereof by the Mainland Chinese authority may be varied in the future. There can be no assurance that any revisions to such rules and/or the change to the interpretation thereof by the Mainland Chinese authority will not prejudice the CAAPs. Further, the use of any direct access channels is subject to review by the competent Mainland Chinese authority from time to time. The investment status of any CAAPs issuer may be cancelled, reduced or eliminated in case of serious breach of law by such issuer, the occurrence of which is likely to have an adverse impact on the Sub-Fund.

#### *Risk associated with small and mid-capitalization companies*

The Sub-Fund may invest in small and mid-capitalization companies. The stocks of such companies may have lower liquidity and their prices are more volatile to adverse economic development than those of larger capitalization companies in general.

#### *Foreign exchange risks*

An investment in the Sub-Fund may involve exchange rate risk, the underlying investments of the Sub-Fund may be denominated in currencies other than the base currency of the Sub-Fund (which is HKD). The Net Asset Value of the Sub-Fund may be affected unfavorably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls. Please also refer to "Foreign Exchange Risk" under the section headed "Risk Factors" in Part 1 of this Prospectus.

#### *Debt securities risks*

*Short-term debt instruments risk* - As the Sub-Fund may invest in short-term debt instruments with short maturities, it means the turnover rates of the Sub-Fund's investments may be relatively high and the transaction costs incurred as a result of the purchase or sale of short-term debt instruments may also increase which in turn may have a negative impact on the Net Asset Value of the Sub-Fund.

*Credit/counterparty risk* - Investment in debt securities is subject to the credit risk of the issuers which 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 issuers of the debt securities held by the Sub-Fund, valuation of the Sub-Fund's portfolio may become more difficult, the Sub-Fund's value will be



adversely affected and investors may suffer a substantial loss as a result.

Fixed income instruments are offered on an unsecured basis without collateral, and will rank equally with other unsecured debts of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer's assets will be paid to holders of debt securities only after all secured claims have been satisfied in full. The Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

Changing market conditions or other significant events, such as credit rating downgrades affecting issuers or major financial institutions, may also pose valuation risk to the Sub-Fund as the value of the Sub-Fund's portfolio of debt securities, including corporate bonds and commercial papers, may become more difficult or impossible to ascertain. In such circumstances, valuation of the Sub-Fund's investments may involve uncertainties and judgemental determinations as there is a possibility that independent pricing information may at times be unavailable. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may need to be adjusted and may be adversely affected. Such events or credit rating downgrades may also subject the Sub-Fund to increased liquidity risk as it may become more difficult for the Sub-Fund to dispose its holdings of bonds at a reasonable price or at all.

*Credit Rating Risk* - Credit ratings assigned by international rating agencies (e.g. Fitch, Moody's, Standard and Poor's) are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.

*Credit Rating Downgrades Risk* - The credit rating of a debt instrument or its issuer may subsequently be downgraded. In the event of such downgrading, the value of the Sub-Fund may be adversely affected. There is no assurance that the debt instruments invested by the Sub-Fund or the issuer of the debt instruments will continue to have an investment grade rating or continue to be rated. The Manager may or may not be able to dispose the debt instruments that are being downgraded.

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

*Valuation Risk* - Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

#### *Risks associated with bank deposits*

Bank deposits are subject to the credit risks of the relevant financial institutions. The Sub-Fund's deposit may not be protected by any deposit protection schemes, or the value of the protection under the deposit protection schemes may not cover the full amount deposited by the Sub-Fund. Therefore, if the relevant financial institution defaults, the Sub-Fund may suffer losses as a result.

#### *Interest Rate Risk*

Investment in the Sub-Fund is subject to interest rate risk. Interest rate risk is the risk that the value of the Sub-Fund's portfolio will decline because of rising interest rates. In general, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise.

#### *Risk of financial derivative instruments*

The Manager invest in FDIs (e.g. funded swap transactions, CAAPs, warrants, and futures), subject to the investment restrictions applicable to the Sub-Fund as set out under the heading “Investment Restrictions” in the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus. These instruments can be highly volatile and expose investors to increased risk of loss. There is no guarantee that the use of FDIs for hedging or risk mitigation / reduction will be effective. Exposure to FDI may lead to a high risk of substantial loss by the Sub-Fund. Please also refer to “Financial Derivative Instruments and Collateral Risks” under the section headed “Risk Factors” in Part 1 of this Prospectus.

#### *Risks associated with funded swap transactions*

The Sub-Fund may obtain exposure to China A-Shares indirectly by way of funded swap transactions. The Manager seeks to mitigate the counterparty risks by fully collateralising all counterparty exposures. There is a risk that the value of the collateral may be substantially lower than the amount secured and so the Sub-Fund may suffer significant losses. Any loss would result in a reduction in the Net Asset Value of the Sub-Fund and impair the ability of the Sub-Fund to achieve its investment objective.

The Sub-Fund may suffer significant losses if the counterparty fails to perform its obligations under the funded swap. The value of the collateral assets may be affected by market events and may cause the Sub-Fund’s exposure to the swap counterparty be under-collateralised and therefore result in significant losses.

#### *Liquidity Risk*

Liquidity risk exists when a particular investment is difficult to purchase or sell. If the Sub-Fund invests in illiquid Securities or the current market become illiquid, it may reduce the returns of the Sub-Fund because the Sub-Fund cannot sell the illiquid Securities at an advantageous time or price. The cost of dealing may be high in such illiquid markets. A disruption in the asset allocation in the Sub-Fund is also possible if underlying Securities cannot be purchased or sold.

#### *Concentration Risk*

The Sub-Fund’s investments are concentrated in companies which have significant business exposure to Hong Kong and/or Mainland China. The Sub-Fund is therefore likely to be more volatile than a broad-based fund that adopts a more diversified strategy. The value of the Sub-Fund may be more susceptible to economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event adversely affecting the Hong Kong and Mainland China markets.

#### *Distribution Risk*

Dividend distributions are not guaranteed and are subject to the discretion of the Manager. Therefore, investors may not receive any dividends from the Sub-Fund, notwithstanding that the Sub-Fund may receive interests from the underlying investments it holds.

#### *Distributions out of or effectively out of capital risk*

The Manager may, at its discretion make distributions out of capital. The Manager may also, at its discretion, make distributions out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of the capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor’s original investment or from any capital gains attributable to that original investment. Any distributions involving payment

of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Unit. The Manager may amend its distribution policy subject to the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

#### *Risks of investing in convertible bonds*

Convertible bonds are a hybrid between debt and equity, permitting holders to convert into shares in the company issuing the bond at a specified future date. As such, convertible bonds will be exposed to equity movement and greater volatility than straight bond investments. Investments in convertible bonds are subject to the same interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable straight bond investments.

#### *"Dim Sum" bond market risks*

The Sub-Fund may invest in "Dim Sum" bonds, i.e. bonds issued outside of Mainland China but denominated in RMB, the market of which is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the "Dim Sum" bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalisation of the offshore RMB (CNH) market by the relevant regulator(s).

### **Mainland China Tax Implications**

*The following summary of Mainland China 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 Mainland China and the laws and practice of their respective jurisdictions. The information below is based on the law and practice in force in Mainland China 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.*

#### *Corporate Income Tax*

Under current PRC Corporate Income Tax Law ("PRC CIT Law") and regulations, if the Sub-Fund is considered to be a Mainland China tax resident, it would be subject to Mainland China Corporate Income Tax ("CIT") at the rate of 25% on its worldwide taxable income. If the Sub-Fund is considered to be a non-resident enterprise with a "Permanent Establishment" ("PE") in Mainland China, it would be subject to CIT on the profits attributable to the PE. The Manager intends to operate the Sub-Fund in a manner that will prevent them from being treated as a Mainland China tax resident and from having a PE in Mainland China, although this cannot be guaranteed. It is possible however, that the relevant Mainland China tax authority could disagree with the conclusion or that changes in Mainland China tax law could affect the Mainland China CIT status of the Sub-Fund.

#### Dividend

Unless a specific exemption or reduction is available under current Mainland China tax laws and regulations or relevant tax treaties, non-tax resident enterprises without a PE in Mainland China are subject to Withholding Income Tax (“WHT”), generally at a rate of 10%, to the extent it directly derives Mainland China sourced passive income. Mainland China sourced passive income (such as dividend income) may arise from investments in Mainland China shares (including A-Shares). The Mainland China entity distributing such dividends is required to withhold such tax at source. Accordingly, the Sub-Fund may be subject to WHT on any cash dividends and distributions it receives from its investment in A-Shares.

The MOF, the SAT and the CSRC have jointly issued a circular concerning the tax treatment for the Shanghai-Hong Kong Stock Connect (Caishui [2014] No. 81 – The Circular Concerning the Tax Treatment for the Pilot Program of the Shanghai-Hong Kong Stock Connect) (“Notice No. 81”) and a circular concerning the tax treatment for the Shenzhen-Hong Kong Stock Connect (Caishui [2016] No. 127 – The Circular Concerning the Tax Treatment for the Pilot Program of the Shenzhen-Hong Kong Stock Connect) (“Notice No. 127”). Pursuant to Notice No. 81 and Notice No. 127, dividends received by Hong Kong market investors (including the Sub-Fund) from A-Shares investment via Stock Connect will be subject to 10% WHT and the Mainland China company distributing the dividend has the withholding obligation. If the recipient of the dividend is entitled to a lower treaty rate, it can apply with the tax bureau in-charge of the Mainland China company (as the payer) for treaty relief and a WHT refund.

Under the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" (the “Mainland-HK Arrangement”), dividends received by a Hong Kong tax resident holder of shares issued by a Mainland China tax resident enterprise will be subject to a reduced Mainland China WHT rate of 5% on the gross amount of the dividends, if (i) the Hong Kong tax resident is the beneficial owner of the dividends; (ii) the Hong Kong tax resident directly holds at least 25% of the equity of the Mainland China company paying the dividends for at least 12 months prior to the receipt of dividend; and (iii) other relevant treaty application procedures are completed. Due to the Sub-Fund’s investment restriction, the Sub-Fund will not hold more than 10% of any ordinary shares issued by any single issuer. In this connection, dividends derived from A-Shares invested through Stock Connect will not be able to benefit from the reduced WHT rate of 5% and the general WHT rate of 10% will be applicable to the Sub-Fund.

In light of the above, the Manager would only make a provision of WHT on the dividends received from Mainland China companies in case the 10% WHT has not been withheld at source.

### *Capital gains*

Based on the PRC CIT Law and its Implementation Rules, “income from the transfer of property” sourced from Mainland China by a non-Mainland China tax resident enterprise should be subject to WHT of 10%. However, pursuant to Notice No. 81 and Notice No. 127, Mainland China CIT will be temporarily exempted on gains derived by Hong Kong market investors (including the Sub-Fund) on the trading of A-Shares through Stock Connect. Based on Notice No. 81 and Notice No. 127, no provision for gross realised or unrealised gains derived from trading of A-Shares via the Stock Connect is made by the Manager on behalf of the Sub-Fund.

It is noted that Notice No. 81 and Notice No. 127 all state that the CIT exemption is temporary. As such, as and when the Mainland China authorities announce the expiry date of the exemption, the Sub-Fund may in future need to make provision to reflect taxes payable, which may have a substantial negative impact on the Net Asset Value of the Sub-Fund.

It should be noted that there is a possibility of the Mainland China tax rules and practices being changed.

#### *Mainland China Value-added Tax (“VAT”) and other surcharges*

With the Caishui [2016] No. 36 (“Notice No. 36”) which came into effect on 1 May 2016, gains derived from the trading of Mainland China marketable securities are subject to VAT starting from 1 May 2016.

Based on Notice No. 36 and Notice No. 127, the gains derived by Hong Kong market investors (including the Sub-Fund) from trading of A-Shares through the Shanghai-Hong Kong Stock Connect are exempt from VAT since 1 May 2016 and the gains derived from transfer of A-Shares through the Shenzhen-Hong Kong Stock Connect are exempt from VAT since 5 December 2016.

In addition, deposit interest income is not subject to VAT. Dividend income or profit distributions on equity investment derived from Mainland China are not included in the taxable scope of VAT.

If VAT is applicable, there are also other surcharges (which include Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) that would amount to as high as 12% of VAT payable. In addition, there may also be other local levies such as flood prevention fee, commodity reconciliation fund and water conservancy fund, depending on the locations of the Mainland China companies.

In light of the above, the Manager would not make VAT provision for gross realised or unrealised gains derived by the Sub-Fund from trading of A-Shares via Stock Connect.

#### *Stamp duty*

Stamp duty under the Mainland China laws generally applies to the execution and receipt of all taxable documents listed in the PRC’s Provisional Rules on Stamp Duty. Stamp duty is levied on the execution or receipt in Mainland China of certain documents, including contracts for the sale of China A- and B-shares traded on the Mainland China stock exchanges. In the case of contracts for sale of China A- and B-shares, such stamp duty is currently imposed on the seller but not on the purchaser, at the rate of 0.1% on the sales consideration. The Sub-Fund will be subject to this tax on each disposal of A-Shares.

According to Notice No. 127, the borrowing and return of shares in relation to shares guarantee and short-selling by Hong Kong market investors through Stock Connect are temporarily exempt from stamp duty since 5 December 2016.

#### *General*

It should be noted that the actual applicable tax imposed by Mainland China tax authorities may be different and may change from time to time. There is a possibility of the rules and practices being changed and taxes being applied retrospectively. As such, any provision for taxation made by the Manager may be excessive or inadequate to meet final Mainland China tax liabilities. Consequently, Unitholders may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units.

The Manager reserves the right to make tax provision for any tax liabilities arising from the income derived from the Sub-Fund’s investments in Mainland China. If the actual applicable tax levied by Mainland China tax authorities is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-

Fund may suffer more than the tax provision amount as the Sub-Fund will ultimately have to bear the additional tax liabilities. In this case, the then existing and new Unitholders will be disadvantaged. On the other hand, if the actual applicable tax levied by Mainland China tax authorities is lower than that provided for by the Manager so that there is an excess in the tax provision amount, Unitholders who have redeemed their Units before Mainland China tax authorities' ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager's overprovision. In this case, the then existing and new Unitholders may benefit if the difference between the tax provision and the actual taxation liability under that lower tax rate can be returned to the account of the Sub-Fund as assets thereof. Notwithstanding the above provisions, Unitholders who have already redeemed their Units in the Sub-Fund before the return of any overprovision to the account of the Sub-Fund will not be entitled or have any right to claim any part of such overprovision.

Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund.

It is possible that the current tax laws, regulations and practice in Mainland China will change, including the possibility of taxes being applied retrospectively, and that such changes may result in higher taxation on Mainland China investments than currently contemplated.

### **Subscription, Redemption and Switching of Unlisted Class Units**

#### *Unlisted Class(es) of Units*

The Sub-Fund currently offers the following Unlisted Class(es) of Units to investors:

Class	Minimum initial investment amount	Minimum subsequent investment amount	Minimum holding amount	Minimum redemption amount
Class A (HKD)	HKD 5,000	HKD 5,000	HKD 5,000	HKD 5,000

Class R (RMB) Units will be offered only to investors in Mainland China for subscription after the relevant approval of the CSRC has been obtained for distribution in Mainland China under the Mainland-Hong Kong Mutual Recognition of Funds initiative and will not be offered in Hong Kong. Investors in Mainland China should refer to the supplementary offering document of the Sub-Fund distributed in Mainland China for details in relation to Class R (RMB) Units.

#### *Subscription and Redemption Procedures*

The following apply to Unlisted Class(es):

- Dealing Day: each Business Day
- Dealing Deadline: 4:00 p.m. (Hong Kong time) on each Dealing Day
- Cleared Funds Deadline: 4:00 p.m. (Hong Kong time) on each Dealing Day
- Valuation Point: the official close of trading on the last relevant Market on which the Securities constituting the Sub-Fund are listed to close

Please refer to the sections headed “Subscription of Unlisted Class Units” and “Redemption of Unlisted Class Units” in Part I of this Prospectus for further details on the subscription, redemption, and payment procedures in respect of Unlisted Class Units.

#### *Payment Procedures for Subscription of Unlisted Class Units*

As disclosed in the sub-section headed “Payment Procedures” under the section headed “Subscription of Unlisted Class Units” in Part I of this Prospectus, if payment in full in cleared funds for Unlisted Class Units have not been received by the Dealing Day immediately after the Dealing Day on which payment for the relevant Unlisted Class Units is due, the Manager has (without prejudice to any claim in respect of the failure of the applicant to make payment when due on such next Dealing Day) the absolute discretion to reject such application and no Unlisted Class Units in respect of such application will be issued.

However, in dealing with subscription applications for Unlisted Class Units of the Sub-Fund, payment for Units issued for cash shall be due and subscription monies in cleared funds must be received by the Cleared Funds Deadline, unless otherwise agreed by the Manager. The Sub-Fund may rely upon applications received on a Dealing Day to issue Units to investors according to such application orders and invest the expected application amounts. In any event, if payment is not cleared within three Business Days following the relevant Dealing Day, or such other time as the Manager shall determine and notify to the relevant applicant, the Manager reserves the right to (without prejudice to any claim in respect of the failure of the applicant to make payment when due) cancel the transaction.

Upon such cancellation, the relevant Unlisted Class Units shall be deemed never to have been issued and the applicant shall have no right to claim in respect thereof against the Manager or the Trustee, provided that: (i) no previous valuations of the Sub-Fund shall be re-opened or invalidated as a result of the cancellation of such Unlisted Class Units; (ii) the Manager and the Trustee may charge the applicant a cancellation fee to represent the administrative costs involved in processing the application for such Unlisted Class Units from such applicant; and (iii) the Manager and the Trustee may require the applicant to pay (for the account of the Sub-Fund in respect of each Unlisted Class Unit so cancelled) the amount (if any), by which the Subscription Price of each such Unlisted Class Unit exceeds the Redemption Value of such Unlisted Class Unit on the day of cancellation (if such day is a Dealing Day for the relevant Unlisted Class) or the immediately following Dealing Day plus interest on such amount until receipt of such payment by the Trustee.

#### *Price adjustment policy*

As disclosed in the sub-section headed “Subscription Price” under the section headed “Subscription of Unlisted Class Units” and the sub-section headed “Redemption Value” under the section headed “Redemption of Unlisted Class Units” in Part I of this Prospectus, in calculating the Subscription Price of Unlisted Class Units, the Manager may impose such amount as the Manager may estimate as appropriate to reflect any Duties and Charges which would be incurred for the account of the relevant Sub-Fund in investing an amount equal to that Net Asset Value per Unit of such Unlisted Class, and in calculating the Redemption Value, the Manager may deduct such amount as the Manager may estimate as appropriate to reflect any Duties and Charges which would be incurred for the account of the relevant Sub-Fund in realising assets or closing out positions to provide funds to meet any redemption request.

However, in calculating the Subscription Price and Redemption Value of Unlisted Class Units of the Sub-Fund, the Manager does not intend to impose or deduct any amount to reflect Duties and Charges which would be incurred for the account of the relevant Sub-Fund in investing an amount equal to that Net Asset Value per Unit or realising assets or closing out positions to provide funds to meet any redemption request. The price adjustment policy as detailed below is instead adopted for the Sub-Fund.

With a view to protecting the interests of all Unitholders of the Sub-Fund, the Manager may, in relation to any Dealing Day (if in the Manager's opinion in good faith it is in the interest of Holders of the Sub-Fund to do so having regard to the amount of subscription and redemption requests in respect of the relevant Unlisted Class of Units of the Sub-Fund received in relation to that Dealing Day), adjust the Subscription Price and/or the Redemption Value upwards or downwards. Such adjustment is intended to mitigate the effect of transaction costs on the Net Asset Value of the Sub-Fund and will be made where the aggregate net transactions (either net subscriptions or net redemptions) as a percentage of the Sub-Fund's Net Asset Value have exceeded a pre-determined threshold rate set by the Manager from time to time. In such circumstances, the Net Asset Value per Unit may be adjusted by a pre-defined rate not exceeding 1% of that Net Asset Value. Under extreme market conditions (such as market crash, global financial crisis or global pandemic), the Manager may increase such rate to protect interests of the Unitholders with prior notification.

For the avoidance of doubt:

- (a) the Subscription Price and Redemption Value, prior to any adjustment, will be determined with reference to the same Net Asset Value per Unit of the relevant Unlisted Class;
- (b) the Subscription Price or the Redemption Value as so adjusted shall apply in respect of all subscriptions or redemptions, as applicable, of Units of the relevant Unlisted Class on the relevant Dealing Day;
- (c) it is not the intention of the Manager to adjust the Subscription Price upwards and the Redemption Value downwards on the same Dealing Day;
- (d) no pricing adjustment will be applied unless the foregoing pre-determined threshold rate has been exceeded; and
- (e) any adjustment in the Subscription Price or Redemption Value must be made on a fair and equitable basis.

### **Switching**

Investors should note that switching between Unlisted Class Units of the Sub-Fund and Unlisted Class Units of other Sub-Fund(s) of the Trust is not available.

### **Distribution Policy**

Subject to the Manager's discretion, the Manager intends to declare and distribute net dividends to Unitholders annually. The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in HKD only. Distributions may be made out of capital as well as income at the Manager's discretion. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital.

Distribution payment rates in respect of Units will depend on factors beyond the control of the Manager or Trustee including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions.

Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment out of or effectively out of the Sub-Fund's capital



may result in an immediate reduction in the Net Asset Value per Unit.

The composition of distributions payable on Units (i.e. the relative amounts of distributions paid and the percentages of dividends out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the website <https://cicchkam.com> (this website has not been reviewed by the SFC). The Manager may amend the Sub-Fund's distribution policy with respect to the distributions out of capital or effectively out of capital of the Sub-Fund subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to Unitholders.

### **Fees and Expenses**

Fees payable by investors of Unlisted Class Units:

Subscription Fee	Up to 5% of the total subscription amount
Redemption Fee	Nil
Switching Fee	Not applicable

Fees and expenses payable from assets of the Sub-Fund:

	Current	Maximum
Management Fee	1.25% of the Net Asset Value of the Unlisted Class	Up to 3% of the Net Asset Value of the Unlisted Class
Trustee Fee	Up to 1% of the Net Asset Value of the Unlisted Class	Up to 1% of the Net Asset Value of the Unlisted Class
General Expenses	The following fees and expenses may be payable out of and borne by the Unlisted Class: The Registrar's fees, fees and expenses of the auditors, securities transaction fee, ordinary out-of-pocket expenses incurred by the Manager or the Trustee or its agents.	

## APPENDIX 5: CICC HKD Money Market ETF

*This is an active exchange traded fund*

Investors should note that this Sub-Fund offers both Listed Class Units and Unlisted Class Units. Please refer to the sections relevant to your intended holding of Units.

### Key Information

Set out below is a summary of key information in respect of this Sub-Fund which should be read together with the full text of this Appendix and this Prospectus.

*Key information applicable to both Listed Class and Unlisted Class*

<b>Base Currency</b>	Hong Kong Dollars (HKD)
<b>Distribution Policy</b>	Subject to the Manager's discretion, the Manager intends to pay distributions to Unitholders annually. <b>All Units will receive distributions in the base currency (HKD) only.</b> Distributions may be made out of capital or effectively out of capital as well as income at the Manager's discretion. Any distributions out of capital or effectively out of capital may result in an immediate reduction in the Net Asset Value per Unit of the Sub-Fund.
<b>Investment Strategy</b>	Please refer to the section on "What is the investment strategy?" below
<b>Financial Year End</b>	31 December
<b>Website</b>	<a href="https://cicchkam.com">https://cicchkam.com</a> (this website has not been reviewed by the SFC)

*Key information applicable to Listed Class only*

<b>Initial Issue Date</b>	1 December 2020 (the Business Day immediately before the Listing Date)
<b>Listing Date (SEHK)</b>	2 December 2020
<b>Issue Price during the Initial Offer Period</b>	HKD 1,000
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Code</b>	03071 – HKD counter
<b>Stock Short Name</b>	A CICC HKD – HKD counter
<b>ISIN Numbers</b>	HK0000658895 – HKD counter
<b>Trading Board Lot Size</b>	1 Unit
<b>Trading Currency</b>	Hong Kong dollars (HKD)

<b>Creation/Redemption Policy</b>	Cash (HKD)
<b>Application Unit Size (only by or through Participating Dealers)</b>	Minimum 1,000 Units (or multiples thereof)
<b>Dealing Deadline</b>	11:00 a.m. (Hong Kong time) on the relevant Dealing Day
<b>Management Fee</b>	Currently 0.245% per year of the Net Asset Value
<b>Listing Agent</b>	China International Capital Corporation Hong Kong Securities Limited
<b>Market Maker(s)</b>	AP Capital Management (Hong Kong) Limited China International Capital Corporation Hong Kong Securities Limited Flow Traders Hong Kong Limited
<b>Participating Dealers</b>	China International Capital Corporation Hong Kong Securities Limited Haitong International Securities Company Limited Mirae Asset Securities (HK) Limited
<b>Service Agent</b>	HK Conversion Agency Services Limited

*Key information applicable to Unlisted Class only*

<b>Unlisted Classes Offered</b>	Class A (HKD) Units Class I (HKD) Units
<b>Minimum Initial Investment Amount</b>	Class A (HKD): HKD1 Class I (HKD): HKD100,000
<b>Minimum Subsequent Investment, Holding Amount and Redemption Amount</b>	Class A (HKD): HKD1 Class I (HKD): HKD100,000
<b>Subscription Price during the Initial Offer Period</b>	HKD1,000
<b>Dealing Deadline</b>	11:00 a.m. (Hong Kong time) on the relevant Dealing Day
<b>Management Fee</b>	Class A (HKD) Units: Currently 0.295% per year of the Net Asset Value Class I (HKD) Units: Currently 0.195% per year of the Net Asset Value
<b>Trustee Fee</b>	Up to 0.1% (inclusive of administration and custody fee)

*Key similarities and differences between Listed Class and Unlisted Class*

<p><b>Investment Objective</b></p>	<p>Same for both Listed Class and Unlisted Class. Please refer to the sections below headed “What is the Investment Objective?” and “What is the Investment Strategy?”</p>
<p><b>Investment Strategy</b></p>	
<p><b>Valuation Policy</b></p>	<p>Same for both Listed Class and Unlisted Class. Please refer to the section headed “Determination of Net Asset Value” of the Prospectus.</p>
<p><b>Dealing Arrangements</b></p>	<p>There are some differences in certain dealing arrangements in respect of each of the Listed Class and Unlisted Class, including but not limited to different minimum amounts for creation/subscription and redemption of Units.</p> <p>Investors should note that the dealing frequency, the definition of “Dealing Day” and the Dealing Deadlines for creation/subscription and redemption in respect of Listed Class and Unlisted Class are the same. However, the applicable dealing procedures and timing with the relevant Participant Dealer (in the case of the Listed Class) and the distributor (if applicable, in the case of the Unlisted Class) may be different. Investors should check with the relevant Participating Dealer or distributor for the applicable dealing procedures and timing.</p> <p><b>In respect of the Listed Class:</b></p> <ul style="list-style-type: none"> <li>- the current Dealing Deadline in the primary market is 11:00 a.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 or otherwise; and</li> <li>- a secondary market investor can buy and sell the Listed Class Units on the SEHK through his stockbroker at any time the SEHK is open. Investors can buy or sell the Listed Class Units at market price.</li> </ul> <p><b>In respect of the Unlisted Class:</b></p> <ul style="list-style-type: none"> <li>- the Dealing Deadline is 11:00 a.m. (Hong Kong time) on each Dealing Day. Investors can buy or sell the Unlisted Class Units at the Net Asset Value of the relevant Unlisted Class. Applicants may apply for Unlisted Class Units through a distributor appointed by the Manager. Distributors may have different dealing procedures, including earlier cut-off times for receipt of applications and/or cleared funds. Applicants who intend to apply for Unlisted Class Units through a distributor should therefore consult the distributor for details of the relevant dealing procedures.</li> </ul>

	<p><b>In respect of the Listed Class and Unlisted Class:</b></p> <ul style="list-style-type: none"> <li>- the creation / subscription or redemption application for Listed Class and Unlisted Class of Units received at or before 11:00 a.m. (Hong Kong time) on a Dealing Day (“Day T”) will be processed at the net asset value per Unit of Listed Class of Units of Day T;</li> <li>- the creation / subscription or redemption application for Listed Class of Units and Unlisted Class received after 11:00 a.m. (Hong Kong time) on Day T will be processed on the next Dealing Day (“Day T+1”) at the net asset value per Unit of Listed Class of Units of Day T+1.</li> </ul> <p>Please refer to the sections headed “Provisions relating to the Offer, Creation, Redemption, Listing and Trading of the Listed Class Units” and “Provisions relating to the Offer, Subscription, Switching and Redemption of the Unlisted Class Units” in the Prospectus for details of the dealing arrangements of Listed Class Units and Unlisted Class Units respectively.</p>
<p><b>Valuation Point</b></p>	<p><b>In respect of the Listed Class and the Unlisted Class:</b></p> <p>The valuation point is approximately 2:00 p.m. (Hong Kong time) on the applicable Dealing Day.</p>
<p><b>Fee Structure</b></p>	<p>Different in respect of each of the Listed Class and Unlisted Class.</p> <p><b>In respect of the Listed Class:</b></p> <p>The current management fee is 0.245% per annum of the Net Asset Value of Listed Class and is accrued daily and calculated as at each Dealing Day. It is payable out of the Listed Class monthly in arrears in HKD.</p> <p>The Listed Class employs a single management fee structure, with the Listed Class paying all of its fees, costs and expenses (and its due proportion of any costs and expenses of the Trust allocated to it) as a single flat fee.</p> <p>An investment in the Listed Class in the secondary market is subject to fees involved in relation to the trading of such Listed Class Units on the SEHK (such as the brokerage fee, transaction levy, FRC transaction levy, trading fee and so on).</p> <p><b>In respect of the Unlisted Classes:</b></p> <p>For Class A (HKD) Units, the management fee is 0.295% per annum of the Net Asset Value of Class A (HKD) Units accrued daily and calculated as of each Dealing Day.</p> <p>For Class I (HKD) Units, the management fee is 0.195% per annum of the Net Asset Value of Class I (HKD) Units accrued daily and calculated as of each Dealing Day.</p>

	<p>The Unlisted Classes do not employ a single management fee structure, the following fees and expenses may be payable out of and borne by each of the Unlisted Classes: The Trustee's fee, Registrar's fees, custodian's fees, fees and expenses of the auditors, securities transaction fee, ordinary out-of-pocket expenses incurred by the Manager or the Trustee or its agents.</p> <p>The Management Fee may be increased up to a permitted maximum (up to 3% per year of the net asset value according to the Trust Deed) on giving 1 month's notice to Unitholders.</p> <p>An investment in the Class A (HKD) Units and Class I (HKD) Units is subject to the payment of Subscription Fees, but not Redemption Fees.</p> <p>Please refer to the section headed "Fees and Expenses" in the Prospectus and the section headed "Fees and Expenses" in this Appendix for further details.</p>
<p><b>Net Asset Value per unit / Creation and Redemption Price</b></p>	<p>The Net Asset Value may be different in respect of each of the Listed Class and Unlisted Class due to various factors, including but not limited to the different fee structures applicable to each class of Units, and charges, stamp duty and so on. Accordingly, the performance of the different classes will be different.</p> <p>Further, Listed Class Units in the secondary market will be bought and sold at market price which may be different from the Net Asset Value per Unit of the Listed Class.</p> <p>Please refer to the relevant risk factors in the Product Key Facts Statements of the Listed Class and Unlisted Class and the section headed "Risk Factors" in this Prospectus.</p> <p>There is a separate Net Asset Value for each class of Units. The Trustee does allow each class of Units to have its own Net Asset Value (i.e. one Net Asset Value for one class of Units).</p>
<p><b>Termination</b></p>	<p>Due to the nature of the listing of the Listed Class Units, the termination procedures applicable to the Listed Class Units and Unlisted Class Units may differ. Please refer to the sub-section headed "Termination" under the section headed "Statutory and General Information" of this Prospectus for further details.</p>

### What is the Investment Objective?

The Sub-Fund's objective is to invest in short-term deposits and high quality money market investments. The Sub-Fund seeks to achieve a return in Hong Kong Dollars in line with prevailing money market rates, with primary considerations of both capital preservation and liquidity. There can be no assurance that the Sub-Fund will achieve its investment objective.

## What is the Investment Strategy?

The Sub-Fund will invest at least 70% of its Net Asset Value in Hong Kong Dollars (“HKD”) denominated and settled short-term deposits and high quality money market instruments issued by governments, quasi-governments, international organisations and financial institutions. High quality money market instruments include debt securities, commercial papers, certificates of deposits and commercial bills. 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 will be taken into account.

The Sub-Fund will invest less than 30% of its Net Asset Value into non-HKD-denominated and settled short-term deposits and high quality money market instruments. The Manager may hedge any non-HKD-denominated and settled investments into HKD to manage any material currency risk.

The value of the Sub-Fund’s holding of investments in the form of short-term and high quality asset backed securities subject to the same criteria as set out below for selection of debt securities, such as mortgage backed securities and asset backed commercial papers, may not exceed 15% of its Net Asset Value.

The asset allocation of the Sub-Fund will change according to the Manager’s view of market conditions and the international investment trends and environment. The Manager will assess the yield of money market instruments, and will take into consideration factors such as currency risk, credit/counterparty risk, liquidity, costs, timing of execution and the relative attractiveness of individual securities and issuers in the market.

The debt securities that may be invested by the Sub-Fund include but are not limited to government bonds, fixed and floating rate bonds. Other than the general criteria described above, the Manager will also consider the following in selecting high quality debt securities:

1. *Credit quality.* The Sub-Fund will only invest in debt securities rated investment grade or above by an independent rating agency, e.g. Fitch, Moody’s, Standard and Poor’s. A short-term debt security is considered investment grade if its credit rating is A-3 or higher by Standard & Poor’s or F3 or higher by Fitch Ratings or P-3 or higher by Moody’s or equivalent rating as rated by one of the international credit rating agencies. For this purpose, if the relevant debt security does not itself have a credit rating, then reference can be made to the credit rating of the issuer or guarantor of such debt security. The Manager maintains effective internal policies and procedures and exercises professional independent judgment on credit assessment, and the aforesaid external rating is only one of the factors taken into account by the Manager in assessing credit quality of debt securities.
2. *Maturity.* Out of investments that fulfil the criteria on credit rating, the portfolio will be constructed out of investments with a target maturity of around 60 days (or below), subject to the overall limit in weighted average maturity, weighted average life and remaining maturity of the portfolio as described below.
3. *Liquidity.* Investments that satisfy the above requirements will be assessed based on liquidity. The Manager will assess the liquidity of the investments based on historical liquidity of similar debt securities, by assessing the days to liquidate for such instruments. Only instruments with high liquidity will be included in the portfolio of the Sub-Fund.

There is no specific geographical allocation of the country or region of issue of the debt securities or deposits, except that the Sub-Fund will not invest more than 30% of its Net Asset Value in emerging markets. Countries or regions in which the Sub-Fund may invest in include Hong Kong, Mainland China, Japan, Korea, Australia, Canada, the United Kingdom, the European Union and the United States. The Sub-Fund may invest less than 30% of its Net Asset Value into onshore Mainland China

markets through available means, including, but not limited to, the China inter-bank bond market under the mutual bond market access between Hong Kong and Mainland China (“Bond Connect”) and the regime allowing foreign institutional investors to invest in the China inter-bank bond market (“Foreign Access Regime”). The onshore Mainland China securities that may be invested by the Sub-Fund include but are not limited to negotiable certificates of deposits, treasury bonds, policy bank bonds, and local government bonds.

The aggregate value of the Sub-Fund’s holding of instruments and deposits issued by a single entity will not exceed 10% of the total Net Asset Value of the Sub-Fund except: (i) where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity’s share capital and non-distributable capital reserves, the limit may be increased to 25%; or (ii) in the case of government and other public securities, up to 30% may be invested in the same issue; or (iii) in respect of any deposit of less than USD1,000,000 or its equivalent in HKD, where the Sub-Fund cannot otherwise diversify as a result of its size.

The Sub-Fund will maintain a portfolio with weighted average maturity not exceeding 60 days and a weighted average life not exceeding 120 days. The Sub-Fund will not purchase an instrument with a remaining maturity of more than 397 days, or two years in the case of government and other public securities.

The Sub-Fund may also enter into reverse repurchase transactions, and its expected exposure to such transactions shall be between 0% to 50% of its Net Asset Value, subject to a maximum of 100% of its Net Asset Value, provided that the aggregate amount of cash provided to the same counterparty may not exceed 15% of its Net Asset Value. Reverse repurchase transactions are transactions where the Sub-Fund buys securities such as bonds using cash and simultaneously agrees to sell such securities back to the counterparty at a pre-determined future date for a pre-determined price. A reverse repurchase transaction is economically similar to secured lending, with the counterparty of the Sub-Fund submitting securities as collateral for the cash that it borrows from the Sub-Fund.

Collateral received may only be cash and high quality money market investments subject to the credit quality, maturity and liquidity requirements set out above. The weighted average maturity and weighted average life of the collateral, together with other investments made by the Sub-Fund in accordance with the investment strategy set out herein, shall not exceed the limits set out above.

A counterparty to the reverse repurchase transactions entered into by the Sub-Fund will be a financial institution subject to ongoing prudential regulation and supervision. It will 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. Subject to the above, there is no requirement on its country or region of origin. All the revenues arising from such transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of such transactions, will be returned to the Sub-Fund.

The Sub-Fund may enter into repurchase transactions for up to 10% of its Net Asset Value. Repurchase transactions are transactions where the Sub-Fund sells securities such as bonds for cash and simultaneously agrees to repurchase the securities from the counterparty at a pre-determined future date for a pre-determined price. A repurchase transaction is economically similar to secured borrowing, with the counterparty of the Sub-Fund receiving securities as collateral for the cash that it lends to the Sub-Fund. It is the intention of the Manager to sell the securities for cash equal to the market value of the securities provided to the counterparty. Cash obtained in repurchase transactions will be used for meeting redemption requests or defraying operating expenses, but will not be re-invested.



The Sub-Fund may borrow up to 10% of its Net Asset Value but only on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses. The Sub-Fund will not write any options.

Up to 10% of the Net Asset Value of the Sub-Fund may be invested in other money market funds authorised by the SFC<sup>17</sup>.

The Sub-Fund currently has no intention to invest in structured deposits, structured products or over-the-counter securities, or to take any short positions, and the Manager will not enter into any securities lending transactions. The Sub-Fund will not invest in instruments with loss-absorption features (such as contingent convertible bonds or senior non-preferred debt). The Sub-Fund will only invest in FDIs for hedging purposes only. If any of this changes in the future, prior approval of the SFC will be sought and not less than one month's notice will be provided to Unitholders before the Sub-Fund enters into any such transaction.

#### *Use of derivatives*

The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's Net Asset Value.

#### **Risk Factors Specific to the Sub-Fund**

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 to the Sub-Fund.

#### *Investment risk*

**The purchase of a Unit in the Sub-Fund is not the same as placing funds on deposit with a bank or deposit-taking company. The Sub-Fund does not guarantee principal and the Manager has no obligation to redeem the Units at the offer value. The Sub-Fund does not have a constant Net Asset Value. The Sub-Fund is not subject to the supervision of the Hong Kong Monetary Authority.**

Investors should be aware that investment in the Sub-Fund is subject to normal market fluctuations and other risks inherent in the underlying assets into which the Sub-Fund may invest. There can be no assurance that any appreciation in value of investments will occur. There is no guarantee of repayment of principal.

#### *Active investment management risk*

The Manager employs an actively managed investment strategy for the Sub-Fund. The Sub-Fund does not seek to track any index or benchmark, and there is no replication or representative sampling conducted by the Manager. Instead, investments of the Sub-Fund will be based on the Manager's view of market conditions and international investment trends and environment. The Sub-Fund may fail to meet its objective as a result of the Manager's selection of investments for the Sub-Fund, and/or the implementation of processes which may cause the Sub-Fund to underperform as compared to prevailing money market rates or other money market funds with a similar objective.

Whilst it is the intention of the Manager to implement strategies which are designed to achieve the

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<sup>17</sup> SFC authorization 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.

investment objective, there can be no assurance that these strategies will be successful. The Manager may not be successful in selecting the best-performing instruments or investment techniques. Accordingly, there is a risk that investors may not recoup the original amount invested in the Sub-Fund or may lose a substantial part or all of their initial investment.

#### *Debt securities risks*

*Short-term debt instruments risk* - As the Sub-Fund may invest significantly in short-term debt instruments with short maturities, it means the turnover rates of the Sub-Fund's investments may be relatively high and the transaction costs incurred as a result of the purchase or sale of short-term debt instruments may also increase which in turn may have a negative impact on the Net Asset Value of the Sub-Fund.

*Credit/counterparty risk* - Investment in debt securities is subject to the credit risk of the issuers which 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 issuers of the debt securities held by the Sub-Fund, valuation of the Sub-Fund's portfolio may become more difficult, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result.

Fixed income instruments are offered on an unsecured basis without collateral, and will rank equally with other unsecured debts of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer's assets will be paid to holders of debt securities only after all secured claims have been satisfied in full. The Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

Changing market conditions or other significant events, such as credit rating downgrades affecting issuers or major financial institutions, may also pose valuation risk to the Sub-Fund as the value of the Sub-Fund's portfolio of debt securities, including corporate bonds and commercial papers, may become more difficult or impossible to ascertain. In such circumstances, valuation of the Sub-Fund's investments may involve uncertainties and judgemental determinations as there is a possibility that independent pricing information may at times be unavailable. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may need to be adjusted and may be adversely affected. Such events or credit rating downgrades may also subject the Sub-Fund to increased liquidity risk as it may become more difficult for the Sub-Fund to dispose its holdings of bonds at a reasonable price or at all.

*Credit Rating Risk* - 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.

*Credit Rating Downgrades Risk* - The credit rating of a debt instrument or its issuer may subsequently be downgraded. In the event of such downgrading, the value of the Sub-Fund may be adversely affected. There is no assurance that the debt instruments invested by the Sub-Fund or the issuer of the debt instruments will continue to have an investment grade rating or continue to be rated. The Manager may or may not be able to dispose the debt instruments that are being downgraded.

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

*Valuation Risk* - Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

### *Risks associated with bank deposits*

Bank deposits are subject to the credit risks of the relevant financial institutions. The Sub-Fund's deposit may not be protected by any deposit protection schemes, or the value of the protection under the deposit protection schemes may not cover the full amount deposited by the Sub-Fund. Therefore, if the relevant financial institution defaults, the Sub-Fund may suffer losses as a result.

### *Interest Rate Risk*

Investment in the Sub-Fund is subject to interest rate risk. Interest rate risk is the risk that the value of the Sub-Fund's portfolio will decline because of rising interest rates. In general, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise.

### *Risks relating to repurchase agreements*

In the event of the failure of the counterparty with which collateral has been placed, the Sub-Fund 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 Sub-Fund 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, the Sub-Fund 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. The Sub-Fund may also be subject to legal risk, operational risks, liquidity risk of the counterparty and custody risk of the collateral.

### *Risks associated with asset backed securities*

The Sub-Fund invests in asset backed securities, such as mortgage backed securities and asset backed commercial papers, which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other money market instruments. They are often exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.

### *Risks of investing in other money market funds*

The Sub-Fund may invest in other money market funds, but does not have control of the investments of these underlying funds and there is no assurance that the investment objective and strategy of these underlying funds will be successfully achieved which may have a negative impact on the Net Asset Value of the Sub-Fund.

There may be additional costs involved when investing into these underlying funds. There is also no guarantee that the underlying funds will always have sufficient liquidity to meet the Sub-Fund's redemption requests as and when made.

Investors should also note that the Sub-Fund's investment in another money market fund is not the same as the Sub-Fund placing funds on deposit with a bank or a deposit-taking company. A money market fund does not guarantee principal, and units or shares in such money market fund may not be redeemed by the Sub-Fund at its offer value.

### *Risk of financial derivative instruments*

The Manager may only invest in FDIs for hedging purposes, subject to the investment restrictions applicable to the Sub-Fund as set out in the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing”. These instruments can be highly volatile and expose investors to increased risk of loss. There is no guarantee that the use of FDIs for hedging purposes will be effective. Exposure to FDI may lead to a high risk of substantial loss by the Sub-Fund. Please also refer to “Financial Derivative Instruments and Collateral Risks” under the section headed “Risk Factors” in this Prospectus.

### *Distribution Risk*

Dividend distributions are not guaranteed and are subject to the discretion of the Manager. Therefore, investors may not receive any dividends from the Sub-Fund, notwithstanding that the Sub-Fund may receive interests from the underlying investments it holds.

### *Liquidity Risk*

Liquidity risk exists when a particular investment is difficult to purchase or sell. If the Sub-Fund invests in illiquid Securities or the current market become illiquid, it may reduce the returns of the Sub-Fund because the Sub-Fund cannot sell the illiquid Securities at an advantageous time or price. The cost of dealing may be high in such illiquid markets. A disruption in the asset allocation in the Sub-Fund is also possible if underlying Securities cannot be purchased or sold.

### *China Inter-bank Bond Market Risks*

Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the China inter-bank bond market may result in prices of certain debt securities traded on such market fluctuating significantly. The Sub-Fund is therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the Sub-Fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

The Sub-Fund is also exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

Investing in the China inter-bank bond market via Bond Connect is also subject to regulatory risks. The relevant rules and regulations on these regimes are subject to change which may have potential retrospective effect. In the event that the relevant Mainland Chinese authorities suspend account opening or trading on the China inter-bank bond market, the Sub-Fund’s ability to invest in the China inter-bank bond market will be adversely affected. In such event, the Sub-Fund’s ability to achieve its investment objective will be negatively affected.

### *Bond Connect Risks*

The relevant rules and regulations on Bond Connect are subject to change which may have potential retrospective effect. In addition, Bond Connect is a novel trading program, and its trading platform and technology and risk management systems have a short operating history. There is no assurance that such platform and/or systems will function as intended. Where a suspension in the trading through Bond Connect is effected or its trading platform and associated systems do not function as intended, the Sub-Fund’s ability to access the Mainland China market through the programme will be adversely affected. In such event, the Sub-Fund will have to increase its reliance on the Foreign Access Regime, and its ability to achieve its investment objective could be negatively affected.

For investments via Bond Connect, the relevant filings, registration with the People's Bank of China ("PBOC") and account opening have to be carried out via an onshore settlement agent, offshore custody agent, registration agent or other third parties (as the case may be). As such, the Sub-Fund is subject to the risks of default or errors on the part of such third parties.

#### *"Dim Sum" bond market risks*

The Sub-Fund may invest in "Dim Sum" bonds, i.e. bonds issued outside of Mainland China but denominated in RMB, the market of which is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the "Dim Sum" bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalisation of the offshore RMB (CNH) market by the relevant regulator(s).

#### *Concentration Risk*

The Sub-Fund will invest primarily in the Hong Kong Dollar-denominated and settled short-term deposits and money market investments. The Sub-Fund is therefore likely to be more volatile than a broad-based fund that adopts a more diversified strategy. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Hong Kong Dollar money markets.

#### *Income Risk*

Falling market interest rates can lead to a decline in income for the Sub-Fund. This can result when, in declining interest rate environment, the Sub-Fund reinvests into securities at a lower yield than then-current Sub-Fund portfolio yield.

#### *Distributions out of or effectively out of capital risk*

The Manager may, at its discretion make distributions out of capital. The Manager may also, at its discretion, make distributions out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of the capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Unit. The Manager may amend its distribution policy subject to the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

### **Mainland China Tax Implications**

*The following summary of Mainland China 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 Mainland China and the laws and practice of their respective jurisdictions. The information below is based on the law and practice in force in Mainland China 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.*

### *Corporate income tax*

Under current PRC Corporate Income Tax Law (“PRC CIT Law”) and regulations, if the Sub-Fund is considered to be a tax resident of the Mainland China, it would be subject to Mainland China enterprise income tax (“Mainland China CIT”) at the rate of 25% on its worldwide taxable income. If the Sub-Fund is considered to be a non-resident enterprise with a “permanent establishment” (“PE”) in Mainland China, it would be subject to Mainland China CIT on the profits attributable to the PE. The Manager intends to operate the Sub-Fund in a manner that will prevent it from being treated as tax resident of the Mainland China and from having a PE in the Mainland China, although this cannot be guaranteed. It is possible however, that the relevant tax authority could disagree with the conclusion or that changes in Mainland China tax law could affect the Mainland China CIT status of the Sub-Fund.

Unless a specific exemption or reduction is available under current Mainland China tax laws and regulations or relevant tax treaties, non-tax resident enterprises without an establishment or place of business in Mainland China are subject to Mainland China CIT on a withholding basis (“WHT”), generally at a rate of 10%, to the extent it directly derives Mainland China sourced passive income.

### Interest

Under the PRC CIT Law and regulations, interest derived from government bonds issued by the in-charge Finance Bureau of the State Council and/or local government bonds approved by the State Council shall be exempt from Mainland China income tax.

On 22 November 2018, Caishui [2018] No.108 (“Circular 108”) was issued to stipulate that foreign institutional investors are temporarily exempt from WHT with respect to bond interest income derived in the onshore bond market for the period from 7 November 2018 to 6 November 2021. However, it is unclear if the exemption would apply to interest income derived from other debt securities traded in the onshore bond market.

### Capital gains

In relation to gains realised from the disposal of bonds issued by Mainland China issuers, the Mainland China authorities have verbally indicated, on various public occasions that such gains are non-Mainland China sourced income and hence not subject to WHT. However, there is no specific written tax regulation to confirm the same. In practice, the Mainland China authorities have not enforced the collection of WHT on gains realised from the disposal of Mainland China debt securities.

### *Value-added tax (“VAT”)*

#### Interest income

Pursuant to Caishui [2016] No. 36 (“Circular 36”), starting from 1 May 2016, interest income from Mainland China bond issuers should technically be subject to 6% VAT. Interest income received from PRC State government bonds and Mainland China local government bonds are exempted from VAT.

On 22 November 2018, Circular 108 was issued to stipulate that foreign institutional investors are temporarily exempt from VAT with respect to bond interest income derived in the onshore bond market for the period from 7 November 2018 to 6 November 2021. However, it is unclear if the

exemption would apply to interest income derived from other debt securities traded in the onshore bond market.

### Capital gains

Pursuant to Circular 36, gains realized from the trading of Mainland China marketable securities would generally be subject to VAT at 6%. In the absence of specific VAT rules on Bond Connect, it may make reference to Article 4 of the “Supplementary Notice Regarding the VAT Policies on Inter-bank Financial Transactions by Financial Institutions” (Caishui [2016] No. 70), income derived by approved foreign investors from the trading of RMB denominated debt securities in the China interbank bond market should be exempt from Mainland China VAT.

If VAT is applicable, there are also other surtaxes (which include Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) that would also be charged at an amount as high as 12% of the 6% VAT payable (or an additional 0.72%). In addition, there may also be other local levies such as flood prevention fee, commodity reconciliation fund and water conservancy fund, depending on the locations of the Mainland China companies.

In this connection, the Manager, having taken and considered independent professional tax advice, has determined that no withholding income tax provision will be made on the gross realised and unrealised capital gains derived from the Sub-Fund’s disposal of debt instruments issued by the Mainland China issuers.

### *General*

In light of the above-mentioned uncertainty and in order to meet the potential tax liability for gains on disposal of debt securities and interest income derived from debt securities via the China inter-bank bond market, the Manager reserves the right to provide for the withholding tax on such income, and withhold tax of 10% for the account of the Sub-Fund in respect of any potential tax on the gross realised and unrealised capital gains and interest income.

Upon any future resolution of the above-mentioned uncertainty or further changes to the tax law or policies, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision (if any) as they consider necessary. The amount of any such tax provision will be disclosed in the accounts of the Sub-Fund.

Any such withholding tax on gains on disposal of debt securities and interest income from debt securities via the China inter-bank bond market may reduce the income from, and/or adversely affect the performance of, the Sub-Fund. The amount withheld will be retained by the Manager for the account of the Sub-Fund until the position with regard to Mainland Chinese taxation of the Sub-Fund in respect of its gains and profits from trading and holding of debt securities via the China inter-bank bond market has been clarified. In the event that such position is clarified to the advantage of the Sub-Fund, the Manager may rebate all or part of the withheld amount to the Sub-Fund. The withheld amount so rebated shall be retained by the Sub-Fund and reflected in the value of its Units. Notwithstanding the foregoing, no Unitholder who redeemed his/her Units before the rebate of any withheld amounts shall be entitled to claim any part of such rebate.

It should also be noted that the actual applicable tax imposed by the Mainland China tax authorities may be different and may change from time to time. There is a possibility of the rules being changed and taxes being applied retrospectively. As such, any provision for taxation made by the Manager for the account of the Sub-Fund may be excessive or inadequate to meet final Mainland China tax liabilities. Consequently, Unitholders of the Sub-Fund may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units in/from the Sub-Fund.

If the actual applicable tax levied by the Mainland China tax authorities is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may suffer more than the tax provision amount as that Fund will ultimately have to bear the additional tax liabilities. In this case, the then existing and new Unitholders will be disadvantaged. On the other hand, if the actual applicable tax rate levied by the Mainland China tax authorities is lower than that provided for by the Manager so that there is an excess in the tax provision amount, Unitholders who have redeemed Units in the relevant Fund before the Mainland China tax authorities' ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager's over-provision. In this case, the then existing and new Unitholders may benefit if the difference between the tax provision and the actual taxation liability under that lower tax amount can be returned to the account of the Sub-Fund as assets thereof.

Unitholders should seek their own tax advice on their own tax position with regard to their investment in the Sub-Fund.

It is possible that the current tax laws, regulations and practice in Mainland China will change, including the possibility of taxes being applied retrospectively, and that such changes may result in higher taxation on Mainland China investments than is currently contemplated.

### **The Offering Phases of the Listed Class Units**

The Initial Offer Period has ended. Dealings in the Listed Class Units on the SEHK commenced on 2 December 2020.

The current Dealing Deadline for the Listed Class Units is 11:00 a.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 investors may buy and sell Listed Class Units in the secondary market on the SEHK and Participating Dealers (for themselves or for their clients) may apply for cash (HKD) creation and redemption of Listed Class Units in the primary market on each Dealing Day.

All Creation Applications shall be in HKD only. Settlement in cash for subscribing Listed Class Units is due at the time specified in the Operating Guidelines on or before the relevant Dealing Day in accordance with the Operating Guidelines.

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

### **Exchange Listing and Trading (Secondary Market) of the Listed Class Units**

Listed Class 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 Listed Class Units on one or more other stock exchanges. Investors' attention is drawn to the section entitled "Exchange Listing and Trading (Secondary Market) of the Listed Class Units" in Part 1 of this Prospectus for further information.

Listed Class Units have been accepted as eligible securities by HKSCC for deposit, clearing and settlement in the CCASS. Dealings on the SEHK in Listed Class Units began on 2 December 2020. Units will trade on the SEHK in board lots of 1 Unit.

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



## Redemptions of Listed Class Units

Listed Class Units can be redeemed directly (through a Participating Dealer). Any accepted Redemption Application will be effected by the payment of cash in accordance with the Operating Guidelines and the Trust Deed. Redemption proceeds paid in cash shall be in HKD only.

## Subscription and Redemption of Unlisted Class Units

### *Unlisted Classes of Units*

The Sub-Fund currently offers the following Unlisted Classes of Units to investors:

Class	Minimum initial investment	Minimum subsequent investment	Minimum holding amount	Minimum redemption amount
Class A Units	HKD1	HKD1	HKD1	HKD1
Class I Units	HKD100,000	HKD100,000	HKD100,000	HKD100,000

### *Subscription and Redemption Procedures*

The following apply to Unlisted Classes:

- Dealing Day: each Business Day
- Dealing Deadline: 11:00 a.m. (Hong Kong time) on each Dealing Day
- Cleared Funds Deadline: 12:00 noon (Hong Kong time) on each Dealing Day
- Valuation Point: approximately 2:00 p.m. (Hong Kong time) on the applicable Dealing Day

Please refer to the sections headed “Subscription of Unlisted Class Units” and “Redemption of Unlisted Class Units” in Part I of this Prospectus for further details on the subscription, redemption, and payment procedures in respect of Unlisted Class Units.

## Switching

Investors should note that switching between Unlisted Class Units and Listed Class Units is not available. Switching between Class A Units and Class I Units is not available. Switching between Unlisted Class Units of the Sub-Fund and Unlisted Class Units of other Sub-Fund(s) of the Trust is not available.

## Distribution Policy

Subject to the Manager’s discretion, the Manager intends to declare and distribute net dividends to Unitholders annually. The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in HKD only. Distributions may be made out of capital as well as income at the Manager’s discretion. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital.

Each Unitholder will receive distributions in HKD only. Unitholders without HKD accounts may have to bear the fees and charges associated with the conversion of such dividend from HKD into any other currency. Unitholders are advised to check with their brokers regarding arrangements for distributions.

Distribution payment rates in respect of Units will depend on factors beyond the control of the Manager or Trustee including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions.

Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment out of or effectively out of the Sub-Fund's capital may result in an immediate reduction in the Net Asset Value per Unit.

The composition of distributions payable on Units (i.e. the relative amounts of distributions paid and the percentages of dividends out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the website <https://cicchkam.com> (this website has not been reviewed by the SFC). The Manager may amend the Sub-Fund's distribution policy with respect to the distributions out of capital or effectively out of capital of the Sub-Fund subject to the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

## **Fees and Expenses**

### *Fees applicable to Listed Class Units only*

The Sub-Fund employs a single management fee structure in respect of the Listed Class Units, with the Sub-Fund paying all of its fees, costs and expenses (and its due proportion of any costs and expenses of the Trust allocated to it) attributable to the Listed Class Units as a single flat fee (the "Listed Class Management Fee"). Fees and expenses taken into account in determining the Listed Class Management Fee include, but are not limited to, the Manager's fee, Trustee's fee, Registrar's fees, fees of the Service Agent, fees and expenses of the auditors, securities transaction fee, ordinary out-of-pocket expenses incurred by the Manager or the Trustee. The Listed Class Management Fee does not include brokerage and transaction costs, fees and extraordinary items such as litigation expenses.

The Listed Class Management Fee is 0.245% per year of the Net Asset Value of the Sub-Fund attributable to the Listed Class and is accrued daily and calculated as at each Dealing Day. It is payable out of the assets of the Sub-Fund attributable to the Listed Class, monthly in arrears in HKD. Fees and expenses of the Sub-Fund attributable to the Listed Class exceeding this level (excluding brokerage and transaction costs, fees and extraordinary items) will be borne by the Manager. The Listed Class Management Fee may be increased up to a permitted maximum (up to 3% per year of the Net Asset Value of the Sub-Fund attributable to the Listed Class according to the Trust Deed) on giving 1 month's notice to Unitholders.

### *Fees applicable to Unlisted Class Units only*

Fees payable by investors of Unlisted Class Units:

Subscription Fee	Up to 3% of the total subscription amount
Redemption Fee	Nil
Switching Fee	Not applicable

Fees and expenses payable from assets of the Sub-Fund:

	Current	Maximum
Management Fee	<p>Class A Units: 0.295% of the Net Asset Value of Class A Units</p> <p>Class I Units: 0.195% of the Net Asset Value of Class I Units</p>	Up to 3% of the Net Asset Value of the relevant Unlisted Class
Trustee Fee	Up to 0.1% of the Net Asset Value of the Unlisted Class	Up to 0.1% of the Net Asset Value of the Unlisted Class
General Expenses	The following fees and expenses may be payable out of and borne by the Unlisted Class: The Trustee's fee, Registrar's fees, custodian's fees, fees and expenses of the auditors, securities transaction fee, ordinary out-of-pocket expenses incurred by the Manager or the Trustee or its agents.	

## APPENDIX 6: CICC Carbon Futures ETF

Investors should note that this Sub-Fund offers Listed Class Units only and references to “Units” in this Appendix 6 shall refer to the Listed Class Units of this Sub-Fund.

### Key Information

Set out below is a summary of key information in respect of this Sub-Fund which should be read together with the full text of this Appendix and this Prospectus.

<b>Index</b>	ICE EUA Carbon Futures Index (Excess Return) (“Excess Return” does not mean any additional return on the Sub-Fund’s performance)
<b>Type of Index</b>	Excess return
<b>Initial Issue Date</b>	22 March 2022 (the Business Day immediately before the Listing Date)
<b>Listing Date (SEHK)</b>	23 March 2022
<b>Exchange Listing</b>	SEHK – Main Board
<b>Stock Codes</b>	03060 – HKD counter 83060 – RMB counter 09060 – USD counter
<b>Stock Short Names</b>	F CICC CARBON – HKD counter F CICC CARBON-R – RMB counter F CICC CARBON-U – USD counter
<b>ISIN Numbers</b>	HK0000828431 – HKD counter HK0000828449 – RMB counter HK0000828456 – USD counter
<b>Trading Board Lot Size</b>	10 Units
<b>Base Currency</b>	Hong Kong dollars (HKD)
<b>Trading Currency</b>	Hong Kong dollars (HKD) Renminbi (RMB) United States Dollars (USD)
<b>Distribution Policy</b>	Subject to the Manager’s discretion, the Manager intends to pay distributions to Unitholders at least annually (in December each year). <b>All Units will receive distributions in the base currency (HKD) only</b> <sup>18</sup> . Distributions may be made out of capital or effectively out of capital as well as income at the

<sup>18</sup> Unitholders without HKD accounts may have to bear the fees and charges associated with the conversion of such dividend from HKD into any other currency. Unitholders are advised to check with their brokers regarding arrangements for distributions.

	Manager's discretion.
<b>Creation/Redemption Policy</b>	Cash (HKD)
<b>Application Unit Size (only by or through Participating Dealers)</b>	Minimum 20,000 Units (or multiples thereof)
<b>Dealing Deadline</b>	4:00 p.m. (Hong Kong time) on the relevant Dealing Day
<b>Management Fee</b>	Currently 0.99% per year of the Net Asset Value
<b>Investment Strategy</b>	Full replication. Please refer to the section on "What is the investment strategy?" below
<b>Financial Year End</b>	31 December
<b>Listing Agent</b>	China International Capital Corporation Hong Kong Securities Limited
<b>Market Maker(s) (HKD, RMB and USD counters)</b>	China International Capital Corporation Hong Kong Securities Limited Flow Traders Hong Kong Limited Jane Street Asia Trading Limited
<b>Participating Dealers</b>	China International Capital Corporation Hong Kong Securities Limited Haitong International Securities Company Limited Mirae Asset Securities (HK) Limited
<b>Service Agent</b>	HK Conversion Agency Services Limited
<b>Website</b>	<a href="https://cicchkam.com">https://cicchkam.com</a> (this website has not been reviewed by the SFC)

### What is the Investment Objective?

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the Index. There can be no assurance that the Sub-Fund will achieve its investment objective.

### What is the Investment Strategy?

In seeking to achieve the Sub-Fund's investment objective, the Manager adopts a full replication strategy through investing directly in all the ICE EUA Futures Contracts ("EUA Futures Contracts") constituting the Index in substantially the same weightings as those of the EUA Futures Contracts in the Index so as to give the Sub-Fund the performance of the Index ("Full Replication Strategy"). In entering the EUA Futures Contracts, the Manager anticipates that no more than 50% of the Net Asset Value of the Sub-Fund from time to time will be used as margin to acquire the EUA Futures Contracts. Under exceptional circumstances, including but not limited to imposition of more stringent margin requirement by an exchange or clearing brokers in extreme market turbulence, the margin exposure may increase beyond 50% of the Net Asset Value.

Under exceptional circumstances, the Manager may, in its absolute discretion and without prior notice to investors, deviate from the Full Replication Strategy and implement alternative investment strategies, which may include investing in EUA Futures Contracts other than those constituting the Index, underweighting or overweighting certain EUA Futures Contracts in the Index, deviating from the rolling strategy and/or rolling schedule, and/or using financial derivative instruments (“FDIs”) (other than EUA Futures Contracts) for hedging purposes, in the best interests of the Sub-Fund and the Unitholders and for the protection of the Sub-Fund.

Not less than 50% of the Net Asset Value (this percentage may be reduced proportionally under exceptional circumstances where there is a higher margin requirement, as described above) of the Sub-Fund in cash (HKD, EUR or USD) will be applied by the Manager towards investing the Sub-Fund in cash (HKD, EUR or USD) and other investment products, such as deposits with banks in Hong Kong and less than 60% of the Sub-Fund’s Net Asset Value in SFC authorised money market funds denominated in different currencies such as USD, HKD and RMB (but less than 30% of the Sub-Fund’s Net Asset Value in each money market fund) in accordance with the requirements of the Code. Yield from such cash and investment products will be used to meet the Sub-Fund’s fees and expenses, and the remainder will form part of the assets of the Sub-Fund and may be distributed by the Manager to Unitholders.

For the purpose of currency hedging, the Manager will make use of derivative instruments such as currency forwards, futures and swaps. For these hedging purposes, it is in the Manager’s sole discretion to achieve flexibility to hedge non-HKD exposure efficiently depending on market conditions.

Other than EUA Futures Contracts, the Sub-Fund does not intend to invest in any financial derivative instruments for non-hedging purposes (except to the extent under any exceptional circumstances as set out above). Other than margin for EUA Futures Contracts, the Sub-Fund will not itself use leverage and the Sub-Fund’s global exposure to FDIs (based on the settlement price of the EUA Futures Contracts) will not exceed 100% of its Net Asset Value.

The Manager will seek to carry out the rolling of the Sub-Fund according to the rolling strategy as stated in the Index methodology with the aim to closely track the Index (see “Futures Roll” under the section “The Index” below). For the Sub-Fund, under normal market conditions the roll will take place as stated in the Index methodology. Under exceptional market conditions, the Manager may, in its discretion and without prior notice to investors, deviate from the rolling strategy and/or rolling schedule as mentioned above in the best interests of the Sub-Fund and the Unitholders and for the protection of the Sub-Fund.

Currently, the Manager has no intention to enter into securities lending transactions, repurchase or reverse repurchase transactions and other similar over-the-counter transactions.

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

#### *Use of derivatives*

The Sub-Fund’s net derivative exposure may be more than 50% but up to 100% of the Sub-Fund’s Net Asset Value.

#### **What are the Index’s Characteristics?**

The Index measures the performance of a long-only basket of EUA Futures Contracts. Each EUA Futures Contract is euro-denominated and represents a lot of 1,000 carbon emission allowances that are deliverable to or from the Union Registry under the European Union Emissions Trading System (“EU ETS”). Each European Union Allowance (“EUA”) is an entitlement to emit one metric tonne of carbon dioxide equivalent gas. EUA Futures Contracts are issued by and traded on ICE Endex, and clear on ICE Clear Europe.

The Index is an excess return (and not a total return) index and therefore represents the return attributed purely to price movement of the constituent EUA Futures Contracts and excludes the interest earned on the collateral. The Index is denominated in EUR.

The Index Provider is ICE Data Indices, LLC (“ICE” or the “Index Provider”). The Manager (and each of its connected persons) is independent of the Index Provider.

## Overview of the EUA Market

### *What is the EU Emission Trading System?*

The EU ETS was set up in 2005 and is the world’s oldest emissions trading system. It is a cornerstone of the European Union (“EU”)’s policy to combat climate change and its key tool for reducing greenhouse gas (“GHG”) emissions cost-effectively. Since it was launched in 2005, it has contributed significantly to achieving the EU’s overall target of reducing GHG emissions by 20% by 2020 from 1990 levels. The EU surpassed this target and reduced GHG emissions by approximately 31% below 1990 levels in 2020. The EU ETS will play a major role in achieving climate neutrality in the EU by 2050, including the intermediate target of at least 55% net reduction in greenhouse gas emissions by 2030.

The EU ETS works on the “cap and trade” principle. A cap is set on the total amount of certain greenhouse gases that can be emitted by the installations (or companies) covered by the system. The cap is reduced over time so that total emissions fall. In addition to ensuring that total emissions fall via cap reduction over time, the “cap and trade” principle is the most transparent method for emission allowances allocation, setting the opportunity cost of emitting carbon, and puts into practice the principle that the polluter should pay.

An “installation” is defined and regulated under the EU ETS as a stationary technical unit within which one or more activities under the scope of the EU ETS are carried out, and any other directly associated activities which have a technical connection with the activities carried out on that site and which could have an effect on emissions and pollution. Examples of installations include power plants, oil refineries, metal miners, and manufacturing plants.

Within the cap, companies buy or receive emissions allowances, which they can trade with one another as needed. Each allowance permits the holder to produce one metric tonne of carbon equivalent greenhouse gases (“tCO<sub>2</sub>e”). The limit on the total number of allowances available ensures that they have a value.

After each year, a company must surrender enough allowances to cover fully its emissions, otherwise heavy fines<sup>19</sup> are imposed. The companies covered by the EU ETS have a legal obligation to participate. If a company reduces its emissions, it can keep the spare allowances to cover its future needs or else sell them to another installation that is short of allowances.

Allowances are either auctioned or given to the emitters (known as free allocation). Historically, utilities have generally had to go through auction, while industrial emitters were largely given free allowances. More heavily emitting industrial companies may have to also go through auction to receive enough allowances to cover their activities.

Within the foregoing “cap and trade” principle, the price of emissions allowances would be impacted by the cap level each year, as well as the level of demand, which may be affected by factors such as:

- *Efficiency of energy usage* – Higher efficiency of energy usage by carbon emitters may result

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<sup>19</sup> Regulated entities must pay an excess emissions penalty of €100/tCO<sub>2</sub>e for each metric tonne of CO<sub>2</sub> emitted for which no allowances have been surrendered and buy and surrender the equivalent amount of allowances.

in a lower demand for emissions allowances. A lower demand in emissions allowances may lead to a decrease in the price of emissions allowances, and vice versa,

- *Economic growth* – Economic growth is generally correlated with an increase in carbon emissions from economic activities such as mining and manufacturing. Such increase in economic activities may lead to increased demand for emissions allowances. An increase in demand in emissions allowances may lead to an increase in the price of emissions allowances, and vice versa,
- *Relative commodity prices* – An increase in the price of higher carbon-emitting commodities (e.g. coal) may lead to lower demand in such commodities and thus carbon emissions allowances, whereas an increase in the price of lower carbon-emitting commodities (e.g. natural gas) may lead to higher demand in higher carbon-emitting commodities and thus carbon emissions allowances. A higher demand in emissions allowances may lead to an increase in the price of emissions allowances, and vice versa, and
- *Seasonal weather patterns* – Unusually cold weather, for instance, normally results in an increase in the use of various heating appliances which lead to increased carbon emissions from power plants, and thereby may result in higher demand for emissions allowances. A higher demand in emissions allowances may lead to an increase in the price of emissions allowances, and vice versa.

According to Refinitiv<sup>20</sup>, EU ETS represents nearly 90% of global value and accounts for most of the record high global traded volume of 10.7 gigatonnes. Over 8 billion emission allowances changed hands in the European carbon market in 2020.

#### *What is a European Union Allowance?*

An EUA is the official name for Europe's emission allowances, which in 2008 was defined as the official Kyoto allowance for countries in the EU. One EUA entitles the holder to emit one metric tonne of carbon dioxide or carbon-equivalent greenhouse gas. The EU member states issue new EUAs on 28 February in every year to each company subjected to the EU's emission trading scheme. These awards follow the allocation plan approved by the European Commission and are based on the Kyoto protocol's obligations. EUAs are awarded for one year at a time. By 30 April, companies are obliged to surrender the number of EUAs corresponding to their actual emissions in the preceding year. EUAs can also be saved from one year to another if a company releases less carbon dioxide than the EUAs it holds.

#### *EUA Supply*

EUA Supply is determined by the number of EUAs made available by each EU member state through national allocation plans (NAPs) in consultation with the European Commission. In a given year, the supply of EUA is primarily driven by the cap, auction and free allocation. The actual EUA supplied through auction and free allocation could be different from the cap in any given year, as the actual volume in auction and free allocation may be adjusted by supply adjustment mechanisms introduced by the EU ETS from time to time, such as Market Stability Reserve and "backloading".

The cap is the maximum absolute quantity of GHG emissions that may be emitted by entities covered by the EU ETS to ensure the ETS emissions reduction target is met, corresponding to the number of allowances put into circulation over a trading period. In Phase 3 (2013-2020) of the EU ETS, the Union-wide cap for stationary installations decreased each year at an annual rate of 1.74%. In Phase 4 (2021-2030) of the EU ETS, the cap on emissions continues to decrease annually at an increased annual rate of 2.2%. The Union-wide cap for 2021 from stationary installations is fixed at

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<sup>20</sup> Source: Refinitive Carbon Market Year in Review 2020, January 2021. Includes futures but excludes options.



1,571,583,007 allowances (2020 cap: 1,816,452,135).

Auction is the primary method of distributing allowances in the EU ETS, accounting for 57% of the cap since the beginning of Phase 3 (2013-2020). In 2020, total auctioned volume is 778,505,000 allowances. The auction is governed by the Commission Regulation (EU) 1031/201033 (Auctioning Regulation), which specifies the timing, administration and other aspects of how auctions should take place to ensure an open, transparent, harmonised and non-discriminatory process.

Free allocation of allowances is provided to sectors covered by the EU ETS, with the exception of most of the EU power sector to assist with their transition towards a low carbon economy. In 2020, total free allocation is 724,800,000 allowances.

### *EUA Demand*

The largest source of demand comes from the major emitters covered by EU ETS. These include entities such as large utilities with a substantial share of fossil fuel fired power plants, cement companies, steel producers, chemical producers, oil and gas majors and airlines. Their holdings in EUAs are typically built over time and ultimately surrendered at time of compliance.

In 2020, verified emissions from stationary installations amounted to 1,355 million tCO<sub>2</sub>e, a decrease of 11.4% compared to 2019, based on the information recorded in the EU Registry.

Demand is driven by various factors, including but not limited to weather conditions (temperatures, precipitation and wind speeds), economic activity (economic growth and activity on financial markets), regulations and policies related to climate and energy, the efficiency of energy usage, and relative commodity prices (coal, electricity, oil and gas).

### *EUA Prices*

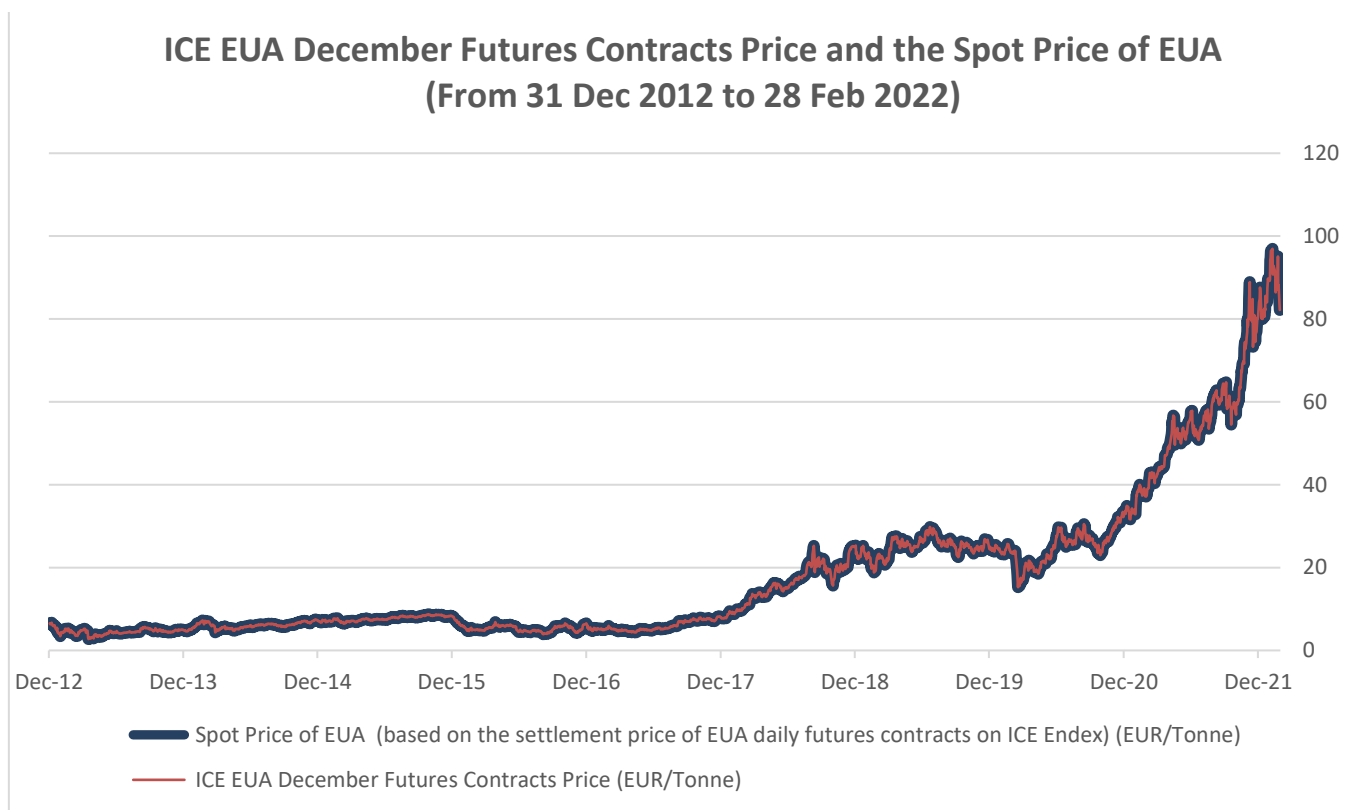
The price of the EUAs is primarily determined by the market mechanism of supply and demand. While the EU ETS does not publish an official spot price, spot prices of EUA generally refer to the continuous prices quoted and/or the settlement prices of the EUA daily futures contracts on ICE Endex (Bloomberg Ticker: ICEDEU3 Index) or EEX (Bloomberg Ticker: EEXX04EA Index). The settlement price of ICE Endex's EUA daily futures contract is the volume weighted average price (VWAP) of all valid trades which were executed during the settlement window, from 17:05 CET to 17:15 CET. The settlement price of EEX's EUA daily futures contract is governed by the EEX's settlement pricing procedure which take into account the valid trades and orders during the settlement window, from 17:05 CET to 17:15 CET. The foregoing prices on the ICE Endex and the EEX may be different. However, the spot price of EUA quoted on the ICE Endex is considered the most representative, since trading of EUA daily futures contracts concentrates on the ICE Endex, where the number of contracts traded has historically been substantially higher than the number of contracts traded on the EEX. The current year December expiration EUA Futures Contracts (Bloomberg Ticker: MODEC1 Comdty) is often quoted as EUA price as well. These market prices are available on the exchanges' websites and the Bloomberg terminal.

EU emissions dropped significantly following the 2008/09 Financial Crisis, resulting in the EU ETS having an over-supply of allowances in Phase 2 of the ETS (which was concluded in 2012), and consequently Phase 2 EUA prices dropped significantly as no emissions abatement was required. As an increase in decarbonisation emissions at that time was politically unrealistic, the EU Commission instead implemented two measures within Phase 3 of the EU ETS.

First, in 2014, the EU implemented "backloading", which temporarily withheld 900 million allowances from the market to stabilise the market with the aim of encouraging faster decarbonisation.

Second, in 2017, the EU followed up with the implementation of the Market Stability Reserve, which institutionalises a supply adjustment based on emission trends. This has made the EU ETS more resilient against external impacts and reduces the likelihood of future regulatory intervention.

COVID lockdowns caused a short term price fall as immediate demand crashed when industrial production was shuttered in Spring 2020 (amongst other COVID effects), but the EU's Green New Deal and announcement of more ambitious decarbonisation targets under the Paris Agreement have led to increases in the price of EUAs in 2021 to record highs.



Further information about EU ETS and EUA can be found on the European Commission website ([https://ec.europa.eu/clima/policies/ets\\_en](https://ec.europa.eu/clima/policies/ets_en)) (this website has not been reviewed by the SFC).

#### *What are ICE EUA Futures Contracts?*

Each EUA Futures Contract is euro-denominated and represents a lot of 1,000 EUA that are deliverable to or from the Union Registry under EU ETS. Each EUA is an entitlement to emit one metric tonne of carbon dioxide equivalent gas. EUA Futures Contracts trade on ICE Exch and clear on ICE Clear Europe.

ICE Exch is ICE's exchange based in continental Europe. As the leading energy exchange in continental Europe, ICE Exch provides liquid European gas, emissions and power markets that enable energy firms, EU ETS compliance entities and financial participants to effectively manage price risk.

EUA Futures Contracts are the deepest and most liquid carbon allowance futures contract globally, trading nearly 35,000 futures contracts daily. There are up to 7 December EUA Futures Contracts, 6 quarterly EUA Futures Contracts and 2 monthly EUA Futures Contracts (or such other number of contract expirations as otherwise determined and announced by ICE Exch from time to time) available on the ICE Exch, but trading concentrates on December contracts. The open interest of EUA Futures Contracts exceeds 0.97 million lots, equivalent to more than 970 million EUAs.

Further information about EUA Futures Contracts can be found on the ICE's website (<https://www.theice.com/products/197/EUA-Futures>) (this website has not been reviewed by the SFC).

#### *Difference between EUA Price and EUA Futures Contract Price*

An EUA is an emission allowance which entitles the holder to emit one metric tonne of carbon dioxide or carbon-equivalent greenhouse gas, whereas an EUA Futures Contract represents a lot of 1,000 EUA that are deliverable under the EU ETS.

Investors should note that the Sub-Fund does not invest directly in EUA but instead invests in EUA Futures Contracts with an aim to provide investment results that, before fees and expenses, closely correspond to the performance of the Index, which measures the performance of EUA Futures Contracts rather than EUA. The Sub-Fund invests in current year / next year December expiration EUA Futures Contracts and the price of such an EUA Futures Contract reflects the expected value of the EUA upon delivery in the future in current year / next year December, whereas the spot price of EUA reflects the daily immediate delivery value of the EUA with daily expiry on ICE Endex. A variety of factors can lead to a disparity between the expected future price of an EUA and the spot price at a given point in time, such as interest charges incurred to finance the purchase of the EUA and expectations concerning supply and demand for the EUA at the delivery date. The price movements of an EUA Futures Contract are typically correlated with the movements of the spot price of the EUA, but the correlation is generally imperfect and price movements in the spot market may not be reflected in the futures market (and vice versa). Accordingly, the Sub-Fund may outperform or underperform a similar investment that is linked to the spot price of EUA.

### **Risk Factors Specific to the Sub-Fund**

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 to the Sub-Fund.

#### ***Carbon Emissions Allowance Market Risks***

##### *Carbon Emissions Volatility Risk*

The Sub-Fund invests directly in all the EUA Futures Contracts constituting the Index in substantially the same weightings as those in the Index. The value of such EUA Futures Contracts, and thus the Net Asset Value of the Sub-Fund, may be impacted by carbon emissions prices, which in turn may fluctuate widely and may be affected by factors including:

- global and local supply and demand of carbon emissions allowances. Supply is set by the availability of EUAs, as dictated by the national allocation plans (“NAPs”), and other project based credits that may be used within the EU ETS. Factors affecting demand (via the level of greenhouse gas emissions) include the efficiency of energy usage, economic growth, economic activity in countries that are significant producers of carbon emissions, relative commodity prices and seasonal weather patterns;
- the inclusion of new industries in the EU ETS will also affect the supply-demand balance and the price of EUAs. For example, the inclusion of the aviation sector increased demand for EUAs from producers and expanded the available pool of EUAs under NAPs;
- global or regional political, economic or financial events and situations, which might lead to disruptions in demand and supply. Such events could also cause trading on the relevant exchanges to be disrupted, which may prevent trading of EUA Futures Contracts from operating normally for such period;
- investors’ expectations with respect to the future rates of economic activity and inflation; and
- investment and trading activities of hedge funds, commodity funds and other speculators and the investment, trading and hedging activities of carbon emissions producers and suppliers.

Day to day positive or negative movements in local and international financial markets and factors

that affect the investment climate and investor sentiment could all affect the level of trading in commodities, including carbon emissions, and, therefore, the Net Asset Value of the Sub-Fund. Investors should note that general movements in markets and factors that affect the investor climate and investor sentiment may have different effects on the Net Asset Value of the Sub-Fund.

### *Energy Sector Risk*

The energy sector is a major emitter of greenhouse gases and its activities may thus significantly impact the supply and demand of emissions allowances. For instance, further advances in renewable energy technology, improved efficiency of energy usage and/or unusually warm weather patterns may result in an increase in supply and/or decrease in demand for such allowances which in turn may have a negative impact on the Net Asset Value of the Sub-Fund.

### *EUA Volatility Risk*

EUA prices are highly influenced by policy that determines the availability of the allowances. The EUA market has gone through periods of excess supply, but the general direction of travel from policy makers is to tighten supply to meet environmental goals. Market speculation about the pace of this tightening can influence both price and price volatility. Also recessions which reduce economic activity and by extension carbon-emitting activity can move prices lower and/or contribute to price volatility.

The EUA Futures Contract prices may be subject to sharp price movements and such volatility can have a negative impact on the investor experience. An investor in the Sub-Fund may lose the value of their entire investment or part of their investment. Investors should be aware that the historical performance of the EUA should not be considered as an indication of future performance.

### *Concentration / Single Commodity Risk*

The Sub-Fund's investments are concentrated in current year December expiration EUA Futures Contracts. This may generally result in higher concentration risk and price volatility of the Sub-Fund than a fund having a more diverse portfolio of investments or which holds future contracts with different expiring months. The value of the Sub-Fund may be more susceptible to economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event adversely affecting the EUA market.

### *"Cap and Trade" Principle Risk*

The EU ETS works on the "cap and trade" principle, whereby a cap is set on the total amount of certain greenhouse gases that can be emitted by the installations (or companies) covered by the system, and companies trade emissions allowances within such cap which is reduced over time. Whilst the cap is reduced over time, should the rate or level of reduction in such cap be lower than market expectations, the prices of emissions allowances, and thus the Index level and the Net Asset Value of the Sub-Fund, may be negatively affected. Where GHG emitting companies have limited means of passing the cost of emissions allowances to its consumers, the financial health of these companies may deteriorate and the demand for emissions allowances may thus decrease, adversely impacting the Index level and thus the Net Asset Value of the Sub-Fund.

In addition, compared to a carbon tax system, a "cap and trade" system may lead to greater volatility in carbon emissions prices where the allocation of emissions allowances may be larger or smaller than is expected or needed, and there is no guarantee that there is adequate liquidity in the EUA Futures Contract market for its participants, including the Sub-Fund, to efficiently trade EUA Futures Contracts, particularly where the allocation of emissions allowances for the relevant period is inadequate. As the EU ETS is relatively new, investment in or based on such scheme may potentially be riskier than investments in more traditional markets, and there is a shorter track record that demonstrates that this scheme can continue to exist. These features of the "cap and trade" system

may have an adverse impact on the Net Asset Value of the Sub-Fund.

### ***Futures Contracts Risk***

#### *Rolling of Futures Contracts Risk*

The Manager will seek to carry out the rolling of the Sub-Fund according to the rolling strategy as stated in the sub-section "Futures Roll" under the section "The Index". The value of the Index (and thus the Net Asset Value of the Sub-Fund) may be adversely affected by the cost of rolling positions forward (due to the higher price of the EUA Futures Contract with later expiration date if the market is in contango). The change in price of a EUA Futures Contract may reflect many factors such as perceived economic and/or climate changes or political circumstances as well as increased demand.

#### *Contango and Backwardation Risk*

The Index and thus the Sub-Fund's rolling strategy involves the replacement of shorter-dated EUA Futures Contracts with longer-dated EUA Futures Contracts (such replacement also known as "rolling"). Excluding other considerations, if the market for EUA Futures Contracts included in the Index is in a "contango" market, where the prices are higher in the distant delivery months than in the nearer delivery months, the sale of the EUA Futures Contracts included in the Index would take place at a price that is lower than the price of the contract which such EUA Futures Contracts will be rolled to. Accordingly sale proceeds from selling existing EUA Futures Contracts included in the Index when rolling will not be sufficient to purchase the same number of contracts with later expiration date which have a higher price, thereby creating a negative "roll yield". By contrast, if the market for these contracts is in "backwardation", where the prices of the EUA Futures Contracts with later expiration dates are lower than the prices of EUA Futures Contracts with earlier expiration dates, the sale of the current contracts would take place at a price that is higher than the price of the contracts with later expiration date, thereby creating a positive "roll yield". Contango or backwardation could last for an undetermined period of time. Because roll yields are considered in the calculation of the Index, the presence of contango in the commodity markets could result in negative "roll yields," which could adversely affect the level of the Index and the Net Asset Value of the Sub-Fund. Investors should note that save for the transaction cost incurred, "rolling" in itself is not a loss or return-generating event. The roll yield is typically realised over time.

#### *Margin Risk*

The Sub-Fund's investment in EUA 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 an EUA Futures Contract may result in a proportionally high impact and substantial losses to the Sub-Fund having a material adverse effect on the Net Asset Value of the Sub-Fund. Like other leveraged investments, a futures transaction by the Sub-Fund may result in losses in excess of the amount invested by the Sub-Fund. Additional funds may need to be posted as margin or collateral to meet such calls based upon daily marking to market of EUA Futures Contracts. Increases in the amount of margin or collateral or similar payments may result in the need for the Sub-Fund to liquidate its investments at unfavourable prices in order to meet margin or collateral calls. This may result in substantial losses to investors.

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

In the event of the bankruptcy of the relevant exchange's clearing house, the Sub-Fund could be exposed to a risk of loss with respect to its assets that are posted as margin. There can be no assurance that the protections against bankruptcy of the clearing house (if any) will be effective in allowing the Sub-Fund to recover all, or even any, of the amounts it has deposited as margin.

### *Futures Contracts Market Risks*

The EUA Futures Contracts market may be uncorrelated to traditional markets (such as equities markets) and may be subject to greater risks than traditional 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 and may deviate substantially from the day-end price of the underlying investments. 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. There can be no assurance that future political changes will not adversely affect the economic conditions of global economies. Political or economic instability may affect Futures Contracts, which could adversely impact the value of the Index and, as a result, the Net Asset Value per Unit.

### *No Rights in the Futures Contracts Risk*

Owning Units of the Sub-Fund is not the same as directly owning EUA Futures Contracts. As an owner of Units in the Sub-Fund, a Unitholder will not have rights that holders of EUA or EUA Futures Contracts included in the Index may have. A Unitholder will have no right to receive delivery of any EUA or EUA Futures Contracts. A Unitholder will have no right to receive any payment or delivery of amounts in respect of the EUA Futures Contracts included in the Index.

The return on Units will not reflect the return investors would realise if investors actually purchased EUA or EUA Futures Contracts included in the Index, or exchange traded or over-the-counter instruments based on the Index.

### *Mandatory Measures imposed by Relevant Parties Risk*

Regarding the Sub-Fund's futures positions, relevant parties (such as clearing brokers, execution brokers and ICE Endex) may impose certain mandatory measures under extreme market circumstances. These measures may include limiting the size and number of the Sub-Fund's futures positions and/or mandatory liquidation of the Sub-Fund's futures positions without advance notice to the Manager. In response to such mandatory measures, the Manager may have to take corresponding actions in the best interests of and without prior notice to the Unitholders and in accordance with the Sub-Fund's constitutive documents, including but not limited to implementing alternative investment and/or hedging strategies as provided for in the above section "What is the investment strategy?". These corresponding actions may have an adverse impact on the Sub-Fund. While the Manager will endeavour to provide advance notice to investors regarding these actions, such advance notice may not be possible in some circumstances.

### *Risk of Material Non-correlation with Spot/current Market Price of EUA*

The Index measures the performance of EUA Futures Contracts rather than EUA. The Sub-Fund invests in current year / next year December expiration EUA Futures Contracts and the price of such an EUA Futures Contract reflects the expected value of the EUA upon delivery in the future in current year / next year December, whereas the spot price of EUA reflects the daily immediate delivery value of the EUA with daily expiry on ICE Endex. As such, the performance of the Index may substantially differ from the current market or spot price performance of EUA. Accordingly, the Sub-Fund may underperform a similar investment that is linked to the spot price of EUA.

### ***Risk of Financial Derivative Instruments***

The Sub-Fund's investment in FDIs, including EUA Futures Contracts, are subject to the investment

restrictions applicable to the Sub-Fund as set out under the heading “Investment Restrictions” in the section headed “Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing” in Part 1 of this Prospectus. Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund. Exposure to FDI may lead to a high risk of significant loss by the Sub-Fund.

There is also no guarantee that the use of FDIs for hedging or risk mitigation / reduction will be effective. Please also refer to “Financial Derivative Instruments and Collateral Risks” under the section headed “Risk Factors” in Part 1 of this Prospectus.

#### ***Risk related to Unscheduled Roll of the Sub-Fund***

It is specified in the section “What is the Investment Strategy?” above that, under exceptional market conditions, the Manager may in its discretion and without prior notice to investors deviate from the rolling strategy and/or rolling schedule stated in the Index methodology in the best interests of the Sub-Fund and the Unitholders and for the protection of the Sub-Fund. There is a risk that the tracking error and tracking difference of the Sub-Fund may increase.

#### ***Risks of investing in Money Market Funds***

The Sub-Fund may invest in money market funds, but may not have control of the investments of these underlying funds and there is no assurance that the investment objective and strategy of these underlying funds will be successfully achieved which may have a negative impact on the Net Asset Value of the Sub-Fund.

There may be additional costs involved when investing into these underlying funds. There is also no guarantee that the underlying funds will always have sufficient liquidity to meet the Sub-Fund’s redemption requests as and when made.

Investors should also note that the Sub-Fund’s investment in a money market fund is not the same as the Sub-Fund placing funds on deposit with a bank or a deposit-taking company. A money market fund does not guarantee principal, and units or shares in such money market fund may not be redeemed by the Sub-Fund at its offer value.

The Sub-Fund may invest in money market funds managed by the Manager or its connected persons. In doing so, all initial charges on these money market funds must be waived, and the Manager must not obtain rebate of any fees or charges levied by these money market funds. In case any conflict of interest may still arise out of such investments, the Manager will use its best endeavours to resolve it fairly. Please refer to the section headed “Conflicts of interest and soft dollars” of the Prospectus for details.

#### ***Regulatory Change / Government Intervention and Restrictions Risk***

The regulations applicable to the Sub-Fund and its underlying investments may be subject to rapid change by government and judicial action. The effect of any such regulatory changes on the Sub-Fund 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 Sub-Fund and what can be done, if anything, to try and limit such impact.

Governments and regulators may intervene in the financial markets and EUA related markets, such as by the imposition of trading restrictions and/or position limits. This may affect the operation and market making activities of the Sub-Fund, and may create negative market sentiment which may in turn affect the performance of the Index and the Sub-Fund.

### ***European Union Risk***

European Union (EU) member states issue new EUAs every year to each company subjected to the EU's emission trading scheme. As such, the Sub-Fund's investment in EUA Futures Contracts may be subject to higher volatility, liquidity, currency and default risks pertaining to EU member states, particularly in light of ongoing concerns on sovereign debt of certain European countries. Any adverse events, such as credit downgrade of a sovereign or exit of EU members from the Eurozone, may have a negative impact on the value of the Sub-Fund.

### ***Foreign Exchange Risk***

The Sub-Fund is denominated in HKD whilst EUA Futures Contracts and the Index are both denominated in EUR. Other investments of the Sub-Fund may also be denominated in a currency other than HKD. The Sub-Fund may thus be subject to transaction costs in the exchange of such other currencies to HKD. The performance and the Net Asset Value of the Sub-Fund may therefore be affected unfavourably by movements in the exchange rate between HKD and such other currencies and changes in exchange rate control policies. Please also refer to "Foreign Exchange Risk" under the section headed "Risk Factors" in Part 1 of this Prospectus.

### ***Other Currency Distribution Risk***

Investors should note that all Units will receive distribution in HKD only. In the event that the relevant Unitholder has no HKD account, the Unitholder may have to bear the fees and charges associated with the conversion of such distribution from HKD to another currency. The Unitholder may also have to bear bank or financial institution fees and charges associated with the handling of the distribution payment. Unitholders are advised to check with their brokers regarding arrangements for distributions.

### ***Excess Return Index Risk***

The Index is an excess return index, which means the Index measures the returns accrued from investing in uncollateralised EUA Futures Contracts (i.e. the sum of the price return and the roll return associated with an investment in EUA Futures Contracts). By contrast, total return indices, in addition to reflecting those returns, also reflect interest that could be earned on funds committed to the trading of the Futures Contracts included in such indices (i.e. the collateral return associated with an investment in Futures Contracts). Investing in the Sub-Fund will therefore not generate the same return as would be generated from investing directly in the relevant EUA Futures Contracts or in total return indices related to such EUA Futures Contracts.

### ***New Product Risk***

The Sub-Fund is a futures-based ETF investing directly in EUA Futures Contracts. The novelty of such an ETF and the fact that the Sub-Fund is one of the first few futures-based ETFs in Hong Kong makes the Sub-Fund potentially riskier than traditional ETFs investing in equity securities.

### ***New Index Risk***

The Index is a relatively new index. The Sub-Fund may be riskier than other exchange traded funds tracking more established indices with longer operating history.

### ***Distributions Out of or Effectively Out of Capital Risk***

The Manager may, at its discretion make distributions out of capital. The Manager may also, at its discretion, make distributions out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in



distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of the capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Unit. The Manager may amend its distribution policy subject to the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

### **The Offering Phases**

The Initial Offer Period has ended. Dealings in Units on the SEHK commenced on 23 March 2022.

The current Dealing Deadline 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 investors may buy and sell Units in the secondary market on the SEHK and Participating Dealers (for themselves or for their clients) may apply for cash (HKD) creation and redemption of Units in the primary market on each Dealing Day.

All Creation Applications shall be in HKD only, notwithstanding a Multi-Counter arrangement being adopted for the Sub-Fund. Settlement in cash for subscribing Units is due at the time specified in the Operating Guidelines on or before the relevant Dealing Day in accordance with the Operating Guidelines.

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

### **Multi-Counter**

The Manager has arranged for the Listed Class Units of the Sub-Fund to be available for trading on the secondary market on the SEHK under a Multi-Counter arrangement. Listed Class Units are denominated in HKD. The Sub-Fund offers 3 trading counters on the SEHK (i.e. HKD counter, RMB counter and USD counter) to investors for secondary trading purposes. Listed Class Units traded in HKD counter will be settled in HKD, Listed Class Units traded in RMB counter will be settled in RMB and Listed Class Units traded in USD counter will be settled in USD. Apart from settlement in different currencies, the trading prices of Listed Class Units in the counters may be different as the different counters are distinct and separate markets.

Listed Class Units traded on each counter are of the same class and all Unitholders of all counters are treated equally. The counters will have different stock codes, different stock short names and different ISIN numbers and set out in the section "Key Information" above.

Normally, investors can buy and sell Listed Class Units traded in the same counter or alternatively buy in one counter and sell in another counter provided their brokers provide trading services in the relevant currency at the same time and offer inter-counter transfer services to support Multi-Counter trading. Inter-counter buy and sell is permissible even if the trades take places within the same trading day. However, investors should note that the trading price of Listed Class Units traded in each counter may be different and may not always maintain a close relationship depending on factors such as market demand and supply and liquidity in each counter. Investors should consult their brokers if they have any questions concerning fees, timing, procedures and the operation of the Multi-Counter, including inter-counter transfers. Investors' attention is also drawn to the risk factor in Part 1 of the Prospectus entitled "Risks Associated with Multi-Counter".

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

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) of the Listed Class Units" in Part 1 of this Prospectus for further information.

Units have been accepted as eligible securities by HKSCC for deposit, clearing and settlement in the CCASS. Dealings on the SEHK in Units began on 23 March 2022. Units will trade on the SEHK in board lots of 10 Units.

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). Any accepted Redemption Application will be effected by the payment of cash in accordance with the Operating Guidelines and the Trust Deed. Redemption proceeds paid in cash shall be in HKD only, notwithstanding a Multi-Counter arrangement being adopted for the Sub-Fund.

### **Distribution Policy**

Subject to the Manager's discretion, the Manager intends to declare and distribute net dividends to Unitholders at least annually (in December each year). The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in HKD only. Distributions may be made out of capital as well as income at the Manager's discretion. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital.

Each Unitholder will receive distributions in HKD only. Unitholders without HKD accounts may have to bear the fees and charges associated with the conversion of such dividend from HKD into any other currency. Unitholders are advised to check with their brokers regarding arrangements for distributions.

Distribution payment rates in respect of Units will depend on factors beyond the control of the Manager or Trustee including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions.

Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment out of or effectively out of the Sub-Fund's capital may result in an immediate reduction in the Net Asset Value per Unit.

The composition of distributions payable on Units (i.e. the relative amounts of distributions paid and the percentages of dividends out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the website <https://cicchkam.com> (this website has not been reviewed by the SFC). The Manager may amend the Sub-Fund's distribution policy with respect to the distributions out of capital or effectively out of capital of the Sub-Fund subject to the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

## **Fees and Expenses**

### *Management fee*

The Sub-Fund employs a single management fee structure, with the Sub-Fund paying all of its fees, costs and expenses (and its due proportion of any costs and expenses of the Trust allocated to it) as a single flat fee (the "Management Fee"). Fees and expenses taken into account in determining the Management Fee include, but are not limited to, the Manager's fee, the Trustee's fee, the Registrar's fees, fees of the Service Agent, fees and expenses of the auditors, securities transaction fee, ordinary out-of-pocket expenses incurred by the Manager or the Trustee. The Management Fee does not include brokerage and transaction costs, fees and extraordinary items such as litigation expenses.

The Management Fee is 0.99% per year of the Net Asset Value of the Sub-Fund and is accrued daily and calculated as at each Dealing Day. It is payable out of the assets of the Sub-Fund monthly in arrears in HKD. Fees and expenses of the Sub-Fund exceeding this level (excluding brokerage and transaction costs, fees and extraordinary items) will be borne by the Manager. The Management Fee may be increased up to a permitted maximum (up to 3% per year of the Net Asset Value of the Sub-Fund attributable to the Listed Class according to the Trust Deed) on giving 1 month's notice to Unitholders.

## **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 of the date of this Appendix, 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*

The Index of the Sub-Fund is the ICE EUA Carbon Futures Index (Excess Return). The Index measures the performance of a long-only basket of EUA Futures Contracts. Each EUA Futures Contract is euro-denominated and represents a lot of 1,000 carbon emission allowances (i.e. EUA) that are deliverable to or from the Union Registry under the EU ETS. Each EUA is an entitlement to emit one metric tonne of carbon dioxide equivalent gas. EUA Futures Contracts trade on ICE Endex and clear on ICE Clear Europe.

The Index is denominated in EUR. It was launched on 22 April 2020 and had a base value of 100 as at 31 December 2013.

### *Index Provider*

The Index Provider is ICE Data Indices, LLC. The Manager (and each of its connected persons) is independent of the Index Provider.

### *Index Constituents*

The Index is composed of current year December expiration EUA Futures Contracts and (during the rolling period only) the next year December expiration EUA Futures Contracts.

### *Futures Roll*

The Index undergoes its roll over the three-month roll period falling in September, October, and November.

The index roll period runs from the first to the fifteenth business day of the months of September, October, and November. The EUA Futures Contract rolls in 33.33% increments per month (distributed evenly over the first to the fifteenth business day of each month) over the three-month roll period from the current year December expiration contract month to the next year December expiration contract month. For example, at the beginning of September 2021, the EUA Futures Contract will start rolling from the December 2021 to December 2022 expiration contract month.

<b>Roll Period Month</b>	<b>Roll-In Contract</b>	<b>Roll-Out Contract</b>
September	33.33%	66.67%
October	66.67%	33.33%
November	100.00%	0.00%

where:

- “Roll-In Contract” is the next year December expiration contract month during the roll period.
- “Roll-Out Contract” is the current year December expiration contract month during the roll period.

#### *Index Methodology*

The return of the Index is calculated based on the change in price levels of all of the current year December expiration contract month and (during the rolling period only) the next year December expiration contract month.

The Index is an excess return (and not a total return) index and therefore represents the return attributed purely to price movement of the constituent EUA Futures Contracts and excludes the interest earned on the collateral.

#### *Index Information*

Bloomberg Code: ICEEUA

You can obtain the Index methodology, most updated list of the constituents of the Index, their respective weightings, the last closing index level and additional information of the Index including important news from the website of the Index Provider at <https://www.theice.com/market-data/indices/equity-indices/funds> (the contents of which has not been reviewed by the SFC). The last closing Index level and performance are also available on Bloomberg via the above vendor code.

#### *Index Licence Agreement*

The initial term of the licence of the Index shall be 12 months commencing on 1 December 2021. Thereafter, the licence should be renewed for successive terms of one year unless either party to the licence agreement serves a written notice of termination of at least 180 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 Provider Disclaimer*

Source ICE Data Indices, LLC (“ICE Data”), is used with permission. “ICE” is a service/trade mark of ICE Data Indices, LLC or its affiliates. These trademarks have been licensed, along with the ICE

EUA Carbon Futures Index (the “Index”) for use by China International Capital Corporation Hong Kong Asset Management Limited (the “Manager”) in connection with CICC Carbon Futures ETF (the “Sub-Fund”). Neither the Manager nor the Sub-Fund, as applicable, is sponsored, endorsed, sold or promoted by ICE Data, its affiliates or its Third Party Suppliers (“ICE Data and its Suppliers”). ICE Data and its Suppliers make no representations or warranties regarding the advisability of investing in securities generally, in the Sub-Fund particularly, or the ability of the Index to track general stock market performance. ICE Data’s only relationship to the Manager is the licensing of certain trademarks and trade names and the Index or components thereof. The Index is determined, composed and calculated by ICE Data without regard to the Manager or the Sub-Fund or its holders. ICE Data has no obligation to take the needs of the Manager or the holders of the Sub-Fund into consideration in determining, composing or calculating the Index. ICE Data is not responsible for and has not participated in the determination of the timing of, prices of, or quantities of the Sub-Fund to be issued or in the determination or calculation of the equation by which the Sub-Fund is to be priced, sold, purchased, or redeemed. Except for certain custom index calculation services, all information provided by ICE Data is general in nature and not tailored to the needs of the Manager or any other person, entity or group of persons. ICE Data has no obligation or liability in connection with the administration, marketing, or trading of the Sub-Fund. ICE Data is not an investment advisor. Inclusion of a security within an index is not a recommendation by ICE Data to buy, sell, or hold such security, nor is it considered to be investment advice.

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## APPENDIX 7: CICC China Equity Fund

Investors should note that this Sub-Fund currently offers **Unlisted Class Units only**.

### Key Information

Set out below is a summary of key information in respect of this Sub-Fund which should be read together with the full text of this Appendix and this Prospectus.

<b>Base Currency</b>	Hong Kong Dollars (HKD)
<b>Distribution Policy</b>	Subject to the Manager's discretion, the Manager intends to pay distributions to Unitholders annually (in December each year). <b>All Units will receive distributions in the base currency (HKD) only.</b> Distributions may be made out of capital or effectively out of capital as well as income at the Manager's discretion. Any distributions out of capital or effectively out of capital may result in an immediate reduction in the Net Asset Value per Unit of the Sub-Fund.
<b>Investment Strategy</b>	Please refer to the section on "What is the investment strategy?" below
<b>Financial Year End</b>	31 December
<b>Class(es) Offered</b>	Class A (HKD)
<b>Minimum Initial Investment Amount</b>	Class A (HKD): HKD 5,000
<b>Minimum Subsequent Investment Amount</b>	Class A (HKD): HKD 5,000
<b>Minimum Holding Amount</b>	Class A (HKD): HKD 5,000
<b>Minimum Redemption Amount</b>	Class A (HKD): HKD 5,000
<b>Initial Offer Period</b>	9:00 a.m. (Hong Kong time) to 4:00 p.m. (Hong Kong time) on 21 July 2022 (or such other dates as the Manager may determine)
<b>Dealing Deadline</b>	4:00 p.m. (Hong Kong time) on the relevant Dealing Day
<b>Management Fee</b>	Class A (HKD): Currently 1.25% per annum of the Net Asset Value
<b>Trustee Fee</b>	Currently up to 1% per annum of the Net Asset Value
<b>Website</b>	<a href="https://cicchkam.com">https://cicchkam.com</a> (this website has not been reviewed by the SFC)

## What is the Investment Objective?

The Sub-Fund seeks to primarily invest in companies of the PRC to achieve long-term capital growth through exposure to PRC related companies.

## What is the Investment Strategy?

The Sub-Fund seeks to achieve its investment objective by using a diversified **long-only** strategy through a disciplined investment process and detailed fundamental research. The term “long-only” means that the Sub-Fund does not intend to enter into any short-selling transactions. The Manager’s disciplined investment process is based on the identification of investment opportunities taking into account expected risk and return levels of such investment opportunities and the Manager’s analysis of the economic and political environment.

To achieve the Sub-Fund’s investment objective, the Sub-Fund intends to invest primarily (i.e. at least 70% of its Net Asset Value) in (1) equity securities and equity equivalent securities (including American Depository Receipts (“**ADRs**”) and/or Global Depository Receipts (“**GDRs**”)) of companies that are domiciled in, or carrying out the main part of their economic activity in, the PRC; and (2) equity funds and/or exchange traded funds which will have similar investment objectives and/or strategies as the Sub-Fund. The Sub-Fund may invest up to 100% of its Net Asset Value directly in China A-Shares, through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (together, the “**Stock Connect**”) and/or indirectly by way of funded swap transactions or access products (e.g. China A-Share access products (“**CAAPs**”)) (subject to the net derivative exposure limit disclosed below in this Appendix) or funds investing in China A-Shares. CAAPs issued by counterparties provide the Sub-Fund with an exposure to the economic gain/loss in the performance of the China A-Shares net of fees and charges. The above investment in equity funds (including funds investing in China A-Shares) and/or exchange traded funds shall be less than 30% of the Sub-Fund’s Net Asset Value.

The Sub-Fund may also invest up to 100% of its Net Asset Value in equity securities issued by companies of any industry / sector or size, including companies listed on the ChiNext market and/or the Science and Technology Innovation Board (“**STAR Board**”). As such, the Sub-Fund may invest in small and mid-capitalization companies.

The Sub-Fund may hold less than 30% of the Net Asset Value of the Sub-Fund in cash, deposits, short-term papers such as treasury bills, certificates of deposit, bankers’ acceptances, short-term commercial paper and other fixed income instruments issued within and/or outside Hong Kong, pending suitable investment opportunities and for defensive and liquidity management purposes. It is intended that the Sub-Fund will only invest in fixed income instruments rated investment grade or above by an independent international rating agency, e.g. Fitch, Moody’s, Standard and Poor’s.

Less than 10% of the Net Asset Value of the Sub-Fund may be invested in convertible bonds. ■

The asset allocation of the Sub-Fund will change according to the Manager’s view of market conditions and the international investment trends and environment. Under exceptional circumstances (e.g. market crash or major crisis), the Sub-Fund may temporarily invest up to e.g. 100% of the Net Asset Value of the Sub-Fund in liquid assets such as bank deposits, certificates of deposit, commercial paper and treasury bills for defensive and cash flow management purposes.

The Sub-Fund may use FDIs for the purposes of reducing various risks, hedging, and investment (to gain exposure to various assets, markets or other investment opportunities (including derivatives which focus on equities), e.g. funded swap transactions, CAAPs, warrants, and futures).

The Manager will not enter into any securities lending, repurchase or reverse-repurchase transactions

in respect of the Sub-Fund.

#### *Use of derivatives*

The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's Net Asset Value.

### **Risk Factors Specific to the Sub-Fund**

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 to the Sub-Fund.

#### *Investment risk*

Investors should be aware that investment in the Sub-Fund is subject to normal market fluctuations and other risks inherent in the underlying assets into which the Sub-Fund may invest. There can be no assurance that any appreciation in value of investments will occur. There is no guarantee of repayment of principal.

#### *Risks of investing in equity securities*

The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

#### *Active investment management risk*

The Manager employs an actively managed investment strategy for the Sub-Fund. The Sub-Fund does not seek to track any index or benchmark, and there is no replication or representative sampling conducted by the Manager. Instead, investments of the Sub-Fund will be based on the Manager's view of market conditions and international investment trends and environment. The Sub-Fund may fail to meet its objective as a result of the Manager's selection of investments for the Sub-Fund, and/or the implementation of processes which may cause the Sub-Fund to underperform as compared to other funds with a similar objective.

Whilst it is the intention of the Manager to implement strategies which are designed to achieve the investment objective, there can be no assurance that these strategies will be successful. The Manager may not be successful in selecting the best-performing instruments or investment techniques. Accordingly, there is a risk that investors may not recoup the original amount invested in the Sub-Fund or may lose a substantial part or all of their initial investment.

#### *Risk of specific investment strategy*

The Sub-Fund's diversified long-only strategy may not achieve the desired results under all circumstances and market conditions.

#### *Concentration risk*

The Sub-Fund's investments are concentrated in companies which have significant business exposure to the PRC (including Hong Kong, Macau and Taiwan). The Sub-Fund is therefore likely to be more volatile than a broad-based fund that adopts a more diversified strategy. The value of the Sub-Fund may be more susceptible to economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event adversely affecting the PRC markets.

#### *Mainland China market risks*



The Sub-Fund's investments in Mainland China may involve increased risks and special considerations not typically associated with an 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.

High market volatility and potential settlement difficulties in the Mainland Chinese markets may result in significant fluctuations in the prices of the securities traded on such markets, and may thereby adversely affect the value of the Sub-Fund.

Securities exchanges in Mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the Sub-Fund.

Please also refer to "Risks Associated with Mainland China" under the section headed "Risk Factors" in Part 1 of this Prospectus.

#### *Risks associated with the Stock Connect*

The Sub-Fund's investments through the Stock Connect may be subject to the following risks.

##### Quota Limitations

The Stock Connect is subject to quota limitations. In particular, once the remaining balance of the Northbound Daily Quota drops to zero or the Northbound Daily Quota is exceeded during the opening call session, new buy orders will be rejected (though investors will be allowed to sell their cross-boundary securities regardless of the quota balance). The Sub-Fund's ability to invest in China A-Shares through the Stock Connect may be affected.

##### Suspension Risk

It is contemplated that both the SEHK and the SSE would reserve the right to suspend Northbound and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the Northbound trading is effected, the Sub-Fund's ability to access the Mainland China market through the Stock Connect will be adversely affected.

##### Differences in Trading Day

The Stock Connect will only operate on days when both the Mainland China and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days, so it is possible that there are occasions when it is a normal trading day for the Mainland China market but Hong Kong investors (such as the Sub-Fund) cannot carry out any China A-Shares trading.

##### Operational Risk

The Stock Connect provides a new channel for investors from Hong Kong and overseas to access the Mainland China stock market directly. Market participants are able to participate in this programme subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house. Market participants may need to address issues arising from the differences on an on-going basis.

Further, the "connectivity" in the Stock Connect requires routing of orders across the border. This requires the development of new information technology systems on the part of the SEHK and exchange participants. There is no assurance that the systems of the SEHK and market participants

will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems fail to function properly, trading in both markets through the programme could be disrupted.

#### Recalling of Eligible Stocks

If a stock is recalled from the scope of eligible stocks for trading via the Stock Connect, the stock can only be sold and cannot be bought. This limits the scope of eligible stocks in which the Sub-Fund may invest.

#### Clearing and Settlement Risk

The HKSCC and CSDCC establish clearing links and each has become a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house. Should the remote event of CSDCC default occur and the CSDCC be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against the CSDCC. HKSCC will in good faith seek recovery of the outstanding stocks and monies from the CSDCC through available legal channels or through the CSDCC's liquidation. In that event, the Sub-Fund may suffer delay in the recovery process or may not be able to fully recover its losses from the CSDCC.

#### Regulatory Risk

The Stock Connect is subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in Mainland China and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connect. The regulations are untested and there is no certainty as to how they will be applied, and are subject to change. There can be no assurance that the Stock Connect will not be abolished.

#### Coverage of Investor Compensation Fund

Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong. For defaults occurring on or after 1 January 2020, the Investor Compensation Fund also covers investors' losses in relation to securities traded on a stock market operated by the SSE or the SZSE and in respect of which an order for sale or purchase is permitted to be routed through the northbound link of a Stock Connect arrangement. On the other hand, since the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not Mainland brokers, it is not protected by the China Securities Investor Protection Fund (中國投資者保護基金) in Mainland China. Therefore, the Sub-Fund is exposed to the risks of default of the broker(s) it engages in its trading in China A-Shares through the programme.

#### *RMB currency and conversion risks*

The underlying investments of the Sub-Fund are mainly denominated in RMB. RMB is currently not freely convertible and is subject to exchange controls and restrictions.

The Sub-Fund is exposed to foreign exchange risk and there is no guarantee that the value of RMB against the Sub-Fund's base currency (i.e. HKD) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Sub-Fund. Further, the NAV of the Sub-

Fund may be affected unfavorably by fluctuations in the exchange rates between RMB and its base currency and by changes in exchange rate controls.

Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

Under exceptional circumstances, payment of redemptions may be delayed due to the exchange controls and restrictions applicable to RMB.

Please also refer to “Risks Associated with the RMB Currency” under the section headed “Risk Factors” in Part 1 of this Prospectus.

#### *Risk associated with small and mid-capitalization companies*

The Sub-Fund may invest in small and mid-capitalization companies. The stocks of such companies may have lower liquidity and their prices are more volatile to adverse economic development than those of larger capitalization companies in general.

#### *Foreign exchange risks*

An investment in the Sub-Fund may involve exchange rate risk, the underlying investments of the Sub-Fund may be denominated in currencies other than the base currency of the Sub-Fund (which is HKD). The Net Asset Value of the Sub-Fund may be affected unfavorably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls. Please also refer to “Foreign Exchange Risk” under the section headed “Risk Factors” in Part 1 of this Prospectus.

#### *Debt securities risks*

*Short-term debt instruments risk* - As the Sub-Fund may invest in short-term debt instruments with short maturities, it means the turnover rates of the Sub-Fund’s investments may be relatively high and the transaction costs incurred as a result of the purchase or sale of short-term debt instruments may also increase which in turn may have a negative impact on the Net Asset Value of the Sub-Fund.

*Credit/counterparty risk* - Investment in debt securities is subject to the credit risk of the issuers which 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 issuers of the debt securities held by the Sub-Fund, valuation of the Sub-Fund’s portfolio may become more difficult, the Sub-Fund’s value will be adversely affected and investors may suffer a substantial loss as a result.

Fixed income instruments are offered on an unsecured basis without collateral, and will rank equally with other unsecured debts of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer’s assets will be paid to holders of debt securities only after all secured claims have been satisfied in full. The Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

Changing market conditions or other significant events, such as credit rating downgrades affecting issuers or major financial institutions, may also pose valuation risk to the Sub-Fund as the value of the Sub-Fund’s portfolio of debt securities, including corporate bonds and commercial papers, may become more difficult or impossible to ascertain. In such circumstances, valuation of the Sub-Fund’s investments may involve uncertainties and judgemental determinations as there is a possibility that independent pricing information may at times be unavailable. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may need to be adjusted and may be adversely affected. Such events or credit rating downgrades may also subject the Sub-Fund to increased liquidity risk as it may become more difficult for the Sub-Fund to dispose its holdings of bonds at a

reasonable price or at all.

*Credit rating risk* - Credit ratings assigned by international rating agencies (e.g. Fitch, Moody's, Standard and Poor's) are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.

*Credit rating downgrades risk* - The credit rating of a debt instrument or its issuer may subsequently be downgraded. In the event of such downgrading, the value of the Sub-Fund may be adversely affected. There is no assurance that the debt instruments invested by the Sub-Fund or the issuer of the debt instruments will continue to have an investment grade rating or continue to be rated. The Manager may or may not be able to dispose the debt instruments that are being downgraded.

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

*Valuation Risk* - Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

#### *Risks associated with bank deposits*

Bank deposits are subject to the credit risks of the relevant financial institutions. The Sub-Fund's deposit may not be protected by any deposit protection schemes, or the value of the protection under the deposit protection schemes may not cover the full amount deposited by the Sub-Fund. Therefore, if the relevant financial institution defaults, the Sub-Fund may suffer losses as a result.

#### *Interest rate risk*

Investment in the Sub-Fund is subject to interest rate risk. Interest rate risk is the risk that the value of the Sub-Fund's portfolio will decline because of rising interest rates. In general, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise.

#### *Risk of financial derivative instruments*

The Manager invest in FDIs (e.g. funded swap transactions, CAAPs, warrants, and futures), subject to the investment restrictions applicable to the Sub-Fund as set out under the heading "Investment Restrictions" in the section headed "Investment Objective, Strategy and Restrictions, Securities Lending and Borrowing" in Part 1 of this Prospectus. These instruments can be highly volatile and expose investors to increased risk of loss. There is no guarantee that the use of FDIs for hedging or risk mitigation / reduction will be effective. Exposure to FDI may lead to a high risk of substantial loss by the Sub-Fund. Please also refer to "Financial Derivative Instruments and Collateral Risks" under the section headed "Risk Factors" in Part 1 of this Prospectus.

#### *Risk associated with access products*

The Sub-Fund may invest indirectly in China A-Shares by way of access products (e.g. CAAPs), which are designed to mirror the returns on the underlying China A-Shares. While investment in CAAPs entitles the holder to potential profits calculated by reference to the underlying China A-Share to which the CAAPs are linked, it is not an investment directly in the China A-Shares themselves. The holders of CAAPs have no legal, beneficial or proprietary interest in or to the underlying China A-Shares and have no rights to make any claim against the issuer of such underlying China A-Shares.

The Sub-Fund may obtain exposure to the price appreciation/depreciation and dividend payments in respect of the underlying China A-Shares but such products may not reflect the full economic benefits of holding the underlying China A-Shares, such as voting rights at meetings of the holders of such China A-Shares.

CAAPs are subject to the terms and conditions imposed by their issuers. These terms may lead to delays in implementing the Sub-Fund's investment strategy due to the restrictions they may place on the issuer acquiring or disposing of the securities underlying the CAAPs or on the implementation of realisations and payment of realisation proceeds to the Sub-Fund. Investment in CAAPs can be illiquid as there is no active market in CAAPs. In order to meet realisation requests, the Sub-Fund relies upon the counterparty issuing the CAAPs to quote a price to unwind any part of the CAAPs. This price will reflect the market liquidity conditions and the size of the transaction.

By seeking exposure to investments in certain China A-Shares through CAAPs, the Sub-Fund is taking on, the credit risk of the issuer of the CAAPs. In addition, there is a risk that the issuer will not settle a transaction due to a credit or liquidity problem, thus causing the Sub-Fund to suffer a loss.

Issuers of CAAPs may transfer any possible tax liability by requiring their investors of CAAPs to provide indemnities of possible tax imposed by the tax authorities.

Investment through CAAPs may negatively impact the performance of the Sub-Fund when compared to a fund investing directly in similar assets because of the higher transaction costs involved. This may impact on the performance of the Sub-Fund.

CAAPs may be denominated in currencies other than RMB, and as a result, may expose the Sub-Fund to foreign exchange fluctuations between the denominated currency of the CAAPs and RMB.

Relevant rules and/or the interpretation thereof by the Mainland Chinese authority may be varied in the future. There can be no assurance that any revisions to such rules and/or the change to the interpretation thereof by the Mainland Chinese authority will not prejudice the CAAPs. Further, the use of any direct access channels is subject to review by the competent Mainland Chinese authority from time to time. The investment status of any CAAPs issuer may be cancelled, reduced or eliminated in case of serious breach of law by such issuer, the occurrence of which is likely to have an adverse impact on the Sub-Fund.

#### *Risks associated with funded swap transactions*

The Sub-Fund may obtain exposure to China A-Shares indirectly by way of funded swap transactions. The Manager seeks to mitigate the counterparty risks by fully collateralising all counterparty exposures. There is a risk that the value of the collateral may be substantially lower than the amount secured and so the Sub-Fund may suffer significant losses. Any loss would result in a reduction in the Net Asset Value of the Sub-Fund and impair the ability of the Sub-Fund to achieve its investment objective.

The Sub-Fund may suffer significant losses if the counterparty fails to perform its obligations under the funded swap. The value of the collateral assets may be affected by market events and may cause the Sub-Fund's exposure to the swap counterparty be under-collateralised and therefore result in significant losses.

#### *Risks associated with the ChiNext market and/or the STAR Board*

The Sub-Fund may invest in the ChiNext market and/or the STAR Board via the Stock Connect. Investments in the ChiNext market and/or the STAR Board may result in significant losses for the Sub-Fund and its investors.

The following additional risks apply:

Higher fluctuation on stock prices and liquidity risk - Listed companies on the ChiNext market and/or the STAR Board are usually of emerging nature with smaller operating scale. Listed companies on the ChiNext market and the STAR Board are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, companies listed on these boards are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the main board.

Over-valuation risk - Stocks listed on the ChiNext and/or the STAR Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

Differences in regulation - The rules and regulations regarding companies listed on the ChiNext market and the STAR Board are less stringent in terms of profitability and share capital than those in the main boards.

Delisting risk - It may be more common and faster for companies listed on the ChiNext market and/or the STAR Board to delist. The ChiNext market and the STAR Board have stricter criteria for delisting compared to the main boards. This may have an adverse impact on the Sub-Fund if the companies that it invests in are delisted.

Concentration risk (applicable to the STAR Board) - The STAR Board was established relatively recently and may have a relatively limited number of listed companies during the initial stage. Investments in the STAR Board may be concentrated in a small number of stocks and subject the Sub-Fund to higher concentration risk.

#### *Liquidity risk*

Liquidity risk exists when a particular investment is difficult to purchase or sell. If the Sub-Fund invests in illiquid Securities or the current market become illiquid, it may reduce the returns of the Sub-Fund because the Sub-Fund cannot sell the illiquid Securities at an advantageous time or price. The cost of dealing may be high in such illiquid markets. A disruption in the asset allocation in the Sub-Fund is also possible if underlying Securities cannot be purchased or sold.

#### *Distribution risk*

Dividend distributions are not guaranteed and are subject to the discretion of the Manager. Therefore, investors may not receive any dividends from the Sub-Fund, notwithstanding that the Sub-Fund may receive interests from the underlying investments it holds.

#### *Distributions out of or effectively out of capital risk*

The Manager may, at its discretion make distributions out of capital. The Manager may also, at its discretion, make distributions out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of the capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Unit. The Manager may amend its distribution policy subject to the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

#### *Risks of investing in convertible bonds*

Convertible bonds are a hybrid between debt and equity, permitting holders to convert into shares in the company issuing the bond at a specified future date. As such, convertible bonds will be exposed to equity movement and greater volatility than straight bond investments. Investments in convertible bonds are subject to the same interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable straight bond investments.

### *Risks associated with Depositary Receipts*

Exposure to depositary receipts including ADRs and GDRs may generate additional risks compared to a direct exposure to the corresponding underlying stocks, in particular, the risk of non-segregation under applicable law of the depositary bank who holds the underlying stock as collateral and its own assets. In case of bankruptcy of the depositary bank, there could be a risk that the underlying shares would not be attributed to holders of depositary receipts, although segregation is an integral part of the depositary agreement regulating the issuance of the ADRs. In such case, the most likely scenario would be the trading suspension and thereafter a freeze of the price of the depositary receipts impacted by such bankruptcy event. Bankruptcy events in respect of the depositary banks issuing the depositary receipts may negatively affect the performance and/or the liquidity of the Sub-Fund. There are fees related to depositary receipts, for example fees charged by banks for the custody of underlying assets of depositary receipts, which may impact the performance of the depositary receipts. Also, holders of depositary receipts are not direct shareholders of the underlying company and generally do not have voting and other shareholder rights as shareholders do. The Sub-Fund may also be subject to liquidity risk as depositary receipts are often less liquid than the corresponding underlying stocks.

### **Mainland China Tax Implications**

The Mainland China tax summary in this section is general in nature and does not propose to cover all Mainland China tax consequences with respect to an investment in the Sub-Fund. This summary is not intended or written to be used, and may not be used, by any taxpayer in order to avoid taxes which may be imposed on the taxpayer under Mainland China tax law or the tax law of any other country or jurisdiction. This summary was written to support the promotion or marketing of the Sub-Fund. Each taxpayer should seek tax advice from an independent tax adviser based on the taxpayer's particular circumstances.

Under the prevailing Mainland China tax regimes, foreign investment in financial instruments in Mainland China securities and bond markets would normally be subject to Mainland China Corporate Income Tax (“**CIT**”), Withholding Income Tax (“**WHT**”), Value Added Tax (“**VAT**”) and Stamp Duty (“**SD**”).

#### 1) China Taxation in General

##### CIT

Under the prevailing Mainland China CIT Law, a Mainland China Tax Resident Enterprise (“**TRE**”) is subject to CIT on its worldwide income. A foreign enterprise with a “place of effective management” within the Mainland China is also regarded as a Mainland China TRE.

The “place of effective management” refers to the place where the exercise, in substance, of the overall management and control of the production and business operation, personnel, accounts and assets is located.

A non-TRE with an establishment or a place of business in Mainland China shall pay CIT on income derived by such establishment or place from sources in Mainland China as well as income derived from outside Mainland China that is effectively connected with such establishment or

place.

An “establishment or place” is defined under Mainland China CIT law as an establishment or place in Mainland China engaging in production and business operations, including management and business organisations, representative offices, places where natural resources are exploited, labor services are rendered, contractor projects are undertaken, and other establishments or places where production and business activities are undertaken. Business agents who regularly sign contracts, store and deliver goods, etc. on behalf of non-TREs would also be regarded as creating an establishment or place of business in Mainland China under CIT law.

Under the CIT law, the standard CIT rate is 25%.

A non-TRE that has no establishment or place in Mainland China is taxed only on its Mainland China-source income. A unilateral concessionary rate of 10% WHT will be applied on gross income derived from dividends, interest and other Mainland China-source passive income unless reduced under a tax treaty or tax arrangement.

The Sub-Fund, together with the Manager, do not intend to operate in a way that would cause the Sub-Fund to be treated as Mainland China TREs or to have an establishment or a place in Mainland China, although this cannot be guaranteed. It is possible, however, that the Mainland China tax authorities could disagree with such an assessment or that changes in Mainland China tax law could affect the Mainland China CIT status of the Sub-Fund.

If the Sub-Fund does not have a place of effective management, an establishment or a place of business in Mainland China, the Sub-Fund will normally be regarded as a non-TRE.

Generally, overseas investors would be subject to Mainland China WHT at 10% on its gross income from dividends, interest and capital gains realized from the holding and disposal of the shares in the Mainland China investee companies unless reduced/waived under Mainland China tax laws and regulations or relevant tax treaties/tax arrangements.

#### VAT

General VAT payers are subject to VAT at 6% on the gains derived from trading financial instruments in Mainland China (including equity or equity-linked securities) and various interest income from Mainland China.

#### SD

SD is levied on certain taxable documents executed or used in Mainland China. Currently, SD is levied on sellers only, at 0.1% of the total transfer value when trading China A-Shares. The sale or purchase of PRC domestic bonds investments does not fall in the SD taxable scope and are not subject to PRC SD.

## 2) China A-Share Investments via the Stock Connect

- Capital Gains

#### WHT

According to Circular Caishui [2014] No.81 and Circular Caishui [2016] No.127, overseas investors are temporarily exempt from Mainland China WHT on the gains from trading China A-Shares via Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.



However, it is uncertain how long the temporary exemption will last, and whether it will be repealed and re-imposed retrospectively.

#### VAT

VAT exemption would be granted to capital gains derived from trading China A-Shares by overseas investors through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

#### SD

SD is levied on certain taxable documents executed or used in Mainland China. Currently, SD on China A-Shares transactions is imposed on the transferors only, at 0.1% of the total transfer value.

- Dividends

#### WHT

Dividends derived by overseas investors from China A-Shares via stock connects are subject to WHT at 10%. Under the current Mainland China tax regulations, China A-Shares listed companies are required to withhold and settle such WHT with Mainland China tax authorities.

#### VAT

Dividends from China equity investments are not subject to VAT in China.

### 3) Investments in Other Asset Classes

Technically but lack of clarity, capital gains derived by foreign investors from trading China bonds are not subject to PRC WHT, unless specific tax rules are implemented by China tax authorities in the future to state otherwise.

According to Circular Caishui [2016] No.36 and Circular Caishui [2016] No.70, foreign investors are exempt from VAT on trading gains from Mainland China onshore bonds.

In addition, trading Mainland China onshore bonds are not subject to SD in Mainland China.

According to Public Notice 34, interest income derived by overseas institutional investors from Mainland China domestic bond markets are temporarily exempt from WHT and VAT during the period from 7 November 2021 to 31 December 2025 provided that such bond interest income is not derived by the establishment or place of business of the overseas investors in Mainland China or effectively connected with such establishment or place. However, it is uncertain whether this temporary exemption will be further extended after expiration.

In Mainland China, the prevailing Mainland China tax laws may not fully cover the tax treatment on income derived from the new asset classes. The current tax policies could be a reference. However, it is subject to further clarification of regulatory and tax authorities on the tax treatment on investments in other assets classes.

Based on professional and independent tax advice, the Sub-Fund does not currently make any withholding corporate income tax provision on the gross realized or unrealized capital gains derived from the trading of China A-Shares (via the Stock Connect and/or indirectly by way of funded swap

transactions or access products (e.g. CAAPs) or funds investing in China A-Shares).

However, any Mainland China tax liabilities and/or amounts that are levied in connection with Mainland China CIT, WHT, VAT and SD on the gains or income of the Sub-Fund's investments made via the Stock Connect may ultimately be recharged to and borne by the Sub-Fund. In light of the foregoing, the Sub-Fund reserves the right to provide for Mainland China taxes on such gains or income and withhold Mainland China taxes for the account of the Sub-Fund. Accordingly, the value and profitability of the Sub-Fund may be affected.

It should also be noted that there is a possibility that Mainland China tax laws, regulations, rules or interpretation and enforcement thereof may change in the future and may apply retrospectively. As such, any provision for taxation that may need to be made by the Manager may be excessive or inadequate to cover Mainland China tax liabilities. Consequently, Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision, and when they subscribed and/or redeemed their Units. If the provision for taxation made by the Manager is inadequate to cover the actual Mainland China tax liabilities, the Sub-Fund may have to indemnify the Manager for any Mainland China tax suffered by the Manager in its capacity as the Manager for the Sub-Fund.

Unitholders should seek their own tax advice on their Mainland China tax position on their investment in the Sub-Fund.

### **Subscription, Redemption and Switching of Unlisted Class Units**

#### *Unlisted Class(es) of Units*

The Sub-Fund currently offers the following Unlisted Class(es) of Units to investors:

Class	Minimum initial investment amount	Minimum subsequent investment amount	Minimum holding amount	Minimum redemption amount
Class A (HKD)	HKD 5,000	HKD 5,000	HKD 5,000	HKD 5,000

#### *Initial Offer Period*

The Initial Offer Period of the Class A (HKD) Units is the period commencing 9:00 a.m. (Hong Kong time) to 4:00 p.m. (Hong Kong time) on 21 July 2022 (or such other dates as the Manager may determine).

The initial Subscription Price for Class A (HKD) Units is HKD 100.

#### *Subscription and Redemption Procedures*

The following apply to Unlisted Class(es):

- Dealing Day: each Business Day
- Dealing Deadline: 4:00 p.m. (Hong Kong time) on each Dealing Day
- Cleared Funds Deadline: 4:00 p.m. (Hong Kong time) on each Dealing Day

- Valuation Point: the official close of trading on the last relevant Market on which the Securities constituting the Sub-Fund are listed to close

Please refer to the sections headed “Subscription of Unlisted Class Units” and “Redemption of Unlisted Class Units” in Part I of this Prospectus for further details on the subscription, redemption, and payment procedures in respect of Unlisted Class Units.

#### *Payment Procedures for Subscription of Unlisted Class Units*

As disclosed in the sub-section headed “Payment Procedures” under the section headed “Subscription of Unlisted Class Units” in Part I of this Prospectus, if payment in full in cleared funds for Unlisted Class Units have not been received by the Dealing Day immediately after the Dealing Day on which payment for the relevant Unlisted Class Units is due, the Manager has (without prejudice to any claim in respect of the failure of the applicant to make payment when due on such next Dealing Day) the absolute discretion to reject such application and no Unlisted Class Units in respect of such application will be issued.

However, in dealing with subscription applications for Unlisted Class Units of the Sub-Fund, payment for Units issued for cash shall be due and subscription monies in cleared funds must be received by the Cleared Funds Deadline, unless otherwise agreed by the Manager. The Sub-Fund may rely upon applications received on a Dealing Day to issue Units to investors according to such application orders and invest the expected application amounts. In any event, if payment is not cleared within three Business Days following the relevant Dealing Day, or such other time as the Manager shall determine and notify to the relevant applicant, the Manager reserves the right to (without prejudice to any claim in respect of the failure of the applicant to make payment when due) cancel the transaction.

Upon such cancellation, the relevant Unlisted Class Units shall be deemed never to have been issued and the applicant shall have no right to claim in respect thereof against the Manager or the Trustee, provided that: (i) no previous valuations of the Sub-Fund shall be re-opened or invalidated as a result of the cancellation of such Unlisted Class Units; (ii) the Manager and the Trustee may charge the applicant a cancellation fee to represent the administrative costs involved in processing the application for such Unlisted Class Units from such applicant; and (iii) the Manager and the Trustee may require the applicant to pay (for the account of the Sub-Fund in respect of each Unlisted Class Unit so cancelled) the amount (if any), by which the Subscription Price of each such Unlisted Class Unit exceeds the Redemption Value of such Unlisted Class Unit on the day of cancellation (if such day is a Dealing Day for the relevant Unlisted Class) or the immediately following Dealing Day plus interest on such amount until receipt of such payment by the Trustee.

#### *Price adjustment policy*

As disclosed in the sub-section headed “Subscription Price” under the section headed “Subscription of Unlisted Class Units” and the sub-section headed “Redemption Value” under the section headed “Redemption of Unlisted Class Units” in Part I of this Prospectus, in calculating the Subscription Price of Unlisted Class Units, the Manager may impose such amount as the Manager may estimate as appropriate to reflect any Duties and Charges which would be incurred for the account of the relevant Sub-Fund in investing an amount equal to that Net Asset Value per Unit of such Unlisted Class, and in calculating the Redemption Value, the Manager may deduct such amount as the Manager may estimate as appropriate to reflect any Duties and Charges which would be incurred for the account of the relevant Sub-Fund in realising assets or closing out positions to provide funds to meet any redemption request.

However, in calculating the Subscription Price and Redemption Value of Unlisted Class Units of the Sub-Fund, the Manager does not intend to impose or deduct any amount to reflect Duties and Charges which would be incurred for the account of the relevant Sub-Fund in investing an amount

equal to that Net Asset Value per Unit or realising assets or closing out positions to provide funds to meet any redemption request. The price adjustment policy as detailed below is instead adopted for the Sub-Fund.

With a view to protecting the interests of all Unitholders of the Sub-Fund, the Manager may, in relation to any Dealing Day (if in the Manager's opinion in good faith it is in the interest of Holders of the Sub-Fund to do so having regard to the amount of subscription and redemption requests in respect of the relevant Unlisted Class of Units of the Sub-Fund received in relation to that Dealing Day), adjust the Subscription Price and/or the Redemption Value upwards or downwards. Such adjustment is intended to mitigate the effect of transaction costs on the Net Asset Value of the Sub-Fund and will be made where the aggregate net transactions (either net subscriptions or net redemptions) as a percentage of the Sub-Fund's Net Asset Value have exceeded a pre-determined threshold rate set by the Manager from time to time. In such circumstances, the Net Asset Value per Unit may be adjusted by a pre-defined rate not exceeding 1% of that Net Asset Value. Under extreme market conditions (such as market crash, global financial crisis or global pandemic), the Manager may increase such rate to protect interests of the Unitholders with prior notification.

For the avoidance of doubt:

- (a) the Subscription Price and Redemption Value, prior to any adjustment, will be determined with reference to the same Net Asset Value per Unit of the relevant Unlisted Class;
- (b) the Subscription Price or the Redemption Value as so adjusted shall apply in respect of all subscriptions or redemptions, as applicable, of Units of the relevant Unlisted Class on the relevant Dealing Day;
- (c) it is not the intention of the Manager to adjust the Subscription Price upwards and the Redemption Value downwards on the same Dealing Day;
- (d) no pricing adjustment will be applied unless the foregoing pre-determined threshold rate has been exceeded; and
- (e) any adjustment in the Subscription Price or Redemption Value must be made on a fair and equitable basis.

### **Switching**

Investors should note that switching between Unlisted Class Units of the Sub-Fund and Unlisted Class Units of other Sub-Fund(s) of the Trust is not available.

### **Distribution Policy**

Subject to the Manager's discretion, the Manager intends to declare and distribute net dividends to Unitholders annually. The Manager will make an announcement prior to any distribution in respect of the relevant distribution amount in HKD only. Distributions may be made out of capital as well as income at the Manager's discretion. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital.

Distribution payment rates in respect of Units will depend on factors beyond the control of the Manager or Trustee including, general economic conditions, and the financial position and dividend or distribution policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions.

Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment out of or effectively out of the Sub-Fund's capital may result in an immediate reduction in the Net Asset Value per Unit.

The composition of distributions payable on Units (i.e. the relative amounts of distributions paid and the percentages of dividends out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the website <https://cicchkam.com> (this website has not been reviewed by the SFC). The Manager may amend the Sub-Fund's distribution policy with respect to the distributions out of capital or effectively out of capital of the Sub-Fund subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to Unitholders.

### **Fees and Expenses**

Fees payable by investors of Unlisted Class Units:

Subscription Fee	Up to 5% of the total subscription amount
Redemption Fee	Nil
Switching Fee	Not applicable

Fees and expenses payable from assets of the Sub-Fund:

	Current	Maximum
Management Fee	1.25% of the Net Asset Value of the Unlisted Class	Up to 3% of the Net Asset Value of the Unlisted Class
Trustee Fee	Up to 1% of the Net Asset Value of the Unlisted Class	Up to 1% of the Net Asset Value of the Unlisted Class
General Expenses	The following fees and expenses may be payable out of and borne by the Unlisted Class: The Registrar's fees, fees and expenses of the auditors, securities transaction fee, ordinary out-of-pocket expenses incurred by the Manager or the Trustee or its agents.	